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1. Program Basics

1.1. Product Codes

Code	Description
JF30A	JUMBO FIXED 30YR AMERIHOME
JF15A	JUMBO FIXED 15YR AMERIHOME
JA5LA	JUMBO ARM 5/1 LIBOR AMERIHOME
JA7LA	JUMBO ARM 7/1 LIBOR AMERIHOME
JA10LA	JUMBO ARM 10/1 LIBOR AMERIHOME

1.2. Transaction Type

- Purchase
- Rate/Term Refinance
- Cash-out Refinance

1.3. Ineligible Transactions

- Loans to finance the initial construction of a dwelling, or (one time close) construction to permanent loans, or construction to perm financing when Borrower held title to property during the construction phase.
- Primary Residence or Second Home transactions that are not Safe Harbor, QM including high cost mortgages or higher priced morgages (HPML or HPCT)
- Loans with temporary buy downs or prepayment penalties
- Contracts for Deeds or Installment Land Contracts

1.4. Texas A6

Not Eligible

1.5. Eligible States

Eligible States Matrix

1.6. LTV/CLTV

See LTV Matrix

1.7. Minimum Loan Amount

$1 over Conforming Limit

1.8. Maximum Loan Amount

See LTV Matrix

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1.9. Eligible Property Types

Primary Residence
- 1-4 Unit SFR
- PUD
- Condo

Second Home
- 1 Unit SFR, Condo, PUD

Investment
- 1 Unit SFR, Condo, PUD

1.10. Temporary Buydowns

Not Allowed

1.11. Interest Only

Not Allowed

1.12. Subordinate Financing

New Subordinate Lien Documentation: A copy of the Note and a certified copy of the security instrument indicating that it is being recorded subordinate to the new first lien are required.

Re-subordinating Lien Documentation: A copy of the Note and a certified copy of the executed subordination agreement (or equivalent, as required by applicable state law) must be delivered with the Mortgage Loan file.

HELOCs

- The entire credit line limits must be used to calculation the CLTV and determine program eligibility.
- If an existing HELOC is reduced without modifying the original Note, the original line limit must be used to calculate the CLTV ratio.
- If an existing HELOC is reduced with a modification of the original note, the modified line limit may be used to calculate the CLTV ratio.

1.12.1. Subordinate Lien Requirements

- Mortgage must be clearly subordinate to the Mortgage Loan being sold.
- Mortgage cannot have a maturity date or a call option date of less than five years (from closing date), unless it is fully amortizing.
- Monthly payments on subordinate financing must be included in housing and debt ratio analysis.

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- Scheduled payments under the subordinate financing must be due on a regular basis, e.g., monthly, quarterly, or semi-annually, but no less than semi-annually and must be at least sufficient to meet the interest due.
- Subordinate financing must fully amortize during its term.

1.12.2. Employer Provided Subordinate Financing

Subordinate financing received from the borrower's employer may be in the form of an unsecured loan or a mortgage loan and does not need to require regular payments of either principal and interest or interest only. A copy of the contract from the employer describing the terms of the financing is required.

- The financing may be structured in any of the following ways:
- Fully amortizing level monthly payments
- Deferred payments for some period changing to fully amortizing level payments
- Deferred payment over the entire term
- Forgiveness of the debt over time
- The financing terms may provide for the employer to require full repayment of the debt if the Borrower's employment is terminated, either voluntarily or involuntarily, before the maturity date of the subordinate financing.

1.12.3. Ineligible Subordinate Financing

- Subordinate mortgages through a Community Second Mortgage/Down Payment Assistance Program
- Subordinate mortgages held by the property seller
- Tax and judgment liens
- Subordinate mortgages subject to an interest rate buy-down plan
- Subordinate mortgages that have wraparound terms
- Subordinate mortgages that contain resale or repayment restrictions
- Subordinate mortgages that allow negative amortization (this does not include language in the Note that warns borrowers that the lack of payment may result in negative equity and negative amortization is not a feature of the product), contain a balloon feature, or a prepayment restriction/penalty.
- All loans must be Qualified Mortgages meeting the requirements in 12 CFR §1026.43(e)(2).
- All transactions must be Safe Harbor QM: Rebuttable Presumption QM loans. HPML and HPCT are not eligible for purchase.
- Maximum points and fees for all loans in this program are limited to 3%.

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2. Borrower Eligibility

All borrowers must have a valid social security number

2.1. Eligible Borrowers

- U.S. Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens
  - Primary residence only
  - Maximum LTV/CLTV for 1-2 units is 75%, Maximum LTV/CLTV for 3-4 units is 70

Family Member defined as:

- Parents
- Siblings
- Children
- Spouse
- Grandparents
- Aunts, Uncles
- Domestic Partner
- Fiancé or Fiancée

2.2. Ineligible Borrowers

- Non-Permanent Resident Alien for second home or investment property or not meeting the Non-Permanent Resident requirements above
- Non-individual legal entities such as corporations, general or limited partnerships, LLCs, real estate syndications, or investment trusts
- Borrowers with diplomatic immunity, or Foreign Politically Exposed persons
- Foreign Nationals, Non-Resident Aliens

2.3. Power of Attorney

In certain situations, a specific, special, military, or limited Power of Attorney (POA) may be acceptable. Must follow all MWF POA guides as well.

Use of POAs is **not** allowed for transactions with any of the following:

- Cash Out Refinance
- Non Owner Occupied (investment) properties
- Title in a Trust
- Non Occupant Borrowers

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- Settlement Agent must not act as the attorney-in-fact or sign documents on behalf of any party to the transaction

2.4. Trust Vesting

Trust Eligibility/Occupancy Requirements:

- Revocable Inter Vivos "Living" trusts are acceptable subject to the following:
  - A copy of the trust agreement is required, except in states where lenders are required by state law to accept a certification of trust or a summary of trust.
  - Documents for loans where title is taken in a trust cannot be signed with a Power of Attorney.
  - Loans must meet the requirements in Fannie Mae Mortgage Documentation and Signature Requirements, which among other things requires that the individuals establishing the Trust ("Borrowers") must sign as both individuals and Trustees. Land trusts (such as Illinois Land Trusts) and Community Land Trusts are not permitted.

2.5. Permanent Resident Alien

A permanent resident is a non-U.S. citizen who is legally eligible to maintain permanent residency in the U.S. and holds a Permanent Resident card. Document legal residency with one of the following:

- A valid and current Permanent Resident card (form I-551)
- A passport stamped "processed for I-551, Temporary evidence of lawful admission for permanent residence. Valid until_______. "Employment authorized." This evidences that the holder has been approved for, but not issued, a Permanent Resident card.

2.6. Non-Permanent Resident Alien

A non-permanent resident is a non-U.S. citizen who lawfully enters the US for specific time-periods under the terms of a Visa. A non-permanent resident status may or may not permit employment. Verification of one of the following is required:

- Unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS)
- One of the following Visas: H series, L, E-1, G series and TN Visa

Expiring Visas

- If the authorization for temporary residency status will expire within one year and a prior history of residency status renewals exist, continuation may be assumed. If there are no prior renewals, the likelihood of renewal must be determined, based on information from USCIS.
- A valid passport, letter from employer/sponsor and an I-94 proving work authorization.

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2.7. Non-Occupant Co-Borrower

- Purchase, rate-and-term transactions for primary residence only.
- 1-2 units, maximum LTV/CLTV 75%.
- 3-4 units, maximum LTV/CLTV 70%.
- Qualifying DTI for the occupying Borrower(s) may not exceed 43%.
- Occupant Borrower must make the minimum 5% contribution required for the program from their own funds.
- Must be an immediate family member only.
- All "Borrowers" must sign the Note.
- A non-occupant Borrower, guarantor, or co-signer must provide verification of income if income is being used to qualify.
- Parties with an interest in the property sale transaction (including but not limited to the builder, property seller, or real estate broker) are not eligible.
- Must meet Credit Report requirements, including Credit Score and Qualifying Score.
- All Borrowers whose income is being used for qualifying purposes must also meet Depth of Credit History requirement.

2.8. First Time Home Buyer

- A borrower who has had no ownership interest in a residential property during the three-year period preceding the date of the subject Note or has a scheduled mortgage payment history of less than 12 months is considered to be a first-time homebuyer (FTHB).
- Primary residence transactions only.
- One-unit properties only.
- For FTHB borrowers currently renting, verification of 24 months rental payments is required.
- A direct written verification of rent is acceptable in lieu of cancelled checks when the landlord is a large management company.
- Reserve Requirement: The greater of 12 months or the program minimum.
- For FTHB living rent free, provide letter of explanation.

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3. Occupancy

3.1. Primary Residence

An owner occupied primary residence is a property that the occupant borrower(s) intends to occupy as his or her principal residence, for the majority of the year, within 60 days of closing, and for at least one year after. The loan documents must provide that the loan may be declared in default if the borrower makes misrepresentations for any provision of the application, including occupancy.

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For refinance transactions, borrower must reside in and hold title to the subject property at the time of application.

3.2. Second Home

- 1 unit property that the borrower occupies for some portion of the year in addition to his or her primary residence
- The property must be suitable for year round occupancy and must not be located in the same market area as the borrower’s primary residence.
- Non occupant borrowers, co signors and guarantors are not allowed.
- Second homes may be located in a major metropolitan area that the borrower visits on a regular based with a letter of explanation from the borrower stating the reason that the home is not located in a vacation/resort area.
- Transactions where the property is being purchased for occupancy by someone other than the borrower, will be considered an investment property, and are not eligible for this program.
- The borrower must have exclusive control over the property and the property must not be subject to any kind of time sharing agreement, rental pools, or agreements that require the borrower to rent, share or give management firm control over occupancy.
- Rental income may not be used to qualify the borrower. Occasional seasonal rental is permitted. Reporting rental income on the borrower’s personal tax returns does not contradict second home status, but must be minimal. Hazard insurance policy may not contain any coverage for loss of rent.

