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TEMPORARILY SUSPENDED

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1. Program Basics

1.1. Product Codes

Code	Description
JF30RC	30 Year Jumbo Fixed RC
JF15RC	15 Year Jumbo Fixed RC
JA5LRC	5/1 Jumbo Libor ARM RC
JA7LRC	7/1 Jumbo Libor ARM RC
JA10LRC	10/1 Jumbo Libor ARM RC

1.2. Eligible Transaction Type

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

1.3. Eligible States

Eligible States Matrix

1.4. LTV/CLTV

See Jumbo RC LTV Matrix

1.5. LTV Calculation

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

1.6. Minimum Loan Amount

$1 over Agency High Balance loan limit for the County

1.7. Maximum Loan Amount

$1,500,000

1.8. Eligible Property Types

- 1-4 Unit Primary
- 1 Unit Second Home
- 1-4 Unit Investment
- SFR

- Properties with 40 acres
- Properties with > 10 acres and less than or equal to 40 acres must meet the following:
- Maximum land value 35%
- No income producing attributes
- Transaction must be 5 LTV based on the transaction, FICO score, loan amount and reserves, then the maximum allowed would be 85%.
- 20, 25, 30 year fixed rate only
- No income producing attributes

- Properties subject to existing oil/gas leases must meet the following:
    - Title endorsement provided coverage to the lender against damage to existing improvement resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease.
    - No active drilling.
    - No lease recorded after the home construction date. Re-recording of a lease after the home was constructed is permitted.
    - Must be connected to public water.
- Properties with leased solar panels must me FNMA requirements.

Only one **non-warrantable** feature is allowed and LTV/CLTV must be 10% below product/program maximum.

- **Commercial Space –** Commercial space includes space above and below grade. Commercial space must be compatible with the residential use of the project.
- **Maximum ownership by one entity –** is 25% for projects with more than ten units.
    - Units owned by the developer, sponsor, or succeeding developer that are vacant and being actively marketed for sale are not included in the calculation.
    - Units currently leased must be included in the calculation.
    - For projects with ten units or less, Fannie Mae guidelines apply for the number of units owned by one entity and would not be considered non-warrantable.
- **Presale –** New projects or converted projects (as defined by Fannie Mae) must have at least 30% of the units sold or under contract to owner occupants or second home purchasers for the subject phase; common areas/amenities must be complete for subject phase.
- **Budget –** for projects with line item for replacement reserves of less than 10%:

- Less than 10% but greater than 7% replacement reserves allowed if current reserves balance exceeds 10% of operating expenses
- Less than 7% replacement reserves allowed if current reserve balance exceeds 20% operating expenses
- Project balance sheet must be provided and within 120 days of the Note date.

The subject legal phase and any other prior legal phases in which units have been offered for sale are substantially complete (common elements complete and units complete subject to selection of buyer upgrades/preference items).

Primary residence and second homes only.

All other Fannie Mae condo requirements met.

Loan must be locked as a non-warrantable condominium with applicable pricing adjustments applied.

Loans outside of these parameters with strong compensating factors may be considered on an exception basis.

1.8.1. Condominiums – Attached – Warrantable

- Limited review allowed for attached units in established projects per FNMA guidelines.
- CPM or PERS allowed
- Full review allowed
- Projects with 2-4 units – no review or warranty is required.
- Documents to support eligibility review must be not older than 120 days from Note date.

1.8.2. Condominiums – Detached – including site

- no review or warranty is required.

1.9. Ineligible Property Types

- 2-4 unit second home
- Condotels / Condo Hotels
- Manufactured Homes/Mobile Homes
- Mixed-Use Properties
- Properties with condition rating of C5/C6
- Properties with construction rating of Q6
- Properties located in Hawaii in lava zones 1 & 2
- Properties > 20 acres
- Unique properties
- Working farms, ranches or orchards
- Tenants-in-Common projects (commonly known as TICs)

1.10. Temporary Buydowns

Not Allowed

1.11. Interest Only

Not Allowed

1.12. Escrow Waivers

Allowed

1.13. Secondary Financing

- Institutional Financing only. Seller subordinate financing not allowed.
- Subordinate liens must be recorded and clearly subordinate to the first mortgage lien.
- If there is or will be an outstanding balance at the time of closing, the monthly payment for the subordinate financing must be included in the calculation of the borrower's debt-to-income ratio.
- Full disclosure must be made of the existence of subordinate financing and the subordinate financing repayment terms. The following are acceptable subordinate financing types:
  - Mortgage terms with interest at market rate.
  - Mortgage with regular payments that cover at least the interest due, resulting in no negative amortization.
- Employer subordinate financing is allowed with the following requirements:
  - Employer must have an Employee Financing Assistance Program in place.
  - Employer may require full repayment of the debt if the borrower's employment ceases before the maturity date.
  - Financing may be structured in any of the following ways.
    - Fully amortizing level monthly payments
    - Deferred payments for some period before changing to fully amortizing payments
    - Deferred payments over the entire term.
    - Forgiveness of debt over time
    - Balloon payment of no less than five (5) years, or the borrower must have sufficient liquidity to pay off the subordinate lien.
  - LTV/CLTV/HCLTV guidelines must be met for loans with subordinate financing
  - Secondary financing not allowed on LTVs > 80%.

1.14. General Refinance Guidelines

1.14.1. Existing Properties

For existing properties, borrowers must occupy at the time of the transaction.

1.14.2. Calculations

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

1.14.3. Properties Listed for Sales

- Properties currently listed for sale (at time of application) are not eligible.
- Properties listed for sale 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 detailing the rationale for cancelling the listing. Cash-out refinances are not eligible if the property was listed for sale within 12 months of the application date.

