TABLE OF CONTENTS

1. Program Basics

1.1. Product Codes

Code	Description
JF30L	Jumbo Fixed 30YR L

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

$2,500,000

1.6. Eligible Property Types

- 1 – 2 Unit Owner Occupied Properties
- 1 Unit Second Homes
- 1 – 4 Unit Investment Properties
- Condominiums – Attached – Warrantable
  - Limited review allowed for attached units in established condominium projects, per Fannie Mae guides.
  - CPM or PERS allowed
  - Full Review allowed. Warranty to Fannie Mae full review guidelines
  - Projects with 2 – 4 units – no condominium review or condominium warranty is required. Fannie Mae basic requirements apply.
  - Condominium documents to support condominium eligibility review must be no older than 120 days from Note date.
- Condominiums – Detached (including site condominiums)
  - No condominium review or condominium warranty is required. Fannie Mae basic requirements apply.
- Modular Homes
- Planned Unit Developments (PUDs)
- Properties with $\leq$ 40 acres

- Properties > 10 acres and ≤ 40 acres must meet the following:
  - Maximum land value 35%
  - No income producing attributes
  - Transaction must be 10% below maximum LTV/CLTV/HCLTV as allowed per matrix. For example, if borrower qualifies for a loan at 80% LTV based on transaction, FICO score, loan amount and reserves, then the maximum allowed would be 70% LTV/CLTV/HCLTV

- Properties with leased solar panels must meet Fannie Mae requirements.

1.7. Ineligible Property Types

- Manufactured Homes
- 2 – 4 Second Home Properties
- 3 – 4 Unit Owner Occupied Properties
- Model Home Leasebacks
- Properties with income producing attributes
- Condotels/Condo Hotels
- Mixed Use
- Non Warrantable Condominiums
- Properties with condition rating of C5/C6
- Properties with construction rating of Q6
- Properties located in areas where a valid security interest in the property cannot be obtained
- Properties > 40 acres
- Properties with a private transfer covenant unless the covenant is excluded under 12CFR1228 as an excepted transfer fee covenant
- Tenants in Common projects (TICS)
- Unique properties
- Working farms, ranches or orchards

1.8. Mortgage Insurance

Not required

1.9. Escrow Holdbacks

Not Allowed

1.10. Temporary Buydowns

Not Allowed

1.11. Subordinate 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 is not allowed on LTVs > 80%**

2. Borrower Eligibility

2.1. Eligible Borrowers

All borrowers **must have** a valid social security number.

- U.S. Citizen
- Permanent Resident Aliens with evidence of lawful residency
  - Must be employed in the US for the past twenty-four (24) months

- Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions:
    - Primary Residence Only
    - Maximum LTV/CLTV/HCLTV 75%
    - No other financed properties in the US
    - Unexpired H1B, H2B, E1, L1, and G Series VISAs only; G Series VISAs must have no diplomatic immunity
    - Credit tradeline requirements must be met, no exceptions
    - Borrower must have a current twenty-four (24) month employment history in the US
- Documentation evidencing lawful residency must be met
- Inter-Vivos Revocable Trust

2.2. First Time Homebuyer

- 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 on (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
- All First Time Homebuyers must meet the following requirements:
    - Maximum loan amount is $1,500,000
    - Reserve requirements met for FTHB as specified in the Asset section
    - For loan amounts > $1,000,000 and ≤ $1,500,000 the following requirements must be met **and only apply for loan amounts over $1,000,000:**
        - 720 Minimum FICO score or program minimum (greater of)
        - No gift funds allowed
        - Primary residence only

2.3. Ineligible Borrowers

- Foreign Nationals
- Borrowers with Diplomatic Immunity status
- Life Estates
- Non-Revocable Trust
- Guardianships
- LLCs, Corporations or Partnerships
- Land Trusts
- Non-Occupant Co Borrowers

- Borrower with any ownership in a business that is Federally illegal, regardless of if the income is not being considered for qualifying

3. Transaction Types

3.1. Purchases

Follow agency guidelines.