3.3. Investment Properties

An investment property is owned by not occupied by the borrower, regardless of revenue generation. The property must be suitable for year round rent and occupancy.

3.4. Maximum Number of Financed Properties

Each Borrower may separately be obligated on a mortgage for a maximum of four (4) financed, residential, 1-4 unit properties, including the subject transaction. (Does not include commercial properties, vacant land, timeshares, or manufactured homes not titled as real property).

- Partial or joint ownership is considered the same as total ownership in the property.
- Ownership applies to financed properties owned by the Borrower, including any properties the Borrower owns outside of the United States.
- A Borrower who is obligated on a mortgage, regardless of whether they hold title to the property is included in this limitation.
- These limitations apply to the total number of all financed properties, not to the number of mortgages on the property.

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- Properties are subject to this limitation even if held in title by a corporation or S corp., if the financing is in the name of the borrower.

4. Underwriting

4.1. Eligible Underwriting Methods

Manual Underwrite only

4.2. Deed Restrictions

Mortgage loans subject to resale deed restrictions are not eligible, other than an acceptable age-related restriction (typically for one occupant to be age 55 or older) meeting all Fannie Mae guides.

- Property type must be 1 – unit principal residence or second home.

4.3. Credit

4.3.1. Reporting Requirements

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

Housing Payment History

The occupant Borrower(s) must have a complete, most recent 12 month rental and/or mortgage credit history documented in the loan file.

Housing Payment Rating – Inclusive of all liens regardless of position and applicable to all mortgages on all financed properties:

- 0 X 30 in past 12 months
- No 60+ in past 24 months

4.3.2. Mortgage Credit History

Mortgage Credit History is defined as - payment histories on all 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.

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

4.3.3. Rental Payment History

Must have the most recent 24 months or the portion of the last 24 months in which the Borrower was renting as evidenced by:

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

Ratings:

- 0 X 30 within the past 12 months
- No 60 or 60+ within the past 24 months

4.3.4. 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.

4.3.5. Fraud Alert Requirement

All credit reports must include FACT Act messages and at least one repository fraud alert product (i.e. Hawk, FACS+ or SAFESCAN). Alerts must be resolved.

4.3.6. Inquiries

Credit reports must list all inquiries made with the previous 90 days and a written explanation for all inquiries within 90 days is required.

4.3.7. 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.

4.3.8. 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.

4.3.9. Depth of Credit History

All loans require a credit score, meeting two criteria - minimum credit history and tradeline requirements, as follows:

- Minimum credit history
  - A minimum 24-month credit history is required for each borrower whose income is used to qualify.
- Tradeline requirements

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- All tradeline requirements are applicable to each borrower whose income is used to qualify.

- (1) A minimum of 3 tradelines:
  - Tradelines may be open or closed accounts and must have had activity within the 12 months prior to the credit report date.
  - Each tradeline must be rated and paid satisfactorily for at least 12 months.

The following may not be used to satisfy the acceptable tradeline or minimum credit history requirements:

- Authorized user accounts, or
- Non-traditional or foreign credit, or
- Loans in deferment period, or
- Accounts discharged through bankruptcy, Judgments, charge offs, collection accounts, foreclosures, deed-in-lieu of foreclosure, short sales or pre-foreclosure sales.

4.3.10. Consumer Credit Counseling

Borrowers must provide a satisfactory explanation for participating in Consumer Credit Counseling.

A borrower may be eligible while they are in Consumer Credit Counseling (CCC) provided all of the following criteria are met:

- Cash Out Refinance transactions are not eligible.
- Credit score requirements are met, and
- Qualifying ratios must be calculated on the creditor's minimum monthly payment (per the credit report) versus the reduced consumer credit counseling payment, and
- All accounts must be current

4.4. Significant Derogatory Credit Events and Trade-Lines

Seasoning Requirement – Years		
Event	**Required Time**	**Comments**
Foreclosure	7 Years	• Measured from completion date of the foreclosure action. • Any repossession, or payment equal to or greater than 120 days of any "Mortgage Credit" is considered a foreclosure for purposes of this program.
Short Sale, Deed-in-Lieu, or Pre-Foreclosure sale		
Mortgage Included in Bankruptcy	See Comments	If a mortgage is included in a bankruptcy, the stricter measurement for the bankruptcy or foreclosure "required time elapsed" applies.
Bankruptcy - Chapter 7 or 11	7 Years	Measured from discharge or dismissal to the disbursement date of the new loan.
Bankruptcy - Chapter 13		
Multiple Bankruptcies		
Loan Modifications (Restructured Loans)		If the borrower has had a prior restructured loan or short pay off, the new loan is eligible for financing subject

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Seasoning Requirement – Years		
Event	**Required Time**	**Comments**
		to compliance with all foreclosure guidelines.

4.4.1. Other Past Due Events

Event	Requirements
Past Due Accounts	• 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 or bring accounts current.
Judgements, Garnishments, Liens and Potential Liens	• 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: • Delinquent taxes (including State or Federal income taxes), delinquent property taxes, tax liens, judgments, garnishments and mechanics' or materialmen's liens. • Verification of sufficient funds to satisfy these obligations must be documented. • Documentation of the pay-off or satisfaction must be provided. • No payment plans or subordination is allowed. • Cash out proceeds from the subject transaction may not be used to pay off delinquent credit obligations.
Aggregate Charge-Offs and Collection Accounts	• Accounts reporting within the past 24 months are permitted when isolated accounts have less than a $500 cumulative balance. These accounts may be left open provided they do not affect title.
Consumer Credit Counseling	• Borrowers must provide a satisfactory explanation for participating in Consumer Credit Counseling. • A Borrower may be eligible while they are in Consumer Credit Counseling (CCC) provided all of the following criteria are met: • Credit score requirements are met, and • Qualifying ratios must be calculated on the creditor's minimum monthly payment (per the credit report) versus the reduced consumer credit counseling payment, and • All accounts must be current, and • Cash-Out Refinance transactions are not eligible.

4.4.2. 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:

- The borrower must have sufficient assets to cover the balance, in addition to fund required for closing costs and reserves, or
- Document that the borrower will receive reimbursement of the charge from his or her employer.

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If the borrower paid off the account balance prior to closing, provide verification of the payoff in lieu of verifying funds to cover the balance. The borrower must document the source of funds used to pay the balance while still having sufficient funds for closing costs and reserves

4.5. Employment

Employment verification and income documentation are not required if income from that source is not being used to qualify.

4.5.1. Duration

To be considered for qualifying purposes, base pay, bonus, and overtime income must have been received for a minimum of two years.

If a borrower does not meet the employment history requirement for the two years prior to the date of the loan application, and was previously in school or the military, obtain copies of the borrower's diploma/transcripts or discharge papers.

To be considered for qualifying, all income must be reasonably expected to continue for the first 3 years of the mortgage.

4.5.2. Change of Positions

If the borrower has recently changed positions with their employer, determine the effect of the change on the borrower's eligibility and opportunity to receive any bonus or overtime pay in the new position. Documentation from the employer is required to determine if the bonus or overtime will continue at least the same or greater level.

4.5.3. Variable Income

A 2-year history of receipt of all variable income (such as bonus or commissions) is required. A level, upward or previously declining but stabilized trend in earnings must be established. If the trend is declining, the income may not be stable. Additional analysis must be conducted to determine if any variable income should be used, but it may not be averaged over the period when declination occurred.

4.5.4. Paystub Requirement

Most recent year-to-date paystub(s) covering 30 consecutive days of earnings; providing adequate evidence of any overtime, bonus and/or commission income being used to qualify; must include gross earnings for the current pay period and year-to-date earnings for the most recent 30-day period; must be dated no earlier than 30 days prior to the loan application; if borrower is paid hourly, the number of hours worked and year-to-date income must be noted on the paystub(s) or other documentation.

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Paystub Requirement is not met if the employer does not provide a computer-generated or typed paystub. When the Paystub Requirement is not met, the most recent year's income tax returns and a written verification of employment, VOE, completed in its entirety are both required.

4.5.5. W-2s

Most recent 2 year's W-2s, clearly identifying the borrower as the employee and the employer name are required for each source of employment income.

4.5.6. Written VOE

If bonus and/or commission income is being used to qualify, a verification of employment form must be used to confirm ongoing employment and break out bonus and commission earnings, and

A written VOE is required if the Paystub Requirement cannot be met. See Paystub Requirement above.

A written VOE may not be used in lieu of 2 years W-2 forms and current paystubs and may not be used as "stand alone" documents for purposes of verifying the Borrower's income and employment

4.5.7. Verbal VOE

Is required for each current employer. See Verbal Verification of Employment below for VVOE requirements.

4.5.8. Personal Tax Return Requirement

If a Borrower's qualifying income is limited to salaries or wages reported on IRS Form W-2, personal tax returns are not required (if the Paystub Requirement has been met).

For all other Borrowers, at least two years of signed and dated personal tax returns are required. See Personal Tax Return Requirements.

4.5.9. Business Tax Returns Requirement

If any of the Borrower's W-2 employment earnings are being generated by a business in which the Borrower has a 25% or greater ownership interest, then the Borrower is considered to be Self-Employed. See Self-Employment and Non Employment Related Income for requirements.

