



PROGRAM BASICS

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1. Program Basics

1.1. Product Codes

Code	Description
JF30M	Jumbo Fixed 30YR M

1.2. Transaction Type

- Purchase
- Rate/Term Refinance
- Cash-Out

1.3. Eligible States

[Eligible States Matrix](#)

1.4. LTV/CLTV

[See LTV Matrix](#)

1.5. Maximum Loan Amount

- \$1,500,000

1.6. Eligible Property Types

Primary Residence

- 1-2 units detached, attached, PUD
- Eligible condominiums

Second Homes

- 1 unit detached, attached, PUD
- Eligible condominiums
- Property may not be a time share, subject to a rental agreement or other shared ownership arrangements.
- The property must be a reasonable distance from the borrower's primary residence.
- Rental income and expenses on Schedule E of the borrower's personal tax return(s) must not exceed 30 rental days.
- Rental income from a second home cannot be used to qualify the borrower.

1.7. Ineligible Property Types

- Properties acquired by seller less than 90 days from the date of purchase contract.
- Manufactured Homes



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- Factory built housing
- Properties with income producing attributes
- Condo hotel units
- Log homes
- Unwarrantable condominiums
- Condominiums with HOA in litigation
- Timeshare units
- Geothermal homes
- Unique properties
- Mixed use properties
- Working farms
- Hobby farms
- Commercial properties
- Agriculturally zoned properties (agricultural/residential eligible)
- Properties with an oil and gas lease
- Properties with more than 20 acres
- Properties held as leasehold

1.8. Mortgage Insurance

Not required

1.9. Escrow Holdbacks

Not Allowed

1.10. Temporary Buydowns

Not Allowed

1.11. Subordinate Financing

- New subordinate financing is permitted up to the maximum allowable LTV/CLTV. Only institutional financing is permitted.
- Maximum LTV / CLTV / HLTV for subordinated HELOCS will be based on the fully drawn balance.
- Subordination of an existing loan is permitted up to maximum LTV / CLTV allowed in the program matrix.
- Cash-out transactions are not eligible for subordination of existing liens.
- Subordinate liens must not have negative amortization, no balloon within 5 years, and no prepayment penalties.
- In cases in which a HELOC is resubordinated to the subject mortgage, monthly amount on credit report will be used. If no monthly payment amount is shown on credit report, 1% minimum payment of the maximum line



BORROWER ELIGIBILITY

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amount will be used for qualifying. A credit report supplement showing the minimum monthly payment is also acceptable. If HELOC has a zero balance and no draws within 24 months of application no payment need be include in DTI. Withdrawal activity must be documented with a transaction history for the line of credit.

2. Borrower Eligibility

2.1. Eligible Borrowers

All borrowers must have a valid social security number.

- U.S. Citizen
- Permanent Resident Alien

2.2. Non-Permanent Resident Alien

- Must be legally present in the U.S with an acceptable visa type. Acceptable visa types are as follows:
 - E Series (E-1, E-2, E-3)
 - G Series (G-1, G-2, G-3, G-4, G-5)
 - H Series (H-1B, H-1C)
 - L Series (L-1, L-1A, L-1B, Spouse L-2 with EAD)
 - NATO Series (NATO 1 - 6)
 - O Series (O-1)
 - TN-1, Canadian NAFTA visa
 - TN-2, Mexican NAFTA visa
- Must have a valid Social Security Number.
- Maximum LTV/CLTV of 70%.
- Must have a minimum of two (2) year employment history in the U.S and qualifying income must be from the U.S.
- Must be able to verify that current employment has a probability of three (3) year continuance. VOE form may be used to document.
- Must have a two (2) year credit history in U.S. and must meet minimum credit requirements as set forth in section 8.0.
- Funds to close must be deposited in a U.S. financial institution. No funds to close from outside the U.S are allowed.

2.3. Maximum Number of Borrowers

Maximum number of borrowers is four (4).