For properties purchased by the seller of the property within ninety (90) days of the fully executed purchase contract the following requirements apply:

- Second Full appraisal is required
- Property seller on the purchase contract is the owner of record
- Increased in value should be documented with commentary from the appraiser and recent paired sales

The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed in lieu

3.2. Rate and Term Refinance

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

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

Properties inherited less than twelve (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 the loan amount

3.3. Cash-Out Refinance

- Borrower must have owned the property for at least six (6) months. If the property is owned free and clear and six (6) months seasoning is not met, refer to Delayed Purchase Refinancing section.
- Maximum cash out limitations include the payoff of any unsecured debt, unseasoned liens and any cash in hand
- **Self employment income may not be used for qualification**
- Inherited properties may not be refinanced as a cash out refinance prior to twelve (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/retirement account loan, secured loan, unsecured family loan or replenishing business funds used to purchase the property, 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/CD for subject transaction must reflect payoff or pay down of pledged asset/retirement account loan, secured loan, unsecured family loan or business asset account. If cash out proceeds exceed payoff of loans, excess cash must meet cash out limitations
  - The purchase must have been arm's length
  - Investment properties are ineligible

3.4. LTV/CLTV/HCLTV Calculation for Refinance Transactions

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

3.5. Continuity of Obligation

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

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

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

3.6. Delayed Financing Refinance

- Property was purchased by borrower for cash within six (6) months of the loan application
- HUD-1/CD from purchase reflecting no financing obtained for the purchase of the property
- Preliminary title reflects the borrower 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 gift funds or business funds)
- Funds drawn from a HELOC on another property owned by the borrower, funds borrowed against a margin account or funds from a 401k loan are acceptable if the following requirements are met:
  - The borrowed funds are fully documented

  - The borrowed funds are reflected on the Closing Disclosure (CD) as a payoff on the new refinance transaction
- LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance except for primary residence transactions in Texas.
- Investment properties are allowed if borrower is not a builder or in the construction industry and prior transaction was arm's length

3.7. Non-Arm's Length Transactions

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

- Family sales or transfers
- Property seller acting as their own real estate agent
- Relative of the property seller acting as the seller's real estate agent
- Borrower acting as their own real estate agent
- Relative of the borrower acting as the borrower's real estate agent
- Borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence of employee program to included in loan file
- Originator is related to the borrower
- Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord)

Gifts from relatives that are interested parties to the transaction are not allowed unless it is a gift of equity. Real estate agents may apply their commission towards closing costs and/or prepaids if the amounts are within the interested party contribution limitations.

Investment property transactions must be arm's length.

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

3.8. Multiple Financed and Owned Properties

Borrowers may not own more than four (4) residential 1-4 unit financed properties regardless of the occupancy of the subject property.

Borrowers must have six (6) months PITIA reserves for each additional financed property owned.

3.9. 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.

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.

3.10. HERO/PACE/Solar Panels

Must meet Fannie Mae Requirements

4. Underwriting

4.1. Manual Underwriting

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. Current Fannie Mae form 1084, Freddie Mac form 91, or equivalent is required for self employment income analysis. Full income and asset verification is required.
- QM designation must be provided in the loan file:
  - QM designation is QM Safe Harbor OR
  - QM designation is Exempt for investment property transaction when the transaction is exclusively for business purposes.
  - Investment property transactions require an attestation from the borrower stating that the property is used 100% of the time for business purposes in order for the designation to be Exempt. If the borrower does not use the property 100% of the time for business purposes, the loan is subject to QM and the designation would be QM Safe Harbor.
- Loan file must document the eight (8) Ability to Repay (ATR) rules.
- If subject transaction is paying off a HELOC that in not included in the CLTV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed.

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 Requirements

Minimum three (3) tradelines are required; the following requirements apply:

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

Authorized user accounts are not allowed as an acceptable tradeline

Nontraditional credit is not allowed as an acceptable tradeline

Disputed tradelines

- All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute
- Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded.

Credit Inquiries

If the credit report indicates inquiries within the most recent 120 days of the credit report, documentation must be provided that 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.

Frozen Credit

Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required.

4.2.3. Mortgage/Rental History

Mortgage history requirements

- If the borrower(s) has a Mortgage in the most recent twenty four (24) months, a mortgage rating must be obtained, reflecting 0X30 in the last twenty four (24) months
- The mortgage rating may be on the credit report or a VOM
- Applicable to all borrowers on the loan

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

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.
- Applicable 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.