1.14.4. Continuity of Obligation

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

- The borrower has been on title for at least 12 months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements:
  - Has been making the mortgage payments (including any secondary financing) for the most recent 12 months or
  - Is related to the borrower on the mortgage being refinanced.
- The borrower on the new refinance transaction was added to title 24 months or more prior to the disbursement date of the new refinance transaction.

- The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership.
- The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply:
    - Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer.
    - The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent 6 months prior to the disbursement of the new loan.

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

1.14.5. Conversion of Primary Residence

In order to exclude the payment for a borrower's primary residence that is pending sale but will close after the subject transaction the following requirements must be met:

- A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared/satisfied.
- The closing date for the departure residence must be within 30 days of the subject transaction note date.
- 6 months liquid reserves must be verified for the PITIA of the departure residence.

1.14.6. Departure Residence Subject to Guaranteed Buy-out with Corporation Relocation:

In order to exclude the payment for a borrower's primary residence that is part of a Corporate Relocation the following requirements must be met:

- Copy of the executed buy-out agreement verifying the borrower has no additional financial responsibility toward the departing residence once the property has been transferred to the 3rd party.
- Guaranteed buy-out by the 3rd party must occur within 4 months of the fully executed guaranteed buy-out agreement.
- Evidence of receipt of equity advance if funds will be used for down payment or closing costs.
- Verification of an additional 6 months PITIA of the departure residence.

1.15. Rate/Term Refinance

The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items.

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

Properties inherited less than 12 months prior to application date can be considered for a Rate and Term refinance transaction if the following requirements are met:

- Must have clear title or copy of probate evidencing borrower was awarded the property.
- A copy of the will or probate document must be provided, along with the buy-out agreement signed by all beneficiaries.
- Borrower retains sole ownership of the property after the pay out of the other beneficiaries.
- Cash back to borrower not to exceed 1% of loan amount

1.16. Cash-out Refinance Requirements

- Borrower must have taken title more than 180 days from the Note date. If the property is owned free and clear and six (6) month seasoning is not met, refer to Delayed Purchase Refinancing section above.
- Maximum cash-out limitations include the payoff of any unsecured debt, unseasoned liens and any cash in hand.
- Inherited properties may not be refinanced as a cash-out refinance prior to 12 months ownership. See Rate and Term refinances for requirements.
- Cash-out refinances where the borrower is paying off a loan from a pledged asset or retirement account loan, the following guidelines apply:
  - Cash-out limitation is waived if previous transaction was a purchase.
  - Seasoning requirement for cash-out is waived (borrower does not have to have owned for six (6) months prior to subject transaction).
  - Funds used to purchase the subject property must be documented and sourced.
  - HUD-1 for subject transaction must reflect payoff or pay down of pledged asset or retirement account loan. If cash-out proceeds exceeds payoff of loans, excess cash must meet cash-out limitations.

1.16.1. Investment Property Cash-out Refinance Requirements

- a letter from the borrower indicating the cash out will be used for business purposes.
- Borrower must be self employed.

1.17. Delayed Financing

Delayed Purchase Refinancing is allowed with the following requirements:

- Property was purchased by borrower for cash within six (6) months of the loan application.
- HUD-1 from purchase reflecting no financing obtained for the purchase of the property.
- Preliminary title reflects the borrower as the owner and no liens.
- Funds used to purchase the property are fully documented and sourced and must be the borrower's own funds (no borrowed funds, gift funds, business funds).
- LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance.
- If funds used to purchase the property were secured by a pledged asset or retirement account, it is not considered the borrower's own funds and the transaction would not be eligible for Delayed Financing.
- Investment properties are allowed as long as borrower is not a builder or in the construction industry and prior transaction was arm's length.

2. Borrower Eligibility

2.1. Eligible Borrowers

- U.S. Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens
- All borrowers must have a valid social security number

2.2. Ineligible Borrowers

- Foreign Nationals
- Borrowers with diplomatic status
- Life Estates
- Non-Revocable Trusts
- Guardianships
- LLCs, Corporations or Partnerships
- Land Trusts

2.3. Non Occupying Co-Borrower

Non-Occupant Co-Borrowers are allowed with the following restrictions:

- Primary residence – One (1) Unit Property.

- Purchase and rate & term refinance transactions only.
- Max loan amount $1,000,000; $1,500,000 is allowed for properties located in CA, CT, NY and NJ.
- Max LTV/CLTV 80%.
- No minimum down payment required from the occupant borrower, down payment and reserves may be from the occupant borrower or non-occupant co-borrower.
- Additional six (6) months reserves required.
- Non-occupant co-borrower must be an immediate family member.
- Blended ratios allowed with a maximum 43% DTI.
- Transaction must be an arm's length transaction.

2.4. Trust Vesting

An attorney opinion letter is required on all transactions that are vested in a trust. The opinion letter must address the following:

- Ensure that the trust is enforceable and in compliance with state and local laws and regulations.
- Ensure documentation is executed in an identical and consistent manner.

2.5. Permanent Resident Alien

Permanent Resident Aliens with evidence of lawful residency

- Must be employed in the US for the past 24 months..
- Borrower must have a current 24 month employment history in the US.

2.6. Non-Permanent Resident Alien

- Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions:
- Primary residence only
- Maximum LTV/CLTV/HCLTV 75%
- No other financed properties in the US
- Unexpired H1B, H2B and L1 Visas only
- E1 and G series Visas are allowed for loans locked on or after 10/19/2015.
- G series Visas must not allow for diplomatic immunity
- Credit tradeline requirements must be met, no exceptions.

2.7. First Time Home Buyer

First-Time Homebuyer is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, first-time homebuyer requirements do not apply.