4.5.10. Tax Return Requirements

4.5.10.1. Personal Tax Returns

Personal tax returns are not required if a Borrower's qualifying income is limited to salaries or wages reported on IRS Form W-2, if the paystub requirement is met and the Borrower or the Borrower's family does not own a 25% or greater interest in the company generating the borrower's W-2 wages.

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For all other Borrowers at least 2 years of signed and dated personal tax returns are required.

- Personal Tax Returns must be complete with all schedules and W-2's, 1099s, K-1s, etc.
- Tax Returns must be signed and dated. Signature date must be on or prior to date of consummation of the loan.
- Must be the Borrower's copy of the return filed with IRS.
- IRS Transcripts ***may not*** be used in lieu of obtaining personal tax returns.

4.5.10.2. Business Tax Returns

Two years business tax returns are required for each business in which the Borrower has a 25% or greater ownership interest.

- If Borrower receives W-2 wages from a company in which Borrower has 25% or greater ownership interest, this requirement applies.
- Business Tax Returns must be complete with all attachments and schedules, including K-1s, etc.
- Must be the final version filed with the IRS.
- IRS transcripts ***may not*** be used in lieu of obtaining business tax returns.
- K-1 Earnings – Business tax returns will not be required for businesses reporting K-1 earnings if:
  - Two most recent years K-1's reporting for that business both report positive self-employment earnings, and
  - Income from those K-1 earnings is not being used to qualify.

4.5.10.3. Amended Tax Returns

Amended income tax returns filed by the borrower with the IRS are acceptable in the following circumstances –

- Tax returns filed prior to application are acceptable for underwriting purposes. Both the original filed return and the amended return are required. If the file was amended 60 days or less prior to the application, evidence of payment must also be provided.
- Tax returns filed after the application date may be acceptable when accompanied by the following:
  - Letter of explanation regarding the reason for the refile
  - Evidence of filing
  - Payment and the ability to pay the tax if the check has not cancelled
  - Borrower ***does not*** require use of amended income for qualification.

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4.5.11. Transcript Requirements

4.5.11.1. Personal Tax Returns

Tax transcripts must be obtained for all personal tax returns for every Borrower whose income or loss is being used to qualify, for each tax year covered by the income documentation used to qualify the Borrower(s).

4.5.11.2. Business Tax Returns

Business tax return transcripts are required for every business entity where the Borrower has a 25% or greater ownership interest, when the income or loss is being used to qualify. If transcripts are not yet available, the loan file must contain a copy of an IRS or vendor document showing that no transcript is available.

4.5.11.3. Income Variations

Any income variations in the current year's income > 20% from the most recent tax transcript must be adequately explained.

4.5.11.4. Tax Information Variations

Any information obtained through a transcript that is more comprehensive than the tax forms in the loan file (i.e., information on a 1040 transcript, where only a W-2 was required by the program guidelines and used to underwrite the loan) must be accounted for when underwriting the Borrower.

4.5.11.5. W2 Transcripts

- A W-2 transcript or tax transcript must be obtained for every borrower whose W-2 income is being used to qualify, for each tax year covered by the W-2 income documentation used to qualify the Borrower(s).
- Tax transcripts or W-2 transcripts may be used in lieu of W-2s.

4.5.12. Family Owned Business

If a business generating any of the Borrower's W-2 employment earnings is family owned, the Borrower is considered Self-Employed unless:

- A letter is obtained from business accountant verifying that the Borrower does not have a 25% or greater ownership interest in the business (and stating the actual ownership interest), and
- Borrower provides signed copies of 2 years personal tax returns supporting no ownership interest, or
- A signed copy of the corporate tax returns is provided showing Borrower's ownership percentage as less than 25%.

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4.6. Income

4.6.1. Maximum DTI

See LTV Matrix

4.6.2. Alimony and Child Support

Alimony and child support payments will be considered provided the payment terms confirm that the income will continue for the first 3 years of the mortgage. For child support, if the child's age is not clearly defined, obtain additional documentation to ensure that income can be expected to continue for the first 3 years of the mortgage. Provide a copy of the legal agreement and evidence of stable receipt for at least the past 6 months.

4.6.3. Asset Depletion

Not allowed.

4.6.4. Boarder Income

Not allowed.

4.6.5. Bonus and Overtime

- Bonus or overtime income may be acceptable if it has been received for a period of more than two years, Appendix Q.I.B.3.
- Documentation: All of the following are required -
  - Current paystub(s), and
  - Most recent two year's W-2s, and
  - Verbal Verification of Employment, see Verbal Verification of Employment, and
  - Written Verification of Employment (VOE).

4.6.6. Capital Gains

2-year history and sufficient assets must remain to generate ongoing income at the level used for qualifying for 3 years.

4.6.7. Commissions

- Commission income may be acceptable if it has been received for at least two consecutive years.
- For all borrowers whose commission earnings are being used to qualify, irrespective of the percentage of that Borrower's total annual income, all of the following are required-
  - Most recent paystub(s), and
  - Most recent two year's W-2s or 1099s, and
  - Most recent two year's personal income tax returns with all schedules, and

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- Verbal Verification of Employment, (see Verbal Verification of Employment), or
- Written Verification of Employment, employer letter or equivalent itemizing commission income.

4.6.8. Employment Related Assets

Not Allowed

4.6.9. Foster Care Earnings

Provide letter from organization providing the income and copies of deposit slips or bank statements confirming regular payments.

4.6.10. Interest and Dividend Income

Must document assets not depleted and are sufficient to continue for first 3 years of mortgage. May be used as long as tax returns or account statements support a two-year receipt history. This income must be averaged over the two years. Subtract any funds that are derived from these sources, and are required for the cash investment, before calculating the projected interest or dividend income.

4.6.11. Long-term Disability

Documented long-term disability can be assumed to be on-going.

4.6.12. Military Income

- Military personnel may be entitled to different types of pay in addition to their base pay. Hazard or flight pay, rations, clothing allowance, quarters allowance and proficiency pay may be counted as income if they are verified as regular and continuous.
- Reserves or National Guard - Not Called to Active Duty:
- Military Reservists who have not been called to active duty may use their military reserve income to qualify, as long as they can provide a two-year history of receipt of the income.
- Reserves or National Guard - Called to Active Duty:
  - If one of the Borrowers is on active duty or was called to active duty after the loan application was taken, comply with the following:
    - The Borrower must certify that the subject property is his or her primary residence.
    - The subject property must be vacant (unless occupied by a spouse or legitimate immediate family member), will remain vacant and will again be the Borrower's primary residence when the temporary assignment is completed.
    - The subject property cannot be rented or tenant occupied.
    - The Borrower must certify that he or she will return to the subject property as his or her primary residence upon completion of the temporary assignment.

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- The Borrower must provide documentation regarding the temporary assignment (orders supporting the assignment including duration).

- Borrower Qualification:
  - If the loan is a primary residence, Rate and Term Refinance and mortgage payment is not changing or is being reduced, qualify the Borrower using the Borrower's current job and income.
  - If the loan is: Purchase, Cash-Out Refinance, or Rate and Term Refinance and the borrower's payment is increasing; or second home purchase or refinance; then use the lesser of the Borrower's reservist pay or their current job (or a combination of reservist pay and current job pay i.e. current employer pays reservist their standard pay minus reservist income).

4.6.13. Non-taxable Income

If the income is verified as non-taxable, and the income and tax-exempt status are likely to continue, the percentage of nontaxable income that may be added to the consumer's income cannot exceed the appropriate tax rate for the income amount.

4.6.14. Notes Receivable

Two-year history required. Provide all of the following:

- Copy of Note
- Most recent 2-year personal income tax returns with all schedules showing receipt of Note income, and
- Bank statements showing regular deposit of funds. Must continue for first 3 years of new loan.

4.6.15. Other Income

- Automobile allowances are considered stable income if the income has been received for the past two years. Include all associated business expenditures in DTI. Either cash flow or income and debt approach may be used to qualify. If not reported on IRS Form 2106, then use income and debt approach- adding the allowance to monthly income and showing the lease in the Borrower's debt.
- Multiple Employers: A Borrower may have a history that includes different employers (e.g. nurses, union employees) as long as the income has been consistently received.
- Non-taxable Income: If the income is verified as non-taxable, and the income and tax-exempt status are likely to continue, the percentage of nontaxable income that may be added to the consumer's income cannot exceed the appropriate tax rate for the income amount.
- Part-time Income and Second Jobs: A Borrower should have a minimum of two years of uninterrupted history on all part-time, second or multiple jobs in order to include the income for qualification purposes.

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- Part-time and Second Job Documentation: Follow documentation requirements for the specific second job type (Employment Income, Self-Employment Income).

  Seasonal Income: Seasonal part-time or seasonal second job employment may be acceptable if the Borrower has worked in the same job or same line of seasonal work for the most recent 2 years. Provide ALL of the following: Most recent paystub(s), if available, and most recent two year's W-2s or personal income tax returns with all schedules, and written confirmation from the Borrower's employer that there is a reasonable expectation that the Borrower will be rehired for the next season.
- Teachers: Annual salary must be verified. Stipends or supplemental income must be documented as regular and continuous.
  - Borrowers with a contract for their first year of employment who have started work but have not received a paystub must provide all of the following: copy of contract, and written verification of employment, and Verbal Verification of Employment.
  - Borrowers with a contract for their first year of employment with the school district must be on the job prior to closing.
  - For teacher income paid over a 10-month period and obtaining financing during the summer months when income is not being received, provide all of the following: Final year-end paystub from the school, and Verbal Verification of Employment, and copy of the contract indicating that the Borrower is paid over a 10-month period. Qualify the Borrower based on the income received on the final year-end paystub.
- Tip Income: Must have been received for 2 years. Provide current paystubs and most recent 2 years W-2's.
- Unemployment Benefits: Unemployment benefits, such as those received by seasonal workers, must have been received for the past two years and be predictable and likely to continue for the next three years from the date of the application. Provide all of the following: Most recent two year's personal income tax returns with all schedules and Income must be clearly associated with seasonal layoffs and expected to recur.
- Union Members: All of the following are required: 1. Current paystub(s) from present employer, 2. If there has been more than one employer in the current year, the last paystub from each employer will be required to adequately reflect year-to-date earnings, and 3. Most recent two year's W-2s from all employers, and 4. Most recent two year's personal income tax returns with all schedules.