4.2.4. Significant Derogatory Credit

- Bankruptcy, Chapter 7, 11, 13 – seven (7) years since discharge/dismissal date
- Foreclosure – seven (7) years since completion date
- Notice of Default – seven (7) years
- Short Sale/Deed in Lieu – seven (7) years since completion/sale date
- Forbearance – seven (7) years since exist from forbearance
- Mortgage accounts that were settled for less, negotiated or short payoff – seven (7) years since settlement date

- Loan modifications:
  - Lender initiated modification will not be considered a derogatory credit event if the modification did not include debt forgiveness and was not due to hardship as evidenced by supporting documentation. No seasoning requirement would apply.
  - If the modification was due to hardship or included debt forgiveness – seven (7) years since modification.
- Single loan variances for credit events will be considered on a case by case basis between four (4) and seven (7) years with extenuating circumstances subject to the following:
  - Extenuating circumstances are defined as non recurring events that are beyond the borrower's control resulting in a sudden significant and prolonged reduction in income or catastrophic increase in financial obligations.
    - Examples would include death or major illness of a spouse or child but would not include job loss or divorce.
  - Documentation must be provided to support the claim of extenuating circumstances and confirm the nature of the event that led to the credit event and illustrate the borrower has no reasonable option other than to default on their obligations.
  - If the defaulted debt was assigned to an ex-spouse and the default occurred after the borrower was relieved of the obligation, the event may be considered on a single loan variance basis.
- Multiple derogatory credit events not allowed, regardless, if seasoned over seven (7) years
  - A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event
  - A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event
- Medical collections are allowed to remain outstanding if the balance is less than $10,000 in aggregate.
- Tax liens, judgments, charge offs, and past due accounts must be satisfied or brought current prior to or at closing.
- Cash out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge offs or past due accounts.
  - Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full.

4.3. Income / Employment

4.3.1. Stable Monthly Income

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 three (3) years
- Borrower to execute attestation at closing confirming no changes to employment and income list on the final loan application as a result of COVID-19 impacts

Note: If the borrower has less than a two (2) year history of receiving income, a written analysis must be provided to justify the determination that the income used to qualify the borrower is stable.

4.3.1.1. Declining Income

When the borrower has declining income, the most recent twelve (12) months should be used or the most conservative income calculation if the declining period is shorter than 12 months. Income must be stabilized and not subject to further decline in order to be considered for qualifying purposes.

In certain case, 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. 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.

4.3.1.2. Gaps in Employment

A minimum of two (2) years employment and income history is required to be documented.

Gaps more than thirty (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.

Extended gaps of employment six (6) months or greater require a documented two (2) year work history prior to the absence.

4.3.2. Unacceptable Sources of Income:

- Any unverified source
- Deferred compensation
- Temporary or one time occurrence income
- Rental income from primary residence – One (1) unit property or one (1) unit property with accessory unit
- Rental income from a 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 if borrower has any ownership
    - Any income resulting from ownership in a business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law
    - Businesses engaged in any type of internet gambling

4.3.3. General Documentation Requirements

Tax transcripts for personal tax returns for two (2) years are required when tax returns are used to document borrower's income or any loss and must match the documentation in the loan file.

- W-2 transcripts for two (2) years are required to validate W-2 wages if tax transcripts are not provided and the borrower does not have any other income source or loss. The following W-2 type earnings will require tax transcripts:
    - Borrower with commission based income that is greater than 25% of borrower's total pay
    - Borrower with 2106 expenses (unreimbursed business expenses)
    - Borrower employed by family
    - Borrower with ownership in company
- A 4506-C form is required to be signed at closing by all borrowers for all transactions.
- Taxpayer consent form signed by all borrowers