2.4. Ineligible Borrowers

- Borrowers with only an ITIN (individual taxpayer identification number).
- Irrevocable trusts.



TRANSACTION TYPES

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- Corporations, limited partnerships, general partnerships, and limited liability companies.
- Borrowers who are party to a lawsuit.
- Borrowers with Diplomatic Immunity.
- Foreign Nationals.

3. Transaction Types

3.1. Purchases

- Must adhere to Agency guidelines.
- LTV/CLTV is calculated using the lesser of the purchase price or the appraised value of the subject property.
- Properties where Seller has taken title less than (90) prior to the date of sales contract are not allowed.
- If Seller has taken title to the subject property within ninety (90) days prior to the date of sales contract the following requirements apply;
 - Property seller on the purchase contract is the owner of record.
 - Second full appraisal is required.
 - Increases in value should be documented with commentary from the appraiser.
- Loans that are bank or relocation sales are exempt from the above requirements.
- Personal property may not be included in the purchase agreement/sales contract. Personal property items should be deleted from the sales contract or reasonable value must be documented and the sales price adjusted. Items that are customary to residential real estate transactions such as lighting fixtures, kitchen appliances, window treatments and ceiling fans are not considered personal property.

3.2. Rate and Term Refinance

- Minimum of 6 months seasoning from the note date of the new transaction required if previous refinance was cash-out, including the pay-off of a non-seasoned subordinate lien.
- For properties purchased more than six (6) months prior to the closing date the current appraised value may be used to calculate LTV.
- For properties purchased within six (6) months of closing date the LTV will be based upon the lesser of the original sales price or the current appraised value conclusion from the appraiser. Original sales price will be determined from the Closing Disclosure from the subject acquisition transaction.
- Inherited properties are exempt from this seasoning requirement. LTV will be calculated off current appraised value.



TRANSACTION TYPES

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- The mortgage amount may include the:
 - Principal balance of the existing first lien.
 - Pay off of a purchase second lien with no draws exceeding \$2,000 within the past 12 months from date of application. Withdrawal activity must be documented with a transaction history of the line of credit. 12 months seasoning is not required.
 - Pay off of a co-owner pursuant to a written agreement.
 - Financing of the payment of prepaid items and closing costs.
 - Pay off of a non-purchase second lien seasoned a minimum of 12 months from date of application. The second lien must not evidence draws exceeding \$2,000 within the past 12 months from date of application. Withdrawal activity must be documented with a transaction history of the line of credit.
- Cash back to the borrower is limited to the lesser of \$2000 or 1% of the new mortgage loan.
- Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the date of application.

3.3. Cash-Out Refinance

- Borrower must have held title for a minimum of 6 months from closing date. Inherited properties are exempt from this seasoning requirement. LTV will be calculated off current appraised value.
- Properties that have been listed for sale within the past 6 months of application date are not eligible for a cash-out refinance. If the property was listed within the previous 6 - 12 months from application date, a letter from the borrower explaining the reason for retaining the property is required.
- If the subject property was purchased within the 6-12 month period prior to the closing date for the new loan the LTV will be based on the lesser of the sales price or the current appraised value.
- If the subject property was purchased more than 12 months from the closing date for the new loan LTV will be based off the current appraised value.
- Texas Cash-Out refinances are ineligible.

3.4. Delayed Financing Refinance

Delayed financing refinances in which the borrowers purchased the subject property for cash within ninety days (90) from the date of the application are allowed. Cash back to the borrower in excess of the original purchase price or appraised whichever is less) is not allowed. Delayed financing refinances are underwritten as rate and term refinances and are not subject to cash out refinancing program limitations.

A Closing Disclosure is required to document no mortgage financing was used to obtain the subject property.