4.6.16. Part-time to Full-time

- Borrower must meet the two-year receipt of income requirement. If the Borrower does not meet the employment history requirement for the two years prior to the date of the loan application, and was previously in

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school or the military, obtain copies of the Borrower's diploma/transcripts or discharge papers.

4.6.17. Public Assistance

Provide two-year history of receipt of income and letters or exhibits from the paying agency establishing the amount, frequency and duration of these payments. Must be expected to continue for at least first three years of loan.

4.6.18. Retirement, Pension, Annuity and IRA and 401(k) Distributions

Requires evidence of continuance for first 3 years of mortgage.

- Evidence of continuance of corporate, government, social security, VA, or military retirement/pension need not be documented.
- For other types, establish that there are sufficient funds remaining to meet the 3-year requirement by a Net Value Determination:
  - Borrowers of retirement age (generally 59 1/2 or older): Use 70% of the vested value less (any funds from the account being used for the subject transaction) and (any outstanding loans against the account).
  - Borrowers not of retirement age: Use 60% of the vested value less (any funds from the account being used for the subject transaction) and (any outstanding loans against the account).
- To establish the monthly income for qualifying purposes, provide copy of award letter or letters from the organizations providing the income, and one of the following:
  - Most recent personal income tax return with all schedules, or
  - Most recent W2 or 1099, or
  - Most recent two-months bank statements showing deposit of funds. See Asset- Reserves requirements on the use of retirement accounts as cash reserves.
  - The Borrower must have unrestricted access without penalty to the accounts.

4.6.19. Royalties

Ongoing income received from royalty payments, such as income from a work paid to its author or composer may be eligible. Provide all of the following: Documentation that income can be expected to continue for first 3 years of mortgage, and 2-years personal income tax returns, and most recent 12-months bank statements showing deposit of funds.

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4.6.20. Social Security Income

SS income for retirement or long-term disability will not have a defined expiration date and therefore is expected to continue. However, if not for retirement or long-term disability, confirm that the remaining term is expected to continue for first 3 years of mortgage. Provide one of the following: Social Security Administration's award letter, or most recent personal income tax returns with all schedules, or most recent SSA-1099, or most recent bank statements showing deposit of the funds.

4.6.21. Trust Income

Confirm trust income continuance for first 3 years of mortgage. Provide a copy of the Trust Agreement or Trustee Statement to document the following: Total amount of designated trust funds, and Terms of payment, and Duration of trust, and what portion, if any, of income to Borrower is not taxable.

- If the Trust Agreement or trustee's statement does not provide the historical level of distributions, one of the following must be provided: Most recent two year's personal income tax returns with all schedules, or most recent two year's 1041 fiduciary tax returns with all schedules.

Note: A Borrower's trust income may be taxed at a lower rate or it may be part of a partnership that writes off losses, which may result in no tax liability. Trust income is reported on the 1041 fiduciary income tax return, which includes a K-1 schedule. All beneficiaries of trust income receive IRS Form K-1 from the trust.

4.6.22. VA Benefits

Provide letter or distribution form from VA verifying that income can be expected to continue for three years. (Retirement and long-term disability can be expected to continue).

4.6.23. Employment Gaps

- For Borrowers with employment gaps within the past two years, the following are required:
  - Written letters of explanation for employment gaps over 30 days in the last two years must be provided.
  - In addition, for borrowers who are re-entering the workforce after an extended absence may have stable employment if the following are met:
  - The borrower has been employed in his or her current job for six months or more.
  - A two-year work history prior to the absence from the workforce is documented.
  - Note: A state or federally protected leave is not considered to be an extended absence from employment.

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4.6.24. Furloughed

- Borrowers (with employment) in a state with an active furlough policy must qualify with the reduced income.
  - Payments from a third party (credit union or other source) to supplement unfunded budgets are not permitted, even if the source is approved by the employer.
  - Full pay may be used if there is evidence from the employer or third party documentation that the furlough will end within the next 60 days.

4.6.25. Temporary Leave

- Temporary leave from work is generally short term in duration and for reasons of maternity or parental leave, short-term medical disability, or other temporary leave types that are acceptable by law or the Borrower's employer.
- If a Borrower is currently receiving short-term disability benefits that will decrease to a lesser amount within the next three years because they are being converted to long-term benefits, the long-term benefits must be used as qualifying income.
- It must be determined that during and after temporary leave, the Borrower has the capacity to repay the mortgage and all other monthly obligations.

Return to Work Prior to First Mortgage Payment Will Be Due -

- Use the regular employment income received prior to leave.

Return to Work After First Mortgage Payment Will Be Due -

- Use the lesser of the leave income or pre-leave regular employment income.
- If the leave income is less than the pre-leave regular employment income:
  - Supplement with available liquid reserves.
  - Total qualifying income may not exceed the gross monthly income received upon return to work.
  - Assets required to support the payment may not be counted towards available reserves.
- The following documentation is required:
  - Verification of pre-leave regular income and employment history.
  - No evidence or information from employer indicating Borrower does not have the right to return to work after leave period.
  - Written confirmation of intent to return to work and agreed upon date of return are both evidenced by documentation by the employer (or third party service).

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  - Verbal Verification of Employment; the Borrower is considered employed if the employer confirms the Borrower is currently on temporary leave.
  - Amount and duration of Borrower's temporary leave income.
  - Amount of regular employment income the Borrower received prior to leave.
  - All available liquid assets used to supplement the reduced income for the duration of leave must be verifiable.

4.6.26. Ineligible Income Sources

- Future income
- Income derived from:
- Farming, when the subject property is being used for a specific purpose, such as a vineyard or bottling barns
- Gambling
- Subject property with land being leased to another party.
- Income determined to be temporary or one-time in nature
- Lump sum payments of lottery earnings that are not on-going
- Lump sum payments such as inheritances or lawsuit settlements
- Mortgage credit certificates
- Incidental income received from farming/agricultural use of a property
- Rental income received from the borrower's single family primary residence or second home
- Retained earnings in a company
- Stock options
- Taxable forms of income not declared on personal income tax returns
- Trailing co-borrower income
- Unverifiable income
- VA education benefits
- 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

4.6.27. Non Employment Income

Documentation of non-employment related income is not required if income from those sources is not being used to qualify.

Non-Employment Related Income: “Other” forms of income are referred to as “Non-Employment Related Income” for purposes of these requirements. For example: Alimony, child support, investment, trust, rental and benefit income are considered to be Non-Employment Related Income sources.

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4.6.28. Ineligible Income

- Foreign Income – income from sources outside of the United States
- Future income
- Income derived from:
  - Gambling
  - Sources outside the United States
  - Subject property with land being leased to another party.
- 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.
- Income determined to be temporary or one-time in nature
- Lump sum payments of lottery earnings, inheritances or lawsuit settlements that are not on-going (for at least the first 3 years of the mortgage)
- Loans involving the following are not eligible: Mortgage credit certificates. (MCCS) Section 8 vouchers, Housing Authority subsidies
- Non-incidental income received from farming/agricultural use of a property
- Rental income received from the Borrower's single family primary residence or second home
- Retained earnings in a company
- Stock options
- Taxable forms of personal income not declared on personal income tax returns
- Trailing co-Borrower income
- Unverifiable income
- VA education benefits

4.7. Self-Employment Income

Self-employment, Schedule C and Schedule F documentation are not required if income from those sources is not being used to qualify.

4.7.1. Definition

A Borrower is considered to be self-employed if any of the following conditions are true:

- If the Borrower has a 25% or greater ownership interest in a business (including a business than generates a Borrower's W-2 earnings) or receives 1099s to document income, then the Borrower is considered to be self-employed.
- Borrowers who file an IRS form Schedule C or Schedule F are considered to be Self-Employed.

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4.7.2. Income Analysis

Unless otherwise stated in this Program Guide, self-employment related income must be calculated using the requirements of Appendix Q, including Section I.D. General Information on Self-Employed Consumers and Income Analysis.

4.7.3. Duration

Evidence that the Borrower has at least two consecutive years of self-employment operating the same business in the same general location is required to demonstrate sufficient income stability for the income from that business to be considered in qualifying.

4.7.4. Documentation Requirements

All of the following are required:

- Personal Tax Returns: Most recent two years of signed and dated personal tax returns with all schedules are required for all Borrowers who are considered "self-employed." See Personal Tax Return Requirements.
- Business Tax Returns: Two years of signed and dated business tax returns are required. See Business Tax Return Requirements.
- P & L and Balance Sheet: A year-to-date Profit and Loss Statement and Balance Sheet must be obtained for each sole proprietorship filing Schedule C or Schedule F, when income from that business is being used to qualify. P & Ls and Balance Sheets are not required to be signed and dated, but if they are signed and dated, the signature date must be prior to the loan consummation date. See Profit and Loss Statement and Balance Sheet Requirements.
- VVOE - Self-Employed Confirmation of Employment: See Self-Employment Confirmation of Employment.
- Income Analysis Worksheet: An underwriting worksheet or written details documenting income, debt, and debt-to-income ratio calculations must be in the loan file, supporting the data on the 1008, and must demonstrate the Borrower's Ability to Repay.
- The analysis must include the underwriter's written justification and calculation methodology for any non-standard income (e. g. bonus, Lease Requirements overtime, rental, commission).
- The analysis must include support for any debts that are excluded from the debt-to-income ratios. (See DTI Requirements Table).
- 1008: The completed, signed 1008 must be provided in the delivered loan file.