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- Maximum loan amount is $1,000,000. (1,500,000 in CA)
- No gift funds allowed
- Primary residence only
- Reserve requirements met for FTHB as specified in the Asset section

2.7.1. FICO Requirements FTHB

680 Minimum FICO Score

2.8. Non Arm's Length Transactions

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

- Family Sales or Transfers
- Property seller acting as their own real estate agent
- Borrower acting as their own real estate agent
- Borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence of employee program to be included in loan file.
- Borrower purchasing from their current landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord).
- Investment property transactions must be arm's length.
- Other Non-Arm's Length transactions may be acceptable on an exception basis.

3. Occupancy

3.1. Purchase Contract

A completed inspection or certification (termite, well, septic, roof etc.) must be included in the loan when called out for in the purchase contract or appraisal.

3.2. Second Home Requirements

- Must be a reasonable distance away from borrower's primary residence.
- Must be occupied by the borrower for some portion of the year.
- Must be suitable for year-round use.
- Must not be subject to a rental agreement and borrower must have exclusive control over the property.
- Any rental income received on the property cannot be used as qualifying income.

3.3. Multiple Number of Financed Properties

The borrower(s) may own a total of ten (10) financed, 1 - 4 unit residential properties including the subject property and regardless of the occupancy type of the subject property.

- If the borrower owns up to four (4) financed properties:
  - Max financing for the subject transaction is allowed
  - Additional financed 1 - 4 unit residential properties require three (3) months reserves for each property.
- If the borrower owns between fine (5) and ten (10) financed properties:
  - The subject transaction is limited to a maximum of 80% LTV/CLTV/HCLTV or program maximum (lower of the two).
  - Subject property requires the greater of six (6) months reserves or required reserves per guidelines as indicated in Reserve section of the guide.
  - Additional financed 1 - 4 unit residential properties require six (6) months reserves for each property.

The borrower may own an unlimited number of financed 1 - 4 unit residential properties when the subject transaction is a primary residence with the following requirements:

- The subject transaction is limited to a maximum of 80% LTV/CLTV/HCLTV or program maximum (lower of the two).
- Additional financed 1 - 4 unit residential properties require six (6) months reserves for each property.

1 - 4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage.

Ownership of commercial or multifamily (5+ units) real estate is not included in this limitation.

4. Underwriting

4.1. Eligible Underwriting Methods

- Manual Underwrite only
- AUS findings are not considered
- No Documentation wavers are considered

4.2. Credit

4.2.1. Documentation

- All loans must be manually underwritten and fully documented. No documentation waivers based on AUS recommendations permitted.

- Income calculation worksheet or 1008 with income calculation. The Fannie Mae 1084, Freddie Mac Form 91 or equivalent is required for self-employment analysis.
- Full income and asset verification is required.
- All credit documents, including title commitment must be no older than 90 days from the Note date.
- QM designation must be provided in the loan file.
- Loan file must document the eight (8) Ability to Repay (ATR) rules identified in Part 1026-Truth-in-Lending (Regulation Z).
- If subject transaction is paying off a HELOC that is not included in the CLTV calculation, the loan file must contain evidence the HELOC has been closed.
- Any credit report that is identified as "frozen" must be "unfrozen" and a current credit report with all bureaus unfrozen is required.

4.2.2. Minimum FICO

See Jumbo RC LTV Matrix

4.2.3. Minimum Trade Line Requirements

Minimum three (3) tradelines are required. The following requirements apply:

- One (1) tradeline must be open for 24 months and active within the most recent 6 months.
- Two (2) remaining tradelines must be rated for 12 months and may be opened or closed.

  OR
- Minimum two (2) tradelines are acceptable if the borrower has a satisfactory mortgage rating for at least 12 months (opened or closed) within the last 24 months and one (1) additional open tradeline.
- Each borrower contributing income for qualifying must meet the minimum tradeline requirements; however borrowers not contributing income for qualifying purposes are not subject to minimum tradeline requirements.

4.2.3.1. Authorized Users

Authorized user accounts are not allowed as an acceptable tradeline

4.2.3.2. Non-Traditional Credit

Non-traditional credit is not allowed as an acceptable tradeline.

4.2.4. Disputed Derogatory Credit

- All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute.

- Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However if a disputed account has a zero balance and no late payments, it can be disregarded.

4.2.5. Mortgage/Housing Payment History

- If the borrower(s) has a rental history in the most recent twenty-four (24) months, a mortgage rating must be obtained reflecting 0x30 in the last twenty-four (24) months. The mortgage rating may be on the credit report or VOM. Applies to all borrowers on the loan.
- If the mortgage holders is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory mortgage history is required.

4.2.6. Rental History Requirements

- If the borrower(s) has a rental history in the most recent twelve (12) months, a VOR must be obtained reflecting 0X30 in the last twelve (12) months. Applies to all borrowers on the loan.
- If the landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory rent history is required; otherwise if not related or a party to the transaction a satisfactory VOR can be provided.

4.2.7. Derogatory Credit

Derogatory Event	**Choice Program**
Bankruptcy: Chapter 7, 11, 13	4 years since discharge/dismissal date
Foreclosure	4 years since completion date
Notice of Default	2 years since completion date
Short Sale/Deed-in-Lieu	4 years since completion/sale date
Mortgage accounts that were settled for less, negotiated or short payoffs	
Loan Modification	2 years since modification date with no mortgage lates on any mortgage in the last 24 months
Medical collections	
Multiple derogatory credit events	Not Allowed • A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event. • A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event

Derogatory Credit Exceptions	• Borrowers with credit events listed above between 4 and 7 years must meet the following requirements:
	  • Tradeline requirements must be met
	  • Satisfactory housing history for 24 months

Derogatory Event	Choice Program
	required • No mortgage lates since credit event • No public records since credit event • Primary resident – purchase or rate/term refinance with a maximum 80% LTV/CLTV/HCLTV or program maximum if lower • Exceptions for credit events that require 4 year seasoning will be considered on a case-by-case basis between 2 and 4 years with extenuating circumstances subject to the following: • Extenuating circumstances are defined as non-recurring events that were beyond the borrower's control resulting in a sudden, significant and prolonged reduction in income or catastrophic increase in financial obligations. • Examples would include death or major illness of a spouse or child but would not include divorce or job loss • Documentation must be provided to support the claim of extenuating circumstances and confirm the nature of the vent that led to the credit event and illustrate the borrower had no reasonable option other than to default on their obligations. • If the defaulted debt was assigned to an ex-spouse and the default occurred after the borrower was relieved of the obligation, the event may be considered on an exception basis.