TRANSACTION TYPES

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3.5. Construction Loan Refinancing

Construction loan refinances are eligible as rate and term or cash out refinances and must meet the following criteria:

- Only the permanent financing on a construction to perm loan is allowed. Single closing construction permanent loan refinances are not allowed.
- Borrower must have held title to the lot for a minimum of 6 months prior to the closing of the permanent loan.
- The LTV will be based on the current appraised value if the borrower has held title to the lot for 12 or more months prior to the closing date of the permanent loan.
- If the lot was acquired less than 12 months before the closing date of the permanent loan the LTV will be based on the lesser of a) the original purchase price of the lot plus the total acquisition costs (sum of construction costs) or b) the current appraised value of the lot plus the total acquisition costs.
- Appraiser's final inspection is required.
- A certificate of occupancy is required from the applicable governing authority. If the applicable governing authority does not require a certificate of occupancy proof must be provided.
- Construction loan refinances in which the borrower has acted as builder are not allowed.

3.6. Non-Arm's Length Transactions

Certain Non-Arm's Length Transactions in which a direct relationship exists between the borrower and any party in the transaction are allowed as stipulated by Agency guidelines.

3.7. Multiple Financed and Owned Properties

Follow AUS guides.

3.8. Inter-Vivos Revocable Trusts

- Trust must be established by one or more natural persons, individually or jointly.
- The individual(s) establishing the trust must be the primary beneficiary/beneficiaries.
- If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.
- At least one of the trustees must be either the individual establishing the trust, or an institutional trustee that customarily performs the duties of a trustee and is duly authorized to act as a trustee under applicable state law.



UNDERWRITING

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- The mortgage and trust documents must meet agency eligibility criteria including title and title insurance requirements, as well as applicable state laws that regulate the making of loans to inter-vivos revocable trusts.
- The trustee(s) must have the power to mortgage the security property for the purpose of securing a loan to the party (or parties) who are the borrower(s) under the mortgage or deed of trust note.

3.9. HERO/PACE/Solar Panels

Any item that that will include a UCC associated with the property and/or will create an easement on title is not allowed.

Pay off must be completed prior to closing of transaction. Cash Out cannot be used for pay off.

UCC Filing needs to be removed prior to the loan being submitted for underwriting.

4. Underwriting

4.1. AUS Approval

Must receive an Approve/Ineligible or Accept/Ineligible due to loan amount only.

4.2. Credit

4.2.1. Credit Documents Age

For all transaction types credit documents may not be older than 90 days from the Note date.

4.2.2. Credit Score

- The representative credit score for qualification purposes for an individual borrower is the middle score of the three (3) scores reported. If two (2) scores are reported the representative credit score is the lower of the two scores. Credit scores from all three repositories must be requested (Equifax, Experian and TransUnion).
- For multiple borrowers the credit score is the lowest of all representative credit scores.
- If only one credit score or no credit score is reported borrower is not eligible.



ALL INCOME SOURCES AND METHOD OF INCOME CALCULATION MUST MEET MOST RECENT AGENCY/APPENDIX Q STANDARDS FOR DETERMINING MONTHLY DEBT AND INCOME. LOAN FILE SHOULD INCLUDE AN INCOME ANALYSIS FORM DETAILING INCOME CALCULATIONS.

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4.2.3. Minimum Credit Requirement

Minimum credit requirement determined by AUS.

4.2.4. Mortgage/Rental History

Mortgage/Rental payment history requirements as determined by AUS.

4.2.5. Credit Inquiries

- All inquiries that have taken place within 120 days of the credit report date must be explained by the borrower and documented accordingly.
- Borrower must be qualified with any new debt.

4.2.6. Liens, Judgments and Collections

- Collection accounts or charged off accounts must be paid off as required by AUS.

4.2.7. Bankruptcy, Foreclosure, Notice of Default (NOD), Deed-In-Lieu of Foreclosure and Short Sales

- At least seven (7) years must have elapsed since bankruptcy discharge or dismissal, foreclosure, notice of default (NOD), short sale or deed-in-lieu measured from the date of completion to the date of application.
- A satisfactory letter of explanation for the event from the borrower is required.