4.7.5. Self-Employed Confirmation of Employment (VVOE)

- For each business the Borrower owns for which income is being used to qualify, a Self-Employed Confirmation of Employment (VVOE equivalent) is required to confirm the existence of the business through a third-party

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source within 30 calendar days prior to the Note date (or funding date for escrow states).

- Self-Employed Confirmation of Employment (VVOE) Requirements
    - Verification of the existence of the Borrower's business from a third party, such as a CPA, regulatory agency, or the applicable licensing bureau, and
    - Verify the listing and address for the Borrower's business using a telephone book, the internet, or directory assistance, and
    - If contact is made verbally with a third party, document the source of the information obtained and the name and title of associate.
- If a verbal verification cannot be obtained, a written verification of employment must be utilized to confirm employment and must be completed within the same timeframe that would be required for a Verbal Verification of Employment (VVOE).

4.7.6. P&L/Balance Sheet Requirements

Profit and Loss Statement and Balance Sheet are not required if net earnings are positive and income is not being used to qualify.

- Year-to-date Profit and Loss Statement and Balance Sheet are required for each business where income or losses are reported on IRS form Schedule C or Schedule F, and for businesses in which the Borrower has a 25% or greater ownership interest, irrespective of which tax form or schedules the Borrower uses to report income or losses, when the income or loss from that business is being used to qualify.
    - Net losses from Self-Employment and/or Non-Employment Related sources must be deducted from qualifying income, unless the business or activity producing the losses is documented to be discontinued.
- If tax returns for the previous year are not yet available, an additional year-end P & L and Balance Sheet for that year is required for each business when the income or loss from that business is being used to qualify.

4.7.6.1. Signing and Dating

P & L's and Balance Sheets are not required to be signed by the Borrower, however, if they are signed, the signature date must be at or prior to consummation.

4.7.6.2. Age of Documents

The P&L and Balance Sheet provided must cover at least through the period ending in the most recent quarter that ended one month prior to the application date. For example:

- Application date July 21, 2015 -
    - One month prior to application date is June 21, 2015. Most recent quarter end prior to June 21, 2015 is March 31.

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  - P & L and Balance Sheet must cover the period through the end of Q1, March 31, 2015
- Application date August 3, 2015 -
  - One month prior to application date is July 3, 2015. Most recent quarter end prior to July 3, 2015 is June 30.
  - P & L and Balance Sheet must cover the period through the end of Q2, June 30, 2015.

4.7.7. Self-Employment Losses

Net losses from self-employment and non-employment related sources must be deducted from qualifying income regardless of the longevity of the business activity, unless the business or activity producing the losses is documented to be discontinued.

Schedule C or F net losses must be deducted from qualifying income regardless of the longevity of the business activity, unless the business producing the losses is documented to be discontinued.

4.8. Other Real Estate Owned Income

Other Real Estate Owned Liability documentation is required irrespective of whether or not income from those sources is being used to qualify.

- Mortgage payments and related expenses on any real estate owned must be included in the borrower's recurring debt obligation.
- Irrespective of whether income is being used to qualify, for each free and clear property owned by the Borrower(s):
  - Provide documentation that each real estate property that is owned by the Borrower that is free and clear, currently has no outstanding liens
  - If borrower states a property is free and clear, but mortgage expense shows on Schedule E or there are mortgages which are unaccounted for on the credit report, then documentation is required.

Current leases are not required if income from these properties is not being used to qualify and the entire payment is being included in debt calculations.

Requirements for copies of all current leases

Rental Income requires a fully executed current lease in order to use consumer rental income for qualifying purposes –

- Leases must be provided for both subject property and for each rental unit the Borrower owns for which consumer rental income is being used to qualify, irrespective of whether rents from that unit(s) are supported by Schedule E
- Use of market rents or other approaches for determining rental income are not acceptable.

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Requirement for income documentation for rolled over leases

For ALL leases that have gone beyond the original term and have rolled over into month to month tenancy, the following is required when using rental income to qualify:

- Copy of the most recent lease, and
- Current documentation of receipt of rent

4.8.1. Income Analysis

Unless otherwise stated in this Program Guide, rental income must be calculated using the requirements of Appendix Q, including Section II.D. Non-Employment Related Consumer Income, Rental Income.

4.8.2. Lease Requirements

For all loans, Rental Income Documentation Requirements:

- Rental Income requires a fully executed current lease in order to use consumer rental income for qualifying purposes
- Leases must be provided for both subject property and for each rental unit the Borrower owns for which consumer rental income is being used to qualify, irrespective of whether rents from that unit(s) are supported by the Schedule E.
- Use of market rents or other approaches for determining rental income are not acceptable.

4.8.3. Roll-Over Lease Requirements

For ALL leases that have gone beyond the original term and have rolled over into month-to-month tenancy:

- In order to use rental income for qualifying, the following must be obtained:
  - Copy of the most recent lease, and
  - Current documentation of receipt of rent
- Note: "Rolled-over" leases are typical in some states, including California, where all leases rollover to month-to-month agreements at the end of the lease term, unless otherwise modified. This is to support compliance with the Stability of Income requirements of Appendix Q..

4.9. Assets

All down payment funds, funds to close, and reserves must be documented and verified with two consecutive month's statements with 30 days. Electronic verifications are acceptable. VOD – VOD may NOT be used as standalone documentation, but may be used along with one month account statement. If no average balance is provided on the VOD, then two months account statements are required.

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4.9.1. Bridge Loans

Bridge Loans must be included as a liability for qualifying purposes. A copy of the Note must be in the Loan file. (Proceeds from bridge loans may not be used to meet reserve requirements). If no monthly payment is required, calculate an interest only payment at the contract rate. Bridge loans may not be cross-collateralized against subject property.

4.9.2. Business Assets

Business Assets may be used if the Borrower is 100% owner of the business and a letter from a CPA or accountant is obtained to confirm that the withdrawal will not negatively impact the daily operations of the business.

4.9.3. Credit Card Financing

Credit card financing cannot be used for any part of the down payment, including the earnest money deposit.

4.9.4. Foreign Assets

Foreign Assets being used for down payment and closing costs (fund to close) must be held in a U.S. account prior to closing.

- If the assets are derived from the sale of a foreign asset or from assets held in a foreign institution, the assets must be converted into US currency by an independent third party and placed in a US financial institution prior to closing.
- The sale of the foreign asset and/or conversion of foreign currency must be fully documented and verified.

4.9.5. Large Deposits

Recently opened accounts and recent large deposits (generally greater than 25% of the monthly income) must be explained and documented.

4.9.6. Cash Surrender Value of Life Insurance

Requires written statement from life insurance Company specifying the amount of net cash value available to Borrower and verification of receipt of funds.

4.9.7. Loans

Loans Secured by Financial Assets (e.g. life insurance policies, 401k accounts, IRAs, CDs, stocks bonds, etc.), the following are required:

- The terms of the loan
- Verification that the party providing the secured loan is not a party to the sale or financing of the property (other than a financial institution)
- Confirmation that the funds have been transferred to the borrower
- Evidence that the loan is secured by an asset owned by the borrower
- Value of the Asset (e.g. copy of the appraisal, copy of Blue Book value).

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- The monthly payment must be included in DTI, unless the applicable loan instrument shows the borrower's financial asset as collateral for the loan.
- If the borrower intends to use the same asset to satisfy reserve requirements, reduce the value of the asset by the proceeds from the secured loan and any related fees to determine whether the borrower has sufficient reserves. (Also see Assets - Reserves.)

4.9.8. Interested Party Contributions

- All IPCs must be disclosed on the Closing Disclosure or settlement statement. Once the Borrower has met the minimum Borrower contribution of 5%, then, **IPCs may not exceed 6%** of the lesser of the sales price or appraised value. (Lender paid fees are not factored into the contribution limit.)
- Excess IPCs, as well as sales concessions that take the form of non-realty items, must be subtracted from the sales price when determining LTV/CLTV.

4.9.9. Notes Receivable

Notes Receivable, Repayment of Loans: Provide written agreement between the Borrower and recipient of loan, evidence the funds were withdrawn from the Borrower's account, and verification funds were withdrawn from loan recipient's account and deposited into Borrower's account. Provide verification to support income will continue for at least three years from the date of the application.

4.9.10. Retirement Accounts

IRA SEP-IRA, KEOGH, 401(k), and 403(b): Most recent statement and evidence funds were withdrawn are required.

4.9.11. Stocks (listed company), Bonds

Stocks must be vested and unrestricted. Provide current statements or provide copy of certificate and dated internet stock list. Provide proof of liquidation and receipt. If stocks are in unlisted corporation - provide company CPA validation of price per share and proof of liquidation and receipt- if impact to Borrowers income, CPA or accountant to address.