4.2.8. Frozen Bureaus

- If the credit report indicates recent inquiries within the most recent 120 days of the credit report, the seller must confirm the borrower did not obtain additional credit that is not reflected in the credit report or mortgage application. In these instances the borrower must explain the reason for the credit inquiry.
- If additional credit was obtained, a verification of that debt must be provided and the borrower must be qualified with the monthly payment.
- Confirmation of no new debt may be in the form of a new credit report, pre-close credit report or gap credit report.

4.2.9. Inquiries

- If the credit report indicates recent inquires within the most recent 120 days of the credit report, MWF must confirm the borrower did not obtain additional credit that is not reflected in the credit report or mortgage application. In these instances, the borrower must explain the reason for the credit inquiry.
- If additional credit was obtained, a verification of that debt must be provided and the borrower must be qualified with the monthly payment.
- Confirmation of no new debt may be in the form of a new credit report, pre-close credit report or gap credit report.

4.2.10. Outstanding Judgments/Tax Liens/Past Due Accounts

Tax liens, judgments charge-offs and past-due accounts must be satisfied or brought current prior to or at closing. Cash-out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts.

- Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full.
- If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient liquid assets to pay the debt must be documented if the amount due is within ninety (90) days of loan application date or if tax transcripts show an outstanding balance due.

A payment plan for the most recent tax year is allowed if the following requirements are met:

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

4.3. Income / Employment

4.3.1. Overview

Stable monthly income must meet the following requirements to be considered for qualifying:

- Stable-two (2) year history of receiving the income
- Verifiable

- High probability of continuing for at least 3 years

When the borrower has less than a two (2) year history of receiving income, the lender must provide a written analysis to justify the determination that the income used to qualify the borrower is stable.

4.3.2. General Documentation Requirements

- W-2 Transcripts
  - 2 years of W-2 transcripts allowed in lieu of tax transcripts when borrower's income is limited to strictly W-2 wages.
  - Tax transcripts are required for all self-employed borrowers when income (sole proprietor, partnership, corporation, etc.) is used for qualifying.
  - The following W-2 type earnings will require tax transcripts:
    - Commission-based income that is greater than 25% of borrower's total pay.
    - 2106 expenses
    - Employed by family
    - Borrower with ownership in company
- Tax Transcripts/4506-T
  - A completed, signed, and dated IRS form 4506-T must be completed for all borrowers at closing whose income is used to qualify for the mortgage.
  - A 4506-T must be processed and tax transcripts for personal income tax returns obtained (for each year requested) to validate all income used for qualifying.
  - Tax transcripts must match documentation in the file.
  - In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found." In these cases, an additional prior year's tax transcripts should be obtained and provided. Large increases in income that cannot be validated through a tax transcript may only be considered for qualifying on a case-by-case basis.
  - Business tax transcripts are not required.

4.3.2.1. Salaried Income

- YTD paystub
- W-2s or personal tax returns
- Two (2) years VVOE

4.3.2.2. Hourly and Part-Time Income

- YTD paystub
- W-2s or personal tax returns
- Two (2) years VVOE

- Stable to increasing income should be averaged over a two (2) year period.

4.3.2.3. Self-Employment

Self-Employed borrowers are defined as having 25% or greater ownership or receive 1099 statement to document income. The requirements below apply for Self –Employed borrowers.

Income calculations should be based on the Fannie Mae 1084 Form or Freddie Mac Form 91 or equivalent income calculation form.

4.3.2.4. Sole Proprietorship

- 2 years personal tax returns, signed on or before the closing date.
- YTD profit and loss statement through most recent quarter.
- YTD balance sheet through most recent quarter.
- Stable to increasing income should be averaged for 2 years.

**YTD P&L and YTD Balance Sheet may be waived if the borrower is a 1099 paid borrower who does not actually own a business if all of the following requirements are met:

- Schedule C in Block 28 (Total Expenses) must be analyzed in relation to income in Block 7 (Gross Income). Expenses are less than 5% of income.
- Analysis of Blocks 8 (Advertising), 11 (Contract Labor), 16a (Mortgage Interest, 20 (Rent/Lease) 26 (Wages) must indicate the borrower does not have expenses in these categories.
- Analysis of Blocks 17 (Legal and Professional Services) and Block 18 (Office Expense) indicate nominal or $0 expense.
- Block C (Business Name) does not have a separate business name entity.
- Year-to-date income in the form of a written VOE or pay history is provided by the employer paying the 1099. YTD income must support prior year's income.

4.3.2.5. Partnership/S-Corporate

- 2 years personal tax returns, signed on or before the closing date.
- 2 years K-1s reflecting ownership percentage if counting any income from this source in qualifying (K-1 income, W-2 income, capital gains or interest/dividends) or if Schedule E reflects a loss.
- 2 years business tax returns (1065s or 1120s) signed if 25% or greater ownership. Business returns are not required if the income reporting is positive, not declining and not counted as qualifying income.
- YTD profit and loss statement through most recent quarter if 25% or greater ownership.