- Income calculation worksheet or 1008 with income calculation. The Fannie Mae 1084, or Freddie Mac Form 91 or equivalent is required for self employment analysis. The most recent Form 1084 or Form 91 should be used based on application date.
  - Copy of liquidity analysis must be included in the loan file if the income analysis includes income from boxes 1, 2, or 3 on the K-1 that is greater than distributions indicated on the K-1
  - 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.
- Paystubs must meet the following requirements:
  - Clearly identify the employee/borrower and the employer
  - Reflect the current pay period and year to date earnings
  - Computer generated
  - Pay stubs issued electronically via email or internet, must show the URL address, date and time printed and identifying information
  - Year to date pay with most recent pay period at the time of application and no earlier than 90 days prior to the Note date.
- W-2 forms
- Verification of Employment Requirements (requirements below apply when income is positive and included in qualifying income):
  - VVOE must be performed no more than ten (10) business days prior to the Note date. The VVOE should include the following:
    - Date of contact
    - Name and title of person contacting the employer
    - Name of Employer
    - Start date of employment
    - Employment status and job title
    - Name, phone #, and title of contact person at employer
    - Independent source used to obtain employer phone number
  - Verification of the existence of borrower's self employment must be verified through a third party source and no more than twenty (20) business days prior to the Note date. In addition, confirmation that the business is currently operating must be provided. Below are acceptable examples of documentation to confirm the business is currently operating:

- Evidence of current work (executed contracts or signed invoices) that indicate the business is operating on the day the lender verifies self employment;
- Evidence of current business receipts withing 10 days of the Note date (payment for services performed)
- Certification the business open and operating (confirmed through a phone call or other means) OR
- Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be schedule).

- Written VOE may be required for a borrower's income sourced from commissions, overtime, and/or other income when the income detail is not clearly documented on W-2 forms or paystubs
- *Written VOEs cannot be used as a sole source for verification of employment, paystubs and W-2s are still required.*

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. In lieu of a signature, personal tax transcripts for the corresponding year may be provided on or before the closing date
- Business income tax returns (if applicable) must be complete with all schedules and must be signed. In lieu of a signature, business transcripts for the corresponding year may be provided on or before the closing date
- Tax transcripts must be provided via a processed 4506-C to support tax returns. When necessary online borrower obtained tax transcripts are permitted to validate income used for qualifying purposes

4.3.4. Salaried Income/Hourly and Part Time

- YTD paystub
- W-2s or personal tax returns – two (2) years
- W-2 transcripts or tax transcripts (see specific requirements under General Documentation section)
- VVOE
- Stable to increasing income should be average over a two (2) year period

4.3.5. Commission Income

- YTD paystub
- Two (2) years W-2s if commissions are less than 25% of total income OR

- Two (2) years tax returns and W-2 forms required if commissions are ≥ 25% of the total income
- W-2 transcripts or tax transcripts (see specific requirements under General Documentation Requirements section)
- Stable to increasing income should be average for the two (2) years

4.3.6. Overtime and Bonus Income

- YTD paystub
- W-2s or personal tax returns – two (2) years
- W-2 transcripts or tax transcripts. See specific requirements under General Documentation requirements section
- VVOE
- Stable to increasing income should be averaged for the two (2)
- Bonus income that is received on an annual basis and exceed 25% of total income must be considered carefully due to the potential impacts of COVID-19
- Employer must confirm that the current year bonus is in line with the prior years and is not negatively impacted by COVID-19

4.3.7. Rental Income (for all properties except departing primary residence)

All properties (except departing primary residences)

- Lease agreements must be provided if rental income is used for qualifying purposes
    - If the current lease amount is less than the rental income reported on the tax returns, justification for the income from the tax returns must be provided and warrant the use of the higher income; if there no justification, the lease amount less expense 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 X 75% 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 the 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
- If the subject property is the borrower's primary residence with two (2) units, rental income may be included for the unit not occupied by the borrower if the requirements for a lease agreement and/or tax returns above are met

4.3.8. Rental Income – Departing Primary Residence

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

- Borrower must have documented equity in departing residence of 25%
- Documented equity may be evidenced by an exterior or full appraisal dated within six (6) months of subject transaction; or documented equity may be 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
- Net rental income should be calculated using gross rent X 75% minus PITIA

4.3.9. Social Security Income

Social Security Income must be verified by the following:

- Copy of the Social Security Administrations award letter.
- Benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income.
- Benefits (children or surviving spouse) with a defined expiration date must have a remaining term of at least three (3) years.