4.9.12. Trust Accounts

Funds disbursed from a trust account where the borrower is the beneficiary are acceptable if the borrower has immediate access to the funds. The trust manager or trustee must verify the value of the trust account and confirm the conditions under which the borrower has access to the funds. Accounts that do not allow the borrower to have immediate access to the funds for the above stated purposes may not be used as acceptable assets, including funds in accounts where the borrower is not the beneficiary, such as custodial accounts.

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4.9.13. Wedding Gifts

Provide a copy of the marriage certificate (not more than 6 months old) and verification of receipt of funds through an account statement or deposit slip.

4.9.14. Ineligible Funds

- Cash on hand.
- Custodial Accounts.
- Donated funds – from a church, municipality or non profit organization, or Pooled Funds – typically funds from a relative or domestic partner who resides with the Borrower.
- Employer Assistance Programs.
- Salary advances .
- Gift of Equity.
- Individual Development Accounts.
- Payment Abatements are NOT acceptable, nor are other, nor are other contributions/concessions that are not Fannie Mae eligible. Real Estate commissions (even if Borrower is selling agent on subject transaction).
- Rent Credit or Option to purchase, or Trade Equity.
- Sales Concessions, such as contributions in excess of actual costs, furniture, moving costs, and "giveaways" must be subtracted from the sales price when determining LTV/CLTV.
- Real estate commissions, even if the Borrower is selling agent on subject transaction.

4.9.15. Gifts

- Gifts are acceptable on loan amounts up to $1 million.
- Minimum Borrower Contribution of 5% of the funds to close (and all of the Borrower's Reserves) must be from the Borrower's own funds.

4.9.16. Gift Funds Documentation

- A gift letter providing the following must be included in the loan file:
  - The amount of the gift
  - The donor's name, address, and telephone number
  - Donor's relationship to the borrower
  - Subject property address
  - Donor's signature.
  - Verification and documentation that sufficient funds to cover the gift are in the donor's account or have been transferred to the borrower's account is required.
  - Donor statement that repayment is not required.
- Eligible Donors: spouse, child, parent, sibling, grandparent, aunt, uncle, domestic partner, fiancé or fiancée. Cousin not allowed.

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- Ineligible Donors: Donors may not be, or have any affiliation with the Builder, Developer, Real Estate Agent, any other interested party to the transaction.
- Gift funds may not be used for reserves.
- No portion of the gift may be subject to repayment.

4.9.17. Gift Funds, Second Home and Investment Property

- Gifts are not permitted for funds to close nor reserves for second home or investment property transactions. The entire down payment must be paid from the Borrower's own funds.

4.9.18. Gift of Equity

Not Allowed.

4.9.19. 1031 Tax Deferred Exchanges

A 1031 exchange is an acceptable source of funds on an investment property purchase transaction **(only)** subject to the following:

- The 1031 Exchange cannot be an exchange of a partnership or limited liability corporation interest.
- The name of the taxpayer on the sale of relinquished property must be the same as the as the purchaser of the subject property.
- Relinquished property sale must close before or simultaneously with the property acquired.
- The following documentation is required for both properties in simultaneous closings:
    - Sales contract or escrow instructions
    - Appraisal
    - Preliminary title report
    - Exchange agreement identifying the holder of funds, buyer and seller, expiration date, agreed upon value, closing date, closing costs, conditions of transfer and repairs, if required.
- Statement of borrower's equity, calculated as the lower of:
    - Sales price from the sales contract
    - Gross trade value from the sales contract less the sum of the transfer fees and all lien balances on the currently owned property, and transfer fees on the new property
    - Appraised value of the borrower's currently owned property plus any new transfer fees on the new property.
- The following documentation is required for 1031 Exchange transactions occurring prior to the purchase of the new property:
    - HUD-1/Closing Disclosure for both properties
    - Exchange agreement
    - Sales contract or escrow instructions for both properties

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- Verification of funds from the Exchange holder

4.9.20. Reserves

See LTV Matrix

Minimum number of months' reserves **is based on the *combined amount*** of all loans secured by the subject property

Additional reserve requirements and restrictions apply for *First Time Homebuyers, Current Residence Pending Sale or Conversion, and for Multiple Properties Owned.*

All reserves must come from the Borrower's own funds and must be documented and verified.

- Reserves are measured by the number of months of the qualifying payment (PITIA) for the subject property, unless otherwise noted.
- No gifts or borrowed funds may be used for reserves. See Ineligible Reserve Sources in this section.

Ineligible Sources

- 1031 tax deferred exchange proceeds (Primary Residence and Second Homes)
- Business assets, unless company files under Schedule C and Borrower is 100% owner of business
- Cash-out proceeds
- Credit card financing, cash advance on HELOC or other line of credit.
- Stocks in an unlisted corporation
- Custodial accounts (Borrower not beneficiary)
- Donated or pooled funds
- Employer Assistance Programs, Salary Advances
- Funds that have not been vested or cannot be withdrawn other than with the owner's retirement, employment termination or death
- Gift funds
- Individual development accounts
- Interested party contributions
- Loans secured by other assets
- Loans secured by other real estate
- Real estate commissions
- Sale proceeds from assets
- Stocks in an unlisted corporation, unvested or restricted stocks, unsecured loans and loans secured by other assets (including bridge loans, life insurance or assets from a fund administrator)
- Qualified tuition plans (529 plan).

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4.9.21. Minimum Borrower Contribution

Minimum Borrower Contribution of 5% of the purchase price must be from the Borrower's own funds.

4.10. Liabilities

4.10.1. Alimony and Child Support

- Include if will continue for > 10 months under a legal agreement. May not be deducted from income. Provide obligation document.

4.10.2. Authorized User

- Include in DTI but cannot be considered to meet minimum trade-line requirements.

4.10.3. Bridge Loans

- Include in DTI. Proceeds cannot be used for Reserves. See Assets - Funds to Close, and Assets - Reserves.

4.10.4. Business Debt in Borrower's Name

- Include in personal DTI unless all of the following are met: 1. Evidence of payment by business for past 12 months, and 2. No 30 day late payments in past 12 months, and 3. Cash flow analysis of business considered payment as a debt. Note: If included in personal DTI, do not count against business.

4.10.5. Contingent Liability (Co-Signed Loans)

- Include in DTI unless there is evidence, such as cancelled checks or automated savings withdrawals, that the other party made satisfactory payments for past 12 months and account is current. Documentation for any omitted contingent liabilities, such as obligor cancelled checks, must be provided in the loan file. Appendix Q, Part IV, 5.b.

4.10.6. Court-Ordered Assignment of Debt

- If borrower was not released from liability, include in DTI or provide 1. Copy of court order assigning debt, and 2. Proof of transfer of ownership. The payment history of the debt does not need to be considered after the transfer date to another party.

4.10.7. Deferred (Projected) Installment Debt

- Include loans that are deferred or in forbearance in DTI. If the credit report does not indicate the monthly amount that will be payable at the end of the deferment period, copies of the borrower's payment letters or forbearance must be obtained to determine the monthly payment that will be required at the end of the deferment period, to use for loan qualification.

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4.10.8. Deferred Student Loans Only

- If the credit report does not indicate the monthly amount that will be payable at the end of the deferment period, 1% of the original principal balance of the student loan may be used to determine the monthly payment used for loan qualification.

4.10.9. Home Equity Lines of Credit

- If the HELOC does not require a payment and there is no recurring monthly debt obligation, or if the HELOC has a zero balance, no monthly payment needs be included in the recurring debt obligations. See Secondary Financing.

4.10.10. Installment Debt

- Installment debt that is not secured by a financial asset, including student loans, automobile loans and timeshares, etc., must be included in the borrower's monthly debt obligations, if there are more than ten months remaining. Installment debt with fewer than ten monthly payments remaining should be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet his or her monthly obligations.

4.10.11. Payoff Installment Debt to Qualify

- Permitted in this program. If debts are being paid off, the source of funds must be documented and verified. If an installment debt is paid off at closing, the creditor must provide a pay-off statement for which the same balance must be reflected as the pay-off amount on the HUD-1 Settlement Statement or Closing Disclosure.

4.10.12. Pay-Down Installment Debt to Qualify

- If debts are being paid down, the source of funds must be documented and verified.

4.10.13. Lease Payments

- Include regardless of number of months remaining.

4.10.14. Loans Secured by Financial Assets

- Borrowers may use their financial assets (e.g. life insurance policies, 401k accounts, individual retirement accounts, certificates of deposit, stocks, bonds, etc.) as security for a loan. The payment is not required to be included in DTI if the applicable loan instrument shows the borrower's financial asset as collateral for the loan. See Assets - Funds to Close.

4.10.15. Mortgage Assumptions

- Do not include the contingent liability (PITIA) for a property sold by the borrower with an assumption, if all of the following are met: 1. Verification that property purchaser has at least a 12-month history of

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making regular and timely payments, 2. Evidence of transfer of ownership, 3. Copy of the formal, executed assumption agreement, 4. Credit report indicating consistent and timely payments were made. If timely payments for the most recent 12-month period cannot be documented, include PITIA for assumed property in the borrower's recurring monthly debt obligations.

4.10.16. Property Settlement Buy-Out

- Does not need to be included in the debt-to-income ratio provided there is documentation to evidence the transfer of title of the property.

4.10.17. Revolving Charges/Lines of Credit

- Treat revolving charge accounts and unsecured lines as long-term debts and include in DTI. If the credit report does not show a required minimum payment amount and there is no documentation to support a payment of less than 5%, use 5% of the outstanding balance.

4.10.18. Pay-Down or Pay-off Revolving of Debt to Qualify

- If the revolving account is not closed, the debt must be included in the debt-to-income ratio. Paying down revolving debt to qualify is not permitted.