- YTD balance sheet through most recent quarter if 25% or greater ownership.
- Stable to increasing income should be averaged for 2 years
- Self Employment documentation to include a copy of the liquidity analysis if self employment income (qualifying) analysis includes income from boxes 1, 2 or 3 on the K-1 that is greater than distributions indicated on K-1. Additionally, if a liquidity analysis is required and the borrower is using business funds for down payment or closing costs, the liquidity analysis must consider the reduction of those assets.
- Year to date income and verification of employment to be verified for borrowers with less than 25% ownership if the most recent K-1 is more than 90 days old prior to Note date.

4.3.2.6. Corporation

- 2 years personal tax returns, signed on or before the closing date. 2 years business returns (1120) signed if 25% or greater ownership. Business returns must reflect % of ownership for borrower. YTD profit and loss statement through most recent quarter statement if 25% or greater ownership.
- YTD balance sheet through most recent quarter if 25% or greater ownership.
- Stable to increasing income should be averaged for 2 years.

4.3.2.7. Tax Returns

Tax returns must meet the following requirements when used for qualifying

- Personal income tax returns (if applicable) must be complete with all schedules (W-2 forms, K-1s etc.) and must be signed and dated on or before the closing date.
- Business income tax returns (if applicable) must be complete with all schedules and must be signed.

Tax transcripts (personal and business) may be used in lieu of a signature on the corresponding tax return. Tax returns are still required.

4.3.3. Maximum DTI

- LTV ≤ 80% - 43%
- LTV > 80% - 38%
- Non Occupant Co-Borrowers with Blended Ratios 43%

Note: No Exceptions are allowed

4.3.4. 2106 Expenses

#2106 expenses are no longer allowed to be claimed on borrower's #1040's due to new tax law changes.

For borrowers with #2106 expenses on 2017 tax returns and no expenses indicated on 2018 tax returns (due to the tax law change) a 12-month average of expenses must be based on the 2017 tax return and deducted from qualifying income.

4.3.5. Alimony, Child Support and Separate Maintenance

- Considered with a divorce decree, court ordered separation agreement, or other legal agreement provided the income will continue for at least three (3) years.
- If the income is the borrower's primary income source and there is a defined expiration date (even if beyond 3 years) the income may not be acceptable for qualifying purposes.
- Evidence receipt of full, regular, timely payments for the most recent 12 months.
- 2 years tax transcript.

4.3.6. Asset Depletion

Not Allowed.

4.3.7. Capital Gains

- Must be gains from similar assets for three continuous years to be considered qualifying income.
- If the trend results in a gain it may be added as income.
- If the trend results in a loss, the loss must be deducted from total income.
- Personal tax returns – 3 years with a consistent history of gains from similar assets. 3 years tax transcripts to support tax returns.
- Document assets similar to the assets reported as capital gains to support the continuation of the capital gain income.

4.3.8. Corporation

- Two (2) years personal tax returns, signed on or before the closing date.
- Two (2) years tax transcripts to support.
- Two (2) years business returns (1120) signed if 25% or greater ownership.
- Business returns must reflect % of ownership for borrower.
- YTD profit and loss statement if 25% or greater ownership.
- YTD balance sheet if 25% or greater ownership.
- Stable to increasing income should be averaged for two (2) years.

4.3.9. Commission

- YTD paystub
- 2 years W-2s if commissions are less than 25% of total income or

- 2 years tax returns and W-2 forms required if commissions are > 25% of the total income. Unreimbursed business expenses (form 2106) must be subtracted from income.
- VVOE
- Stable to increasing income should be averaged for the 2 years.

4.3.10. Declining Income

When the borrower has declining income, the most recent 12 months should be used. In certain cases, an average of income for a longer period may be used when the decline is related to a one-time capital expenditure and proper documentation is provided. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay.

If declining income is for a non-self- employed borrower, the employer or the borrower should provide an explanation for the decline and the underwriter should provide a written justification for including the declining income in qualifying.

4.3.11. Dividends and Interest Income

- Personal tax returns-2 years
- Documented assets to support the continuation of the interest and dividend income

4.3.12. Employed by Family

- YTD paystub
- 2 years W-2s and
- 2 years personal tax returns
- VVOE
- Borrower's potential ownership in the business must be addressed.

4.3.13. Foreign Income

- YTD paystub
- W-2 forms or the equivalent and personal tax returns reflecting the foreign earned income. Income must be reported on 2 years US tax returns.
- VVOE
- All income must be converted to US Currency.

4.3.14. Gaps in Employment

- Gaps in excess of 30 days during the past two (2) years require a satisfactory letter of explanation and the borrower must be employed with their current employer for a minimum of six (6) months to include as qualifying income.

  - Exceptions may be considered on a case-by-case basis when the borrower is on the job less than 6 months, and the gap is less than 6 months.

4.3.15. K1 Income

- If the income is positive, stable and not used for qualifying, the K-1 is not required.
- If less than 25% ownership with income used in qualifying:
  - Verification of Employment Requirements apply
  - Year-to-date income must be verified if the most recent K-1 is more than 90 days aged prior to Note date.
- If 25% or greater ownership with income used in qualifying:
  - Verification of Employment Requirements
  - Partnership/S-Corp and Self-Employment requirements apply.
- If the income is negative, the K-1s for the applicable years are required and if ownership is 25% or greater, see self-employment requirements below.
- Two (2) years tax transcripts.

4.3.16. Long Term Disability from a Private Policy or Employer Sponsored Policy

A copy of the policy or benefits statement must be provided to determine current eligibility for disability payments, amount of payments, frequency of payments, and if there is an established termination date. If a termination date is indicated, it may not be within 3 years of the Note date.

4.3.17. Non Taxable Income

Child support, military rations, disability, foster care, etc.

- Documentation must be provided to support continuation for 3 years.
- Income may be grossed up by applicable tax amount. Tax returns must be provided to confirm income is non-taxable. 2 years tax transcripts to support tax returns.
- If the borrower is not required to file a federal tax return, gross-up by 25%.