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

Existing distribution of assets from an IRA, 401k or similar retirement asset must be sufficient to continue for a minimum of three (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 two (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:

- Letter from the organizations provided the income
- Copies of retirement award letters
- Copies of federal income tax returns (signed and dated on or before the closing date). In lieu of a signature, personal tax transcripts for the corresponding year may be provided on or before the closing date
- Most recent IRS W-2 or 1099 Form
- Proof of current receipt with two (2) months bank statements

  Two (2) years tax transcripts.

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

4.3.11. Alimony/Child Support/Separation 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 three (3) years) the income may not be acceptable for qualifying purposes.

Evidence of receipt of full, regular and timely payments for the most recent twelve (12) months

Two (2) years tax transcripts.

4.3.12. Borrowers Employed by Family

- YTD paystub
- Two (2) years W-2s and
- Two (2) years personal tax returns with two (2) years tax transcripts
- VVOE
- Borrower's potential ownership in the business must be addressed

4.3.13. Asset Depletion

Not Allowed

4.3.14. Trust Income

Income from trust may be used if guaranteed and regular payments will continue for at least three (3) years

Regular receipt of t rust 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 the trust is irrevocable

If trust fund assets are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income.

4.3.15. Capital Gains

Must gains from similar assets for three (3) 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 – three (3) years with a consistent history of gains from similar assets

- Three (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.

4.3.16. Dividends and Interest Income

Personal tax returns – two (2) years with two (2) years tax transcripts.

Documented assets to support the continuation of the interest and dividend income.

4.3.17. Disability Income – Long Term (Private Policy or Employer Sponsored)

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.

4.3.18. Foreign Income

- YTD paystub
- W-2 forms or the equivalent and personal tax returns reflecting the foreign earned income

- Income must be reported on two (2) years US tax returns with two (2) years tax transcript
- VVOE
- All income must be converted to US Currency

4.3.19. 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

4.3.20. Non Taxable Income

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

4.3.21. 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

4.3.22. Projected Income

Not allowed

4.3.23. K-1 Income/Loss on Schedule E

If the income is 0 or 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.
- YTD income must be verified if the most recent K-1 is more than 90 days aged prior to the Note date.

If 25% or greater ownership with income used in qualifying:

- Verification of Employment requirements apply.
- 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 required.

4.3.24. Self Employment (General)

- Self-Employed borrowers are defined as having 25% or greater ownership
- The requirements below apply for Self-Employed Borrowers with Self-Employment income used for qualifying
- Maximum of 70% LTV/CLTV/HCLTV
    - If self-employment losses have already been considered in qualifying the borrower, then the maximum 70% LTV/CLTV/HCLTV is not applicable
- Maximum DTI: 43% Purchase; 35% Rate/term refinance
- May not be used as qualifying income on a cash-out transaction
- In order to use self-employment income for qualifying purposes, the underwriter must consider the impact of COVID-19 on the business and the stability of income
- Income calculations should be based on the Fannie Mae Form 1084 or Freddie Mac Form 91 o r equivalent income calculation form
- Year-to-date financials (profit and loss statement and balance sheet) are not required if the income reporting is positive, not declining and not counted in qualifying income
- For tax returns on extension, YTD profit and loss statement and balance sheet must be provided to cover the full year

4.3.25. Sole Proprietorship (includes Sch C and F)

- Two (2) years personal tax returns, signed on or before the closing date. In lieu of a signature, personal tax transcripts for the corresponding year may be provided on or before the closing date
- Two (2) years tax transcripts to support
- YTD profit and loss statement up to and including the most recent month preceding the loan application date. YTD profit and loss statement must not be more than 60 days aged prior to the Note date
  - If the year-to-date period covers multiple quarters, the profit and loss statement must break out each quarter separately
- YTD balance sheet up to and including the most recent month preceding the loan application date. 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

4.3.26. Partnership/S-Corporation

- Two (2) years personal tax returns, signed on or before the closing date. In lieu of a signature, personal tax transcripts for the corresponding year may be provided 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. In lieu of a signature, business tax transcripts for the corresponding year may be provided on or before the closing date
- Due date for business returns for Partnerships and S-Corporations is typically March 15 with an extension for six (6) months or typically September 15. After the extension date, the loan is not eligible without the filed tax return
- Business returns and YTD financials are not required if the income reporting is 0 or positive, not declining and not counted as qualifying income
- YTD profit and loss statement up to and including the most recent month preceding the loan application date if 25% or greater ownership. YTD profit and loss must not be more than 60 days aged prior to the Note date
- If the year-to-date period covers multiple quarters, the profit and loss statements must break out each quarter separately
- YTD balance sheet up to and including the most recent month preceding the loan application date if 25% or greater ownership
- Stable to increasing income should be averaged for two (2) years