4.3. Income / Employment

4.3.1. Income Sources and Calculation of Income

All income sources and method of income calculation must meet most recent Agency/Appendix Q Standards for Determining Monthly Debt and



ALL INCOME SOURCES AND METHOD OF INCOME CALCULATION MUST MEET MOST RECENT AGENCY/APPENDIX Q STANDARDS FOR DETERMINING MONTHLY DEBT AND INCOME. LOAN FILE SHOULD INCLUDE AN INCOME ANALYSIS FORM DETAILING INCOME CALCULATIONS.

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Income. Loan file should include an Income Analysis form detailing income calculations.

- The non taxable portion of fixed income such as Social Security income, VA benefits, Pensions and Annuity income may be grossed up twenty five percent (25%).
- Foreign income used for qualifying must be supported by the most recent two (2) years U.S. tax returns.

4.3.2. Employment and Income Stability

Borrower(s) must have a minimum of two (2) years employment and income history. Gaps in employment over thirty (30) days during the most recent two (2) year period require a satisfactory letter of explanation from the borrower. All borrowers contributing income for qualification must be employed at present employment for a minimum of six (6) months to qualify if there is a gap in employment during the previous two (2) years.

4.3.3. Documentation Requirements

A borrower with a 25 percent or greater ownership interest in a business is considered self-employed. Any borrower for whom the ownership of 25 percent or more of a corporation, limited liability company, partnership, sole proprietorship or other entity appears in the loan file must have the supporting documentation that is required by the relevant portions of the "Self-Employed Borrowers" subsection below. This documentation is required even if the borrower is a salaried employee of such business entity and/or another company, and even if the lender only relied upon the borrower's salary or other income to establish eligibility.

4.3.3.1. Salaried Borrowers:

- Completed, signed and dated final Uniform Residential Mortgage Application. Most current form must be used.
- W-2's from all employers for the past two (2) years. All W-2's must be computer generated.
- If the borrower does not have 2 years of employment due to previously being in school a copy of the school transcript is required.
- Most recent paystubs, covering a thirty-day (30) period with YTD earnings. All paystubs must be computer generated.
- Tax returns are not required for salaried borrowers if wage income is the only source of income used for qualification.
- Unreimbursed business expenses prior to 2018 must be deducted from income.



FOREIGN INCOME USED FOR QUALIFYING MUST BE SUPPORTED BY THE MOST RECENT TWO (2) YEARS U.S. TAX RETURNS.

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- Borrowers employed in a family business must provide evidence that they are not owners of the business with a CPA letter from the business and personal tax returns.
- Signed IRS Form 4506T.
- Two years tax transcripts are required to be obtained from the IRS. Wage transcripts are acceptable for W-2 borrowers. The IRS transcripts and the supporting income documentation provided must be consistent.

Salaried Borrowers who also file Self-Employed and/or Supplemental Income/Loss Tax Return Schedules:

- Salaried borrowers who also own 25% or more of a business or other entity are required to provide a year-to-date P&L and balance sheet for that business or entity even if the income from that business or entity is not being used to qualify. This requirement includes all businesses and entities including those organized as pass through entities.
- Salaried borrowers who file a schedule C (sole proprietorship) will be considered as self-employed and required to provide a year-to-date P&L and balance sheet. This includes borrowers who may be filing the Schedule C as a tax write off for accounting purposes.
- Most recent signed two (2) years business tax returns are required for businesses where the borrower owns 25% or more and the business reports an income loss on the schedule K-1. Loss must be deducted from income.

Salaried Borrowers with Commission/Bonus:

- For borrowers receiving bonus, commission, or any other non-base salary compensation in addition to base salary, a 2 year history of the receipt of the income is required.
- This must be addressed with a written VOE breaking down the bonus or commission income for the past 2 years, further supported by a year-to-date paystub.
- A year-to-date paystub, W-2's and tax returns alone will not satisfy the documentation requirements for bonus, commission or any other non-base salary compensation.