4.3.18. Note Income

- Copy of the Note must document the amount, frequency and duration of the payment.
- Evidence of receipt for the past twelve (12) months and evidence of the Note income must be reflected on personal tax returns. Tax transcripts to support tax returns.
- Note income must have a three (3) year continuance.

4.3.19. Overtime and Bonus

- YTD paystub
- W-2s or personal tax returns-2 years
- VVOE
- Stable to increasing income should be averaged for the 2 years.

4.3.20. Partnership/S-Corporation

- Two (2) years personal tax returns, signed on or before the closing date.
- Two (2) years tax transcripts to support.
- Two (2) years K-1s reflecting ownership percentage if counting any income from this source in qualifying (K-1 income, W-2 income, capital gains or interest/dividends) or if Schedule E reflects a loss.
- Two (2) years business tax returns (1065s or 1120s) signed if 25% or greater ownership. Business returns are not required if the income reporting is positive, not declining and not counted as qualifying income.
- YTD profit and loss statement if 25% or greater ownership.
- YTD balance sheet if 25% or greater ownership.
- Stable to increasing income should be averaged for two (2) years.

Business returns for these entities are due March 15th with an extension allowed until September 15th. After the extension date, the loan is not eligible without the filed tax return.

4.3.21. Projected Income

Not Allowed

4.3.22. Rental Income

All properties (except departing primary residence) require the following:

- Lease agreements must be provided if rental income is used for qualifying purposes.
  - Current lease for each rental property, including commercial properties listed in Part 1 of Schedule E of the 1040s. Rent rolls are not allowed.
  - If the current lease amount is less than the rental income reported on the tax returns, justification for using the income from the tax returns must be provided and warrant the use of the higher income. If there is no justification, the lease amount less expenses will be considered for rental income/loss.
  - For leases that have a roll over clause or the property is in a state where all leases roll over, the following requirements must be met:
    - Copy of most recent lease

- Current documentation to evidence receipt of rent (copy of check or deposit into bank account) must be consistent with most recent lease.

- Personal tax returns - Two (2) years
  - For properties listed on Schedule E, rental income should be calculated using net rental income + depreciation + interest + taxes + insurance + HOA divided by applicable months minus PITIA.
  - If rental income is not available on the borrower's tax returns, net rental income should be calculated using gross rents X75% minus PITIA.
  - Two (2) years tax transcripts.
- Net rental income may be added to the borrower's total monthly income. Net rental losses must be added to borrower's total monthly obligations.
- If the subject property is the borrower's primary residence and generating rental income, the full PITIA should be included in the borrower's total monthly obligations..

4.3.23. Rental Income-Departing Primary Residence

If the borrower is converting their current primary residence to a rental property and using rental income to offset the payment the following requirements apply:

- Borrower must have documented equity in departure residence of 25%.
- Documented equity must be evidenced by an exterior or full appraisal dated within six (6) months of subject transaction, OR
- Evidenced by the original sales price and the current unpaid principal balance.
- Copy of current lease agreement
- Copy of security deposit and evidence of deposit to borrower's account.

4.3.24. Residual Income

Residual Income Calculation required and must meet the residual income requirements below. Residual income equals Gross Qualifying Income less Monthly Debt (as included in the debt-to-income ratio).

# in Household	1	2	3	4	5
Required Residual	$1,550	$2,600	$3,150	$3,550	$3,700

Note: Add $150 for each additional family member.

4.3.25. Restricted Stock and Stock Options

May only be used as qualifying income if the income has been consistently received for two (2) years and is identified on the paystubs, W-2s and tax returns as income and the vesting schedule indicates the income will continue for a minimum of two (2) years at a similar level as prior two (2) years.

A two (2) year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the lower of the current stock price or the 52-week average for the most recent twelve (12) months reporting at the time of application. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule.

Additional awards must be similar to the qualifying income and awarded on a consistent basis.

There must be no indication the borrower will not continue to receive future awards consistent with historical awards received.

Borrower must be currently employed by the employer issuing the RSUs/stock options for the RSUs/stock options to be considered in qualifying income.

Stock must be a publicly traded stock.

Vested restricted stock units and stock options cannot be used for reserves if using for income to qualify.

4.3.26. Retirement Income

Existing distribution of assets from an IRA, 401k or similar retirement asset must be sufficient to continue for a minimum of 3 years.

- Distribution must have been set up at least six (6) months prior to Note date if there is no prior history of receipt OR
- 2 year history of receipt evidenced.
- Distributions cannot be set up or changed solely for loan qualification purposes.

Document regular and continued receipt of income as verified by any of the following:

- Letters from the organizations providing the income.
- Copies of retirement award letters.
- Copies of federal income tax returns (signed and dated on or before the closing date).
- Two (2) years tax transcripts required
- Most recent IRS W-2 or 1099 forms.
- Proof of current receipt with 2 months bank statements.

If any retirement income will cease within the first 3 years of the loan, the income may not be used.

4.3.27. Self Employment

Self employed borrowers are defined as having 25% or greater ownership or receive 1099 statement to document income.

4.3.28. Social Security Income

Social Security income must be verified by a Social Security Administration benefit verification letter. If benefits expire within the first three (3) years of the loan, the income may not be used.

Benefits (children or surviving spouse) with a defined expiration date must have a remaining term of at least three (3) years.

4.3.29. Sole Proprietorship

- Two (2) years personal tax returns, signed on or before the closing date.
- Two (2) years tax transcripts to support.
- YTD profit and loss statement.
- YTD balance sheet. Tax returns for prior year is not a substitute for balance sheet.
- Stable to increasing income should be averaged for two (2) years.