4.10.19. Voluntary Recurring Debt

- Not considered in the underwriting analysis or subtracted from gross income (e.g. 401k contributions, 401k loans, union dues, commuting expenses, open accounts with zero balances, federal, state, and local taxes, or other voluntary deductions).

4.11. Appraisal Requirements

4.11.1. Second Appraisals

For all transactions: The following appraisal review and second appraisal requirements apply for all transactions, based on loan amount, as follows:

4.11.1.1. Loan Amount ≤ $1,500,000

Full URAR appraisal report with interior and exterior inspection on appropriate Fannie Mae / Freddie Mac form, AND

- Clear Capital Collateral Desktop Analysis - CA (CDA) (without MLS data), OR
- Second full appraisal – Interior and exterior with interior photos.

4.11.1.2. Loan Amount > $1,500,000

Full URAR appraisal report with interior and exterior inspection on appropriate Fannie Mae / Freddie Mac form, AND

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- Second full appraisal – Interior and exterior with interior photos.

4.11.1.3. Second Appraisal Requirements

- 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.
- Appraised value for underwriting purposes is the lower of the two appraisals.

4.11.2. CDA Requirements

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

- Unable to determine a value (CDA Indeterminate Value)
  - Second full appraisal
- Greater than 10% below the original appraised value of the property
  - Either use the CDA value as the appraised value to calculate the LTV/CLTV, or Obtain both:
    - Clear Capital Broker Price Opinion (BPO), and
    - Clear Capital Value Reconciliation of Three Reports (Recon Form 3.0).
    - The Value Reconciliation will take into account the original appraisal, CDA and BPO.
    - The final value determined by Clear Capital will be used as the appraised value for the property. Alternately, if the CDA is more than 10% below the original appraised value, then the Seller may contact Clear Capital at: customer@clearcapital.com, 530.550.2130.

4.11.3. Appraisal Age

- To be utilized without an update, appraisals must be dated within 120 days of 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 less than or equal to 180 days from 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 or Freddie Mac Form 442, and
  - The update must be dated within 60 days of the Note date.

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4.11.4. Appraisal Delivery Format

Appraisals must be delivered in a format acceptable to MWF where the data is embedded in the document, and not as an “image” (acceptable format example: first Generation PDF).

4.11.5. Appraisal Re-Use

The use of an appraisal report (expired or unexpired) utilized for a loan that has closed for a subsequent transaction is not permitted.

4.11.6. Appraisal Lender/Client and Appraisal Transfers

Appraisal Lender/Client must be in the name of Seller or originating third party originator (TPO). Appraisals that have been transferred from one lender to another lender are not permitted. Appraisals generated for third parties are not eligible.

4.11.7. Appraisal Form

A full URAR appraisal report with interior and exterior inspection on appropriate Fannie Mae / Freddie Mac form is required for all properties. Property Inspection Waiver such as ACE or PIW/AW, and exterior-only inspections are not allowed. Also see Appraisal Review and Second Appraisal Requirements.

4.11.8. AMC Usage Required

All appraisals must be fully compliant with the Appraisal Independence Rule and the ECOA Valuation Rule.

Fannie Mae Market Conditions Addendum: A Fannie Mae Form 1004MC Market Conditions Addendum, 1004MC must be included in the loan file.

4.11.9. General Requirements

All appraisals must additionally meet Fannie Mae appraisal requirements, and -

- Comparable sales used to establish value that are older than six months may indicate that the subject property is located in a market experiencing declining values. If any comparable sales are over six-months-old, the appraiser must comment on the reason for using aged comparable sales.
- At least three comparable sales must have been closed within 12 months prior to the effective date of the appraisal, and comparable sales must be deemed otherwise valid and appropriate,
- MWF reserves the right to: Underwrite and/or review the appraisal, CDA, and/or second appraisal submitted by Seller, make its own decision regarding the acceptability of the property as collateral, and make its own decision regarding the suitability of the loan for purchase.

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4.11.10. UCDP Requirement

Appraisals must be submitted to GSE's "UCDP" (Uniform Collateral Data Portal) and obtain a "successful" finding on the "SSR" (Submission Summary Report). The SSR must be in the delivered loan file.

4.11.11. Properties Owned Less Than 12 months

See Loan Purpose for LTV/CLTV calculation requirements.

4.11.12. Declining (Soft) Markets LTV Restriction

Maximum allowed LTV/CLTV is reduced by 5% if the appraisal indicates a declining market.

5. Product Guidelines

5.1. Documentation

- Full Doc Only
- Fully processed 4506T with transcripts required for all borrowers

5.2. Electronic Signatures

Loans with electronic signatures must meet the requirements of all applicable state and Federal laws, as well as the requirements of Fannie Mae.

Fannie Mae's "electronic signature consent agreements" must be included in the loan file.

The following mortgage loan documents may not contain eSignatures:

- Note and Riders to the Note
- Security Instrument
- Rider(s) to the Security Instrument
- Notice of Right to Cancel
- Power of Attorney

5.3. General Purchase Guidelines

5.3.1. Chain of Title

The property seller must be the owner of record and proof that the property seller has owned the property for 12 months OR a chain of title for the last 12 months is required.

5.3.2. Purchase Contract

Complete purchase agreements, including all addenda, are required. If the Purchase Contract has been assigned to buyer from a previous purchaser, then the loan is not eligible.

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5.3.3. Identity of Interest / Non-Arm's Length Transactions

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

- Sales of properties between family members (see Established Relationship)
- 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.

5.3.4. Excessive Commissions and Payouts:

- Total real estate commissions and marketing fee payouts (in cash or in kind) that exceed 8% of the sales price are considered excessive and must be deducted from the sales price for underwriting purposes and for calculation of LTV/CLTV.
- Total commissions/marketing fees for these purposes include, but are not limited to: marketing fees, finder's fees, referral fees, consulting fees, and assignment of sales fees.
- The settlement statement must be completed to include all fees and payouts as required by applicable regulatory compliance guidelines.

5.4. General Refinance Guidelines

5.4.1. Churning

Loans are not eligible if there is evidence of churning.

5.4.2. Listed Properties

Listed at the 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.
- Primary and Second Homes only.
- Documentation provided to show cancellation of listing.
- Acceptable letter of explanation from the Borrower provided detailing the rationale for cancelling the listing.

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Listed within 12 months

Cash out refinances are not eligible if the property was listed for sale by the Borrower within twelve (12) months of the application date.

5.4.3. Restructured Loans

Refinance of a Restructured Loan or Short Pay off Loan is not allowed.

5.4.4. LTV Calculation

- If owned more than 12 months, LTV is based on current appraised value.
- If owned less than 12 months, see Seasoning Requirements in the Rate and Term Refinance and Cash-Out Refinance sections below.

5.4.5. Continuity of Obligation Requirement

There must be continuity of obligation if there is currently an outstanding lien that will be satisfied with the refinance transaction. Loans with an acceptable continuity of obligation may be underwritten as either a no cash-out or a cash-out refinance transaction based on the requirements in this section.

Acceptable continuity of obligation is met when:

- At least one borrower obligated on the new loan was also a borrower obligated on the existing loan being refinanced, and
- At least one borrower has been on title and will be obligated on the new loan.

5.5. Rate/Term Refinance

5.5.1. Maximum Cash-to-Borrower

Cash received by the borrower must not exceed the lesser of 1% or $5000 of the principal amount of the new loan.

5.5.2. Loan Costs

Reasonable and customary closing costs, pre-paid items and seasoned junior liens may be incorporated into the loan amount.

5.5.3. Seasoning Requirements

5.5.3.1. First Lien - If owned less than 12 months

- Value should be 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 12 month time frame is defined as prior Note date to subject application date.

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5.5.3.2. Closed End Seconds

- One-year seasoning on junior liens, from funding, is required, unless documentation is provided to verify the lien was incurred as part of acquisition.

5.5.3.3. HELOCs

- If funds were received in excess of 1% of the new loan amount or $2,000, whichever is greater, within 12 months prior to the new loan, the new loan will be considered a cash-out refinance transaction.

5.5.3.4. Buyouts

Refinance to buy out another party's interest in subject property is allowed subject to:

- Documentation that all parties have jointly owned and occupied subject property for the 12 months prior to application date (exception for inheritance), and
- A signed, written agreement stating the terms of the property transfer and disposition of funds (such as a divorce decree).
- Cash received by the borrower must not exceed the lesser of 1% or $5000 of the principal amount of the new loan.

- Installment Land Contracts and mortgage loans used to pay off a Contract for Deed are not eligible.
- Texas: For owner occupied properties located in Texas, a copy of the current mortgage or Note is required to determine that the previous terms are not subject to the requirements of Texas Section 50(a)(6), also known as Home Equity Deed of Trust, Home Equity Installment Contract or Residential Home Loan Deed of Trust.

5.6. Cash-out Refinance Requirements

- Primary residence only
- Non-occupant borrowers, co-borrowers and guarantors are not allowed. Also see Borrower Eligibility.
- Refinance of a Restructured Loan or Short Pay off Loan is not allowed.
- Owned Free and Clear: A cash out refinance of a property owned free and clear is an eligible transaction subject to all other cash out guides. Documentation verifying property is free and clear is required.

5.6.1. Seasoning Requirements

- All borrowers must have held title to subject property for a minimum of 6 months: Note date to application date.
- There must be greater than six (6) months seasoning of all existing liens on subject property: Note date to application date.
- For properties owned at least 6 months, but less than 12 Months:

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  - Value should be 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 12 month time frame is defined as prior Note date to subject application date.
- Cash out limitations include pay off of second mortgages seasoned less than 12 months (closed end seconds and HELOCs) and/or non-mortgage debt. The 12 month time frame is defined as prior Note date to subject application date.
  - Seasoned liens secured by subject property are not included in the cash-out limitation.
- Texas: Primary residences in Texas that are subject to Texas Section 50(a)(6) are not eligible.