Verbal VOE:

- Verbal VOE dated within five (5) business days prior to closing documented in writing. The verbal VOE **must** cover 24 months (including previous employment) of employment. If the borrower has changed jobs during the past two years the verbal VOE **must** show the start and end dates for each job. Any employment gaps exceeding 30 days must be addressed with a satisfactory letter of explanation from the borrower. Any employment gap over 30 days must be addressed.



FOREIGN INCOME USED FOR QUALIFYING MUST BE SUPPORTED BY THE MOST RECENT TWO (2) YEARS U.S. TAX RETURNS.

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4.3.3.2. Self Employed Borrowers

- Borrowers with a 25 percent or greater ownership interest in a business are considered self-employed and will be evaluated as a self-employed borrower for underwriting purposes.
- For business income being used for qualifying the most recent signed two (2) years tax returns, including all schedules, both individual and business returns are required. All personal and business tax returns must be signed and dated prior to closing.
- Self-employed borrowers using wage income to qualify paid by their business need to fully document the income with W-2's for the past two (2) years and most recent paystubs, covering a thirty-day (30) period with year-to-date earnings. W-2 and paystubs must be computer generated.
- If tax return schedules show a loss in the prior year for any business where the borrower owns 25% or more, business tax returns including all schedules are required for this business in order to calculate the average loss. This is required regardless if this business income is being used to qualify. Tax returns must be signed and dated prior to closing.
- Signed IRS Form 4506T.
- Two years 1040 tax transcripts are required to be obtained from the IRS. Borrower pulled transcripts are not acceptable. The transcripts will be used to validate the income documentation used to underwrite the loan. The IRS transcripts and the supporting income documentation provided by the must be consistent.

4.3.4. Additional Requirements for P&L, Balance Sheet, and Business Bank Statements:

Due Diligence should be applied and review the actions of the business and any impact the current economic environment has taken on the flow of income in order to determine if the borrower's income is stable and there is a reasonable expectation of continuance.

The underwriter must include comments/justification of their analysis to clearly explain their conclusion of the effect to the business. Due to the pandemic's continuing impact on businesses, lenders are now required to obtain the following documentation to support the decision that the self-employment income meets requirements:

- (1) An audited year-to-date P&L, no older than 60 days from the Note date, reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and (2) a Balance Sheet; or
- (1) An unaudited year-to-date P&L, no older than 60 days from the Note date, signed by the borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan



FOREIGN INCOME USED FOR QUALIFYING MUST BE SUPPORTED BY THE MOST RECENT TWO (2) YEARS U.S. TAX RETURNS.

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application date, and (2) business bank statements from the most recent two months represented on the year-to-date P&L and (3) a Balance Sheet.

- For example, the business bank statements should be from April and May 2020 for a year-to-date profit and loss statement dated through May 31, 2020.
- The two most recent bank statements must support and/or not conflict with the information presented in the current year-to-date P&L statement. Otherwise, the lender must obtain additional statements or other documentation to support the information from the current year-to-date P&L statement.
- All borrowers owning 25% or more of a business or entity must provide a year-to-date P&L statement and balance sheet for that entity, regardless of whether or not the business income is being used to qualify. This requirement includes all business entities including those organized as pass through entities.
- If the tax return for the previous tax year is not filed a 12 month P&L and balance sheet for this period is required.
- If the most recent year's tax returns have not been filed by the IRS deadline, an executed copy of the borrower's extension request for both personal and business tax returns must be provided.
- The P&L and balance sheet is required even if the borrower does not have a business checking account.
- P&L and tax returns must show stable or increasing income from all business entities and income sources for the period relative to previous periods. Income cannot decline by 20% or more from the prior tax period.

4.3.5. Small Business Administration (SBA) Loans and Grants Requirements

The existence of a Paycheck Protection Program (PPP) loan or any other similar COVID related loan or grant could be helpful information in analyzing the borrower's business.