NOTE: YTD P&L and YTD Balance Sheet may be waived if the borrower is a 1099 paid borrower who does not actually own a business if all the following requirements are met:

- Schedule C in Block 28 (Total Expenses) must be analyzed in relation to income in Block 7 (Gross Income). Expenses are less than 5% of income.
- Analysis of Blocks 8 (Advertising), 11 (Contract Labor), 16a (Mortgage Interest, 20 (Rent/Lease) 26 (Wages) must indicate the borrower does not have expenses in these categories.
- Analysis of Blocks 17 (Legal and Professional Services) and Block 18 (Office Expense) indicate nominal or $0 expense.
- Block C (Business Name) does not have a separate business name entity.
- Year-to-date income in the form of a written VOE or pay history is provided by the employer paying the 1099. YTD income must support prior year's income.

4.3.30. Trust Income

- Income from trusts may be used if guaranteed and regular payments will continue for at least three (3) years.
- Regular receipt of trust income for the past twelve (12) months must be documented.

- Copy of trust agreement or trustee statement showing:
  - Total amount of borrower designated trust funds
  - Terms of payment
  - Duration of trust
  - Evidence trust is irrevocable
- If trust fund assets are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect the income.

4.3.31. Unacceptable Sources Income

- Any unverified source
- Deferred compensation
- Unfiled Tax Returns
  - The following guidelines apply for the prior year's tax return: For loans closed between Jan 1 and the tax filing date (typically April 15), borrowers must provide:
    - IRS form 1099 and W-2 forms from the previous year.
    - Loan closing in January prior to receipt of W-2s may use the prior year year-end paystub. For borrowers using 1099s, evidence of receipt of 1099 income must be provided.
    - For loans closed between the tax filing due date (typically April 15), and the extension expiration date of October 15, borrowers must provide (as applicable):
    - Copy of the filed extension.
    - Evidence of payment of any tax liability identified on the federal tax extension form.
    - W-2 forms.
    - Form 1099, when applicable.
    - Year-end profit and loss for prior year.
    - Balance sheet for prior calendar year, if self-employed.
    - After the extension expiration date, loan is not eligible without prior year tax returns.
- Rental income from primary residence or second home
- Retained earnings
- Education benefits
- Trailing spouse income
- Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations. Federal law restricts the following activities and therefore the income from these sources are not allowed for qualifying:
  - Foreign shell banks
  - Medical marijuana dispensaries

TEMPORARILY SUSPENDED

- Any business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law.
- Businesses engaged in any type of internet gambling.

4.3.32. Veterans Benefits

A minimum of two (2) years employment and income history is required to be documented. The following applies to the Jumbo program.

4.4. Assets

4.4.1. Checking, Savings & CDs

- 2 most recent statements
- Asset verification by a Fannie Mae approved asset validation provider is allowed in lieu of 2 months statements provided by the borrower. The asset verification must provide 60 days of account activity and include all items normally indicated on bank statements.

4.4.2. Large Deposits

Large deposits inconsistent with monthly income or deposits must be verified if using for down payment, reserves or closing costs. Lender is responsible for verifying large deposits did not result in any new undisclosed debt.

4.4.3. 1031 Exchange

Allowed on second home and investment purchases only. Reverse 1031 exchanges not allowed.

- HUD-1/CD for both properties.
- Exchange agreement.
- Sales contract for exchange property.
- Verification of funds from the Exchange Intermediary.

4.4.4. Cash Surrender Value of Life Insurance

- 100% of value unless subject to penalties
- Most recent statement(s) covering a two (2) month period

4.4.5. Gifts

Gift funds may be used once borrower has contributed 5% of their own funds.

- Cannot be used for reserves:
- Not allowed on LTVs > 80%
- Not allowed on investment properties
- Not Allowed with Jumbo R90 Program

Subject to the following requirements:

- Donor must be immediate family member, future spouse or domestic partner.
- Executed gift letter with gift amount and source, donor's name, address, phone number and relationship.
- Seller must verify sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account.
- Acceptable documentation includes the following:
- Copy of donor's check and borrower's deposit slip.
- Copy of donor's withdrawal slip and borrower's deposit slip.
- Copy of donor's check to the closing agent
- A settlement statement showing receipt of the donor's gift check.

4.4.6. Interested Party Contributions

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender or their affiliates and/or any other party with an interest in the real estate transaction. The following restrictions for interested party contributions apply:

- May only be used for closing costs and prepaid expenses and may not be used for down payment or reserves.
- Maximum interested party contribution is limited to 6% for primary and second home transactions with LTV ≤ 80%; 2% for investment properties regardless LTV.
- 3% for Jumbo R90 Program.

4.4.7. Reserves

Scenario	Loan Amount	# Months
Primary	≤ $1,000,000 LTV ≤ 80%	3
	≤ $1,000,000 LTV > 80%	6
	$1,000,000 - $1,500,000	6
	$1,500,001 - $2,000,000	6
Second Home	≤ $1,000,000	6
	$1,000,000 - $1,500,000	12
	$1,500,001 - $2,000,000	18
First Time HomeBuyer	≤ $1,000,000 LTV ≤ 80%	6
	≤ $1,000,000 LTV > 80%	9
	$1,000,000 - $1,500,000	9
Investment	≤ $1,000,000	6
	$1,000,000 - $1,500,000	12
Additional 1-4 Unit Financed Properties	Up to 4 Financed Properties: Additional 3 months for each property Greater than 4 Financed Properties: Additional 6 months for each property.	
Non-Occupant	Additional 6 months	

Co-Borrower	

4.4.8. Retirement Accounts

Retirement accounts are eligible to be included in the reserves or funds to close as indicated below.

Requirements

- Most recent statement covering a 2 month period
- Evidence of liquidation if using for down payment or closing costs
- Retirement accounts that do not allow for any type of withdrawal are ineligible for use as reserves

Retirement Accounts as a source of funds to close

- If borrower is >59 'A, then 70% of the vested value after the reduction of any outstanding loans.
- If borrower is <59 'A, then 60% of the vested value after the reduction of any outstanding loans.