4.3.27. Corporation

- Two (2) years personal tax returns, signed on or before the closing date. In lieu of a signature, personal tax transcripts for the corresponding year may be provided 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. In lieu of a signature, business tax transcripts for the corresponding year may be provided on or before the closing date
- Business returns must reflect % of ownership for borrower
- YTD profit and loss statement up to and including the most recent month preceding the loan application date if 25% or greater ownership. YTD profit and loss must not be more than 60 days aged prior to the Note date
  - If the year-to-date period covers multiple quarters, the profit and loss statements **must break out each quarter separately**
- YTD balance sheet up to and including the most recent month preceding the loan application date if 25% or greater ownership
- Stable to increasing income should be averaged for two (2) years

4.4. Assets/Reserves

Beyond the minimum reserve requirements and to fully document the borrower's ability to meet their obligations, borrowers should disclose all liquid assets

- Eligible assets must be held in a US account
- Large deposits inconsistent with monthly income or deposits must be verified if using for down payment, reserves or closing costs
- Lender is responsible for verifying large deposits did not result in any new undisclosed debt
- Asset verification by a Fannie Mae approved asset validation provider is allowed in lieu of two (2) months statements provided by the borrower
- The asset verification must provide sixty (60) days of account activity and include all items normally indicated on bank statements

Asset Type	% Eligible for Calculation of Funds	Additional Requirements
Checking/Savings/ Money Market/CDs	100%	Two (2) months most recent statements
Publicly Traded Stocks/Bonds/Mutual Funds	100%	Two (2) months most recent statements. Non-vested stock is ineligible. Margin account and/or pledged asset balances must be deducted
Retirement Accounts (401(k), IRAs, etc.)	If borrower is >59 $^{1}/_{2}$, then 70% of the vested value after the reduction of any outstanding loans. If borrower is <59 $^{1}/_{2}$, then 60% of the vested value after the reduction of any outstanding loans.	• Most recent statement(s) covering a two (2) month period • Evidence of liquidation if using for down payment or closing costs • Evidence of access to funds required for employer-sponsored retirement accounts • Retirement accounts that do not allow for any type of withdrawal are ineligible for reserves.
Cash Value of Life Insurance/Annuities	100% of value unless subject to penalties	Most recent statement(s) covering a two (2) month period
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

Asset Type (Cont.)	% Eligible for Calculation of Funds (Cont.)	Additional Requirements (Cont.)
Business Funds	Allowed for down payment/closing costs and reserves with additional requirements met	• 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 (non- sufficient funds) or overdrafts. • If borrower(s) ownership in the business is less than 100%, the following requirements must be met: ○ Borrower(s) must have majority ownership of 51% or greater ○ The other owners of the business must provide an access letter to the business funds ○ Borrower(s) % of ownership must be applied to the balance of business funds for use by borrower(s) • Business funds for reserves or a combination of personal/business funds for reserves, then at least 50% of the reserve requirement must be personal, liquid, and non-retirement for the subject property and any additional financed REO • Business funds must be reduced by 50% prior to being used to meet reserve requirements
Gift Funds	Gift funds may be used once borrower has contributed 5% of their own funds Gift funds not al-lowed to be used as reserves Gift funds not allowed on LTVs >80% Gift funds not allowed on investment properties	• Donor must be a 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/CD showing receipt of the donor's gift check