PPP loan terms allow deferred payments for a specified period, no personal loan guarantee, and the potential for all or some portion of the loan to be forgiven. Therefore, a payment for the PPP loan does not need to be included in the borrower's liabilities at this time. Once it has been determined that any portion of the PPP loan must be repaid, follow the requirements of the "Employment and Income" and "Debts and Liabilities" sections of these guidelines.

Proceeds from the PPP loan must not be included as business income or assets.

PPP loan proceeds cannot be used for the subject transaction down payment, closing costs, prepaids or reserves.



FOREIGN INCOME USED FOR QUALIFYING MUST BE SUPPORTED BY THE MOST RECENT TWO (2) YEARS U.S. TAX RETURNS.

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4.3.6. Verification of Active Business

The lender must verify the existence of the borrower's business within five (5) calendar days prior to closing. Methods of verifying business include:

- Verification from a third party such as a CPA, regulatory agency or by an applicable licensing bureau. If CPA letter is used it must indicate the borrower has been self-employed for a minimum of 2 years.

4.3.7. Rental Income

- Rental income from other properties must be documented with the borrower's most recent signed federal income tax return that includes Schedule E. Leases are required for all properties where rental income is being used to qualify.
- Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 12 months or the time period after the lease expired.
- A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rent by 75% and subtract the PITI to arrive at the rental income/loss used for qualifying.
- Commercial properties owned on schedule E must be documented with a rent roll and evidence that the primary use and zoning of the property is commercial.

4.3.8. Retirement or Pension Income

Retirement or Pension income must be verified by the following:

- Copies of retirement award letters.
- Copies of last two (2) months bank statements to document the regular deposit of payments.
- Distributions from a retirement account (401K, IRA, Keogh, SEP) must be documented with a distribution letter and copies of last two (2) months bank statements to document the regular deposit of payments.

Annuity retirement benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income.

4.3.9. Alimony and Child Support

Alimony and Child Support are allowable sources of income with proof of a minimum of three year continuance.

4.3.10. Social Security Income

Social Security Income must be verified by the following:

- Copy of the Social Security Administrations award letter.
- Copies of last two (2) months bank statements to document the regular deposit of payments.



FOREIGN INCOME USED FOR QUALIFYING MUST BE SUPPORTED BY THE MOST RECENT TWO (2) YEARS U.S. TAX RETURNS.

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Benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income.

4.3.11. Unacceptable Income

Unacceptable income sources include the following:

- Any source that cannot be verified.
- Restricted stock income (RSU).
- Income that is temporary.
- Rental Income (Boarder Income) received from the borrower's primary residence.
- Asset depletion of non employment related assets.
- Expense account payments.
- Automobile allowances.
- Retained earnings.

4.4. Assets

4.4.1. Source of Funds

- Follow AUS requirements.

4.4.2. Gift Funds

Gift funds are an acceptable source of funds as follows for primary residences and second homes with LTV/CLTV \leq to 80% as follows:

- Borrower must contribute at least 5% from their own funds.
- Gift donor – follow Agency guidelines.
- Gift letter from donor that includes name, address, telephone number and relationship to borrower
- Evidence of funds transfer and receipt prior to closing.
- Gift funds are not allowed for investment property transactions.
- Gift funds may not be used to pay off debt to qualify.

4.4.3. Cash Reserves

The greater of the AUS reserve requirements or the reserve requirements in the Product Matrix are required. If AUS does not provide reserve requirements follow the Product Matrix reserve requirements.



FOREIGN INCOME USED FOR QUALIFYING MUST BE SUPPORTED BY THE MOST RECENT TWO (2) YEARS U.S. TAX RETURNS.

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Vested funds from individual retirement accounts (IRA/SEP/Keogh/401K accounts) are acceptable sources of funds for reserves. If the retirement assets are in the form of stocks, bonds, or mutual funds, in order to be considered for reserves, the account must be discounted by 30% to account for market volatility.