5.7. Delayed Financing

Borrowers who purchased the subject property less than six months ago are eligible for a cash-out refinance if all of the following requirements are met:

- The new loan amount must not be more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid items, and points.
- The purchase transaction was an arm's length transaction.
  - If the seller of the property was a legal entity, the principals of the entity must be documented.
- The purchase transaction is documented by the HUD-1 Settlement Statement or Closing Disclosure which confirms that no mortgage financing was used to obtain the subject property.
  - A recorded trustee's deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for a HUD-1 Settlement Statement or Closing Disclosure if such a statement was not provided to the purchaser at time of sale.
- The LTV/CLTV must be based on the lesser of the original purchase price or the current appraised value.
- The source of funds for the purchase transaction must be documented. Funds cannot be from gift, borrowed, or business funds.
- The preliminary title search or report must not reflect any existing liens on the subject property.

All other cash-out refinance eligibility requirements must be met and cash-out pricing is applied.

5.8. Current Residence Pending Sale

- Additional 6-months liquid reserves based on the PITIA of the retained property, and

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- Reserve requirements for the new loan per the Reserve Requirements Table.
- Calculate DTI using the PITIA of both the retained property and the new primary residence, or qualify based only on the new primary residence PITIA if the following are met:
  - Executed, non-contingent sales contract for the current residence, or
  - Executed, contingent sales contract and confirmation that any financing contingencies have been cleared. Conversion of Primary Residence to Second Home or Investment Property.
  - The pending sale Transaction must be arm's length.
  - The scheduled closing date of the pending sale must be within sixty (60) days after the subject transaction Note date.
- If the borrower’s current primary residence is being converted to a second home or investment property, and/or has relocated to temporary housing, an explanation may be required when the property being purchased is of lesser value or in the same geographic location, and the following must be met:

5.8.1. Conversion of Primary Residence to Second Home

- 6-months reserves for the retained property.
- The greater of 6-months PITIA liquid reserves or program requirements for the subject property.

5.8.2. Conversion of Primary Residence to Investment

- Must have 25% documented equity via a full URAR appraisal report, or an Exterior Only Inspection Residential Appraisal Report dated no more than 120 days prior to the Note date of the subject transaction.
- Provide evidence of receipt of security deposit from the tenant, deposited into the borrower's bank account.
- A family member, an individual with an Established Relationship with those involved in the transaction, or an interested party may not sign the lease agreement as the tenant.
- 1-Unit: Requires fully executed current lease agreement.
- 2- to 4-units: Current, fully executed lease agreement for unit previously occupied by borrower, and most recent two year's personal income tax returns, including Schedule E, for units not occupied by borrower, or current, fully executed lease agreement(s) if property was not acquired subsequent to filing personal income tax returns.

5.8.2.1. Rental Income Analysis

- 1-unit: 75% of actual rent.
- 2- to 4-units: 75% of actual rent for unit previously occupied by borrower, and average from Schedule E.

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6. ARM Guidelines

6.1. Qualifying Rate

ARM Program	Qualifying Rate
5/1 ARM	Greater of fully index rate or note rate + 1st Change Cap
7/1 ARM	note rate
10/1 ARM	

6.1.1. ARM Info

2-2-5	5/1 ARM	7/1 ARM	10/1 ARM
Index	**LIBOR:** The average of the interest offered rates for 1-year U.S. dollar denominated deposits in the London Market, as published in the Wall Street Journal.		
Margin	2.25%		
First Adjustment Cap	May change the interest rate by no more than 2% up or down.	May change the interest rate by no more than 5% up or down.	
Subsequent Adjustment Cap	Each subsequent adjustment may change the interest rate by no more than 2% up or down.	Each subsequent adjustment may change the interest rate by no more than 2% up or down.	
Lifetime Cap	5% over the initial note rate.	5% over the initial note rate.	

7. Property Eligibility

7.1. Eligible Property Types

- SFR, townhomes, row homes, 2 – 4 unit properties
- Condominiums and PUDs
- Modular Pre-Cut/Panelized Housing are treated as SFRs.
- Solar Panels (must meet all Fannie Mae guides for Solar Panels)

7.2. Property Condition

Properties with ratings of C5, C6 or Q6 are not allowed unless the issues that caused the ratings are cured prior to loan delivery and the appraiser provides acceptable documentation to show that the property now meets C4 or better condition requirements.

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7.3. Ineligible Property Types

- Manufactured Homes
- Acreage – 15 acres max
- Properties with Purchase Contract Assignments
- Assisted Living Projects, board and care facilities
- Bed and Breakfast, boarding houses
- Builder Model Leaseback
- Cantilevered Property
- Commercial and/or Industrial Properties
- Common Interest Apartments
- Conversions, including hotel or motel conversions
- Co-ops
- Exotic or non traditional types of structures such as dome homes or log homes, houseboats
- Property without full kitchen
- Unimproved land
- Litigation: Property with pending structural litigation. Non-structural litigation may be considered on a case by case basis.
- Mixed Use
- Leasehold
- Resale deed restricted properties other than minimum age restrictions
- Residential properties with a permanently affixed manufactured home on the property
- Properties with less than 800 square feet of habitable living space are not eligible
- Property without full utilities installed to meet all local health and safety standards (e.g. continuing supply of potable water; public sewer or certified septic system)
- Working farms or ranches, hobby farms or orchards
- Properties not suitable for year round occupancy not eligible
- Property that represents a legal, but Non Conforming use If zoning regulations prohibit rebuilding the improvements to current density in the event of full or partial destruction.
- Property zoned and used for commercial or industrial purposes.

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8. Condo and PUDs

8.1. Guidelines

- All projects must be Fannie Mae Warrantable.

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- See the Product Matrix for condominium restrictions, including LTV/CLTV, credit score, transaction type, reserve and property state requirements.
- For high-rise condos greater than four (4) stories, reduce maximum LTV/CLTV by 5%.
- Established condominium projects only – new condominium projects or projects subject to further phasing or annexation are not eligible.
- Condominium conversions must be completed and sold more than 3 years prior to application date. All units must be sold to individuals, not to the developer.
- 2-4 unit PUD projects, are not eligible.

8.2. Eligible Project Review Types

- The condominium project review must be a Fannie Mae PERS or Fannie Mae Lender Full Review with or without CPM.
- Full Reviews must be completed within 180 days of the Note date. PERS approval must be valid (unexpired) as of the Note date.
- Must include Fannie Mae Condominium Project Questionnaire Full Form (Fannie Mae Form 1076) or equivalent.

8.3. Ineligible Condominium Types

- New condominium projects or projects subject to further phasing or annexation are not eligible.
- Non-warrantable condominiums
- Condo-Hotel
- Condominium leaseholds
- Cooperative
- Common Interest Apartments also known as community apartment project or "own your own". A project in which individuals have an undivided interested in a residential apartment building and
- land and have the right of exclusive occupancy of a specific unit in the building. The project or building is often owned by several owners as tenants in common or by a homeowners' association.
- Hotel or motel conversions (or conversions of other similar transient properties)
- Houseboat projects
- Investment Securities project that have documents on file with the Securities and Exchange Commission or projects where unit ownership is characterized or promoted as an investment opportunity
- Manufactured home projects
- Multi-family condominium dwelling with ownership of more than one unit evidenced by a single deed and mortgage
- Projects that permit lockout units are considered multi-family

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- New projects where the seller is offering sales/financing contributions/concessions in excess of established limitations for individual loans
- Projects where the homeowners' association is named as a party to pending litigation or any project that has not been turned over to the homeowners' association for which the project sponsor or developer is named as party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project
- Projects that restrict the owner's ability to occupy the unit, have mandatory rental pools or guaranteed rent-backs
- Projects where more than 20% of the total space is used for nonresidential purposes
- Projects where a single entity owns more than 10% of the total units in the project
- Projects with recreational leases
- Projects with non-incidental business operations owned or operated by the homeowners' association such as, but not limited to, a restaurant, spa, health club, etc.
- PUD and condominium projects that represent a legal but nonconforming use of the land; if zoning regulations prohibit rebuilding the improvements to current density in the event of its full or partial destruction Time share or segmented ownership projects
- 2-4 unit PUDs.

9. Appraisal Requirements

The following appraisal review and second appraisal requirements apply for all transactions, based on loan amount, as follows:

9.1. Loan Amount ≤ $1,500,000

- Full appraisal report with interior and exterior inspection
- Clear Capital Collateral Desktop Analysis - CA (CDA) (without MLS data) OR
- Second full appraisal – Interior and exterior with interior photos.

Note: If a CDA is required, MWF must provide the CDA Release Form with written release.

9.2. Loan Amount > $1,500,000

- Full appraisal report with interior and exterior inspection
- Second full appraisal – Interior and exterior with interior photos.

10. Property Flips

For all Purchase transactions:

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- The property seller must be the owner of record. Provide a change of title or other documentation, e. g., appraisal, title report, etc., showing the ownership history for the last 12 months.

10.1. Prior Sale 90 Days

Prior sale of subject property occurred within 90 days, then the loan is only eligible for sale if:

- 1. Property seller is Relocation Agency, or 2. Property seller obtained property through Foreclosure or Deed in Lieu, or 3. Property Seller obtained property through inheritance or divorce, and
- Subject transaction must be for a primary residence only, and

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