4.4.9. Publicly Traded Stocks/Bonds/Mutual Funds

- 2 most recent statements
- Non-vested stock is ineligible
- Privately Held Stock not eligible
- Margin account and/or pledged asset balances must be deducted

4.4.10. Use of Business Funds

- Cash flow analysis required using most recent three (3) months business bank statements to determine no negative impact to business.
- Business bank statements must not reflect any NSFs or overdrafts,.
- If borrower(s) ownership in the business is less than 100%, the following requirements must be met:
- Borrower(s) must have majority ownership of 51% or greater.
- The other owners of the business must provide an access letter to the business funds.
- Borrower(s) % of ownership must be applied to the balance of business funds for use by borrower(s).
- Business funds for reserves or a combination of personal/business funds for reserves will require the total amount of reserves to be 2X or double the regular requirement for the subject property and any additional financed REO.

4.5. Liabilities

- The monthly payment on revolving accounts with a balance must be included in the borrower's DTI, regardless of the number of months remaining. If the credit report does not reflect a payment and the actual payment cannot be determined, a minimum payment may be calculated using the greater of $10 or 5%.

- If the credit report reflects an open-end or net 30 day account, the balance owing must be subtracted from the borrower's liquid assets.

4.5.1. Alimony Payments

Alimony payments may be deducted from income rather than included as a liability in the DTI for divorces finalized prior to January 1, 2019. For borrowers with a divorce finalized on or after January 1, 2019, the alimony payment must be treated as a liability.

4.5.2. Assumption with No Release of Liability

The debt on a previous mortgage may be excluded from DTI with evidence the borrower no longer owns the property. The following requirements apply:

- Payment history showing the mortgage on the assumed property has been current during the previous 12 months or
- The value on the property, as established by an appraisal or sales price on the HUD-1 results in an LTV of 75% or less

4.5.3. Asset Secured Loans

Loans secured by financial assets (life insurance policies, 401(K), IRAs, CDs, etc.) do not require a payment to be included in the DTI as long as documentation is provided to show the borrower's financial asset as collateral for the loan.

4.5.4. Co-Signed Loans

The monthly payment on a co-signed loan may be excluded from the DTI if evidence of timely payments made by the primary obligor (other than the borrower) is provided and there are no late payments reporting on the account.

4.5.5. Court Ordered Assignment of Debt

If the obligation to make payments on a debt has been assigned to another person by court order, the payment may be excluded from the DTI if the following documents are provided.

- Copy of court order
- For mortgage debt, a copy of the document transferring ownership of property.
- If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owing on the mortgage property should be taken into account when reviewing the borrower's credit profile.

4.5.6. Home Equity Loans

HELOCS with a current outstanding balance with no payment reflected on the credit report may have the payment documented with a current billing statement. HELOCS with a current $0 balance do not need a payment included in the DTI unless using for down payment or closing costs.

4.5.7. Installment Debt

Installment debts lasting 10 months or more must be included in the DTI.

4.5.8. Lease Payments

Lease payments, regardless of the number of payments remaining must be included in the DTI.

4.5.9. Student Loans

If a monthly student loan payment is provided on the credit report, the lender may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the lender may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower.

If the credit report shows $0 as the monthly payment, the qualifying monthly payment must be determined using one of the options below:

- If the borrower is on an income-driven payment plan, obtain student loan documentation to verify the actual monthly payment is $0. Qualify the borrower with a $0 payment.
- For deferred loans or loans in forbearance, calculate a payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or a fully amortizing payment using the documented loan repayment terms.

4.5.10. Tax Payment

If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient assets to pay the debt must be documented if the amount due is within ninety (90) days of loan application date.

4.6. Appraisal Requirements

- Transferred appraisals are not allowed.
- Appraisal must be completed for the subject transaction. Use of a prior appraisal, regardless of the date of the prior appraisal, is not allowed.
- Appraisal update (Form 1004D) is allowed for appraisals over 120 days old but no more than 180 days old. The appraiser must inspect the exterior of the property, include a photo, and review current market data to determine the value of the property has not declined since the original appraisal date.

- Collateral Desk Analysis (CDA) ordered from Clear Capital are required to support the value of the appraisal. MWF is responsible for ordering the CDA.
  - If the CDA returns a value that is "indeterminate" or if the CDA indicates a lower value than the appraised valued that exceeds a 10% tolerance, one of the following must be met:
    - A Clear Capital BPO and Clear Capital Value Reconciliation of Three Reports is required.
    - A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value.
- Investment properties must contain a rent comparable schedule.
- For properties purchased by the seller of the property within 90 days of the fully executed purchase contract the following requirements must met:
  - Second full appraisal is required.
  - Property seller on the purchase contract is the owner of record.
  - Increases in value should be documented with commentary the appraiser and recent paired sales
  - If the seller is a bank that received the property as a result of foreclosure or deed in lieu, the requirements for a property owned less than 90 days by the seller do not apply.
- When two appraisals are required, the following applies:
  - Appraisals must be completed by two independent companies
  - The LTV will be determined by the lower of the two (2) appraised values as long as the lower appraisal supports the value conclusion.
  - Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled.
  - If the 2 appraisals are done "subject to" and 1004Ds are required, it is allowable to provide 1 1004D. If only 1 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon.

4.6.1. Appraisal Requirements

Purpose	Loan Amount	# Appraisals
Purchase	≤ $2,000,000 > $2,000,000	1 Full Appraisal 2 Full Appraisals
Refinance	≤ $1,500,000 > $1,500,000	1 Full Appraisal 2 Full Appraisals

4.6.2. Investor Prior Approval

The appraisal will be submitted to investor for review prior to loan docs. Estimate of 3 - 5 days for review by investor