4.4.4. Interested Party Contributions

Interested party contributions include funds contributed by the property seller, builder, developer, real estate agent or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses.

4.5. Liabilities

4.5.1. Debt-to-Income Ratio

The Debt-to-Income (DTI) ratio is based on the total of existing monthly liabilities and any planned future monthly liabilities divided by gross monthly income. Liabilities include but are not limited to all housing expenses, revolving debts, installment debts, other mortgages, rent, alimony, child support, and other consistent and recurring expenses. The seller must ensure that all liabilities are included in qualifying. This includes debts paid by another entity such as the borrowers business or debts being paid by a family member. Refer to the Product Matrix for the maximum allowable DTI.

4.5.2. Installment Debt

- Installment debt, including car lease payments, must be included in the qualifying ratio regardless of months remaining.
- When a borrower has a contingent liability (co signed debt) it may be excluded from DTI with proof that the primary obligor has made timely payments for the last 12 months.
- When a borrower has a contingent liability and borrower is primary obligor, payment **must be** included in the DTI, regardless of who is making the payment.
- Installment debt paid by another entity such as the borrower's business **must be** included unless the business entity (not the borrower) is the primary obligor.

4.5.3. Home Equity Line of Credit (HELOC)

For HELOC loans paid off at closing the line must be closed to any future draws. Requirement on title commitment for payoff and cancellation of HELOC is acceptable to document.

4.5.4. Conversion of Departing Residence to Investment Property

If the current primary residence is pending sale the following applies:



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- The current PITI of the property pending sale and the proposed PITI payment of the subject loan must be included in the debt ratio used to qualify.

If the current primary residence is being converted to an investment property the following applies:

- The rental income from the departing residence may be used if the borrower has a loan to value of 75% or less, as evidenced by either:
 - A current residential appraisal (no more than 6 months old from application date) and outstanding liens as evidenced by a mortgage statement or credit report reference or;
 - An Exterior Only appraisal (2055) (no more than 6 months old from application date) and outstanding liens as evidenced by a mortgage statement or credit report reference or;
 - An automated valuation model (AVM) listing the prior sales price minus outstanding liens as evidenced by a mortgage statement or credit report reference. The AVM may not be used as a current valuation to determine the borrower's equity percentage.
- A 25% expense /vacancy deduction must be applied to all rental income. Copies of the signed lease are required.
- Reserves of six (6) months of PITI must be documented in addition to the required reserves for the primary residence.

4.6. Property/Appraisal

4.6.1. Appraisal Requirements

- All appraisals must be completed on the most current Agency appraisal forms as stipulated in the Seller's Guide and conform to Agency appraisal practices.
- Property Inspection Waivers (PIW) not allowed.
- Appraisals must not be over 120 days old from the date of the Note. If appraisal is over 120 days old a new appraisal needs to be performed.
- Transferred appraisals are allowed.

Third Party Appraisal Review

- CDA is required on all loans.

Note: Loans submitted with a collateral underwriter score of 2.5 or lower are exempt from the above requirement.



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- A copy of the appraisal desk review report should be submitted in the loan file. The review must not be over 120 days old from the date of the Note.
- If the desk review produces a value in excess of a 10% negative variance to the appraised value, the loan is not eligible; provided, MWF has the option to then ask the Exchange to order a Field Review to support the appraised value. If the field review also produces a value in excess of a 10% negative variance to the appraised value, then the loan will remain ineligible.
- All appraisals are reviewed for eligibility as well as value support.

4.6.2. Properties Located in a Disaster Area

- For properties located in a FEMA declared disaster area a re-inspection is required to be performed by the original appraiser. A written certification is required from the appraiser to confirm that the property value has not been impacted by the disaster.
- For FEMA declared natural disasters, the inspections must be dated after the disaster end date is declared by FEMA.