Reserve Requirements (# of Months of PITIA)[1,2]		
Occupancy	Loan Amount	# of Months
Primary Residence	≤$1,000,000 with LTV ≤80%	6
	$1,000,001-$1,500,000 with LTV ≤80%	9
	≤$1,000,000 with LTV >80%	12
	$1,000,001 - $1,500,000 with LTV >80%	15
	$1,500,001-$2,000,000	12
	$2,000,001-$2,500,000	24
Second Home	≤$1,000,000	12
	$1,000,001-$1,500,000	18
	$1,500,001-$2,000,000	24
	$2,000,001-$2,500,000	36
Investment Property	≤$1,000,000	18
	$1,000,001 - $1,500,000	24
First-Time Homebuyer	≤$1,000,000 with LTV ≤80%	12
	≤$1,000,000 with LTV >80%	15
	$1,000,001-$1,500,000 with LTV ≤80%	15
	$1,000,001-$1,500,000 with LTV >80%	18
Additional 1-4 Unit Financed REO	Additional six (6) months reserves PITIA for each property is required based on the PITIA of the additional REO If eligible to be excluded from the count of multiple financed properties, reserves are not required Max of four (4) financed properties may be owned	
[1]Borrowed funds (secured or unsecured) are not allowed for reserves. [2]Minimum of three (3) months reserves must be liquid and from non-retirement sources. Retirement funds considered		

4.4.1. Interest Party Contributions

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender or their affiliates and/pr 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:
  - Primary & Second Home with LTVs < 80% = 6%
  - Primary with LTVs > 80% = 3%
  - Investment – All LTVs = 2%

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 of net thirty (30) day account, the balance owing must be subtracted from liquid assets
- Loans secured by financial assets (life insurance policies, 401(k), IRAs, CDs, etc.) do not require a payment to be included in the DTI if documentation is provided to show the borrower's financial asset as collateral for the loan
- Lease payments, regardless of the number of payments remaining, must be included in the DTI
- Installment debts lasting ten (10) months or more must be included in the DTI
- Child support, alimony, and separate maintenances with ten (10) or more months remaining
- Alimony payments may be deducted from income rather than included as a liability in the
- DTI for divorces prior to 1/1/2019. For borrowers with a divorce on or after 1/1/2019, the alimony payment must be treated as a liability

4.5.1. Student Loans

- For all student loans, whether deferred, in forbearance, or in repayment, a monthly payment must be included in the borrower's monthly debt obligation
  - If a monthly payment is provided on the credit report, the amount indicated for the monthly payment may be used in qualifying
  - If the credit report does not provide a monthly payment or if it shows $0 as the monthly payment, the monthly payment may be one of the options below:
    - Loan payment indicated on student loan documentation verifying monthly payment is based on an income-driven plan
    - For deferred loans or loans in forbearance:
      - 1% of the outstanding 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**

4.5.2. HELOCs

- 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
- Monthly PITIA for any additional properties owned by the borrower including second homes and investment properties with a negative cash flow
- Current real estate taxes and insurance on properties owned free and clear

4.5.3. Tax Liens and Payment Plans

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

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

4.5.4. Contingent Liabilities

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 for the most recent twelve (12) months and there are no late payments reporting on the account

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

- Copy of the 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 owning on the mortgage property should be considered when reviewing the borrower's credit profile

Assumption with No Release of Liability – the debt on a previous mortgage may be excluded from the DTI with evidence that 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 twelve (12) months or
- The value on the property, as established by an appraisal or sales price on the HUD-1/CD results in an LTV of 75% or less

4.5.5. Departure Residence

Departure Residence Pending Sale – 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 contingences have been cleared/satisfied. The pending sale transaction must be arm's length
- The closing date for the departure residence must be within thirty (30) days of the subject transaction Note date
- Six (6) months reserves must be verified for the PITIA of the departure residence

Departure Residence Subject to Guaranteed Buy-Out with Corporation Relocation – 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 third party
- Guaranteed buy-out by the third party must occur within four (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 six (6) months PITIA of the departure residence

4.6. 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.

·43% for LTVs ≤ 80%

·36% for LTVs > 80%

·Self-Employed Purchase: 43%

·Self-Employed Rate/Term Refinance: 35%

4.7. Property/Appraisal

4.7.1. Appraisal Requirements

- Transferred appraisals are not allowed
- Appraisals 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 that are over 120 days aged but less than 180 days aged from Note date
- The appraiser must inspect the exterior of the property and provide a photo
- Appraiser must review current market data to determine whether the property has declined in value since the date of the original appraisal. If the value has declined since the original appraisal, a new full appraisal is required
- The Appraisal Update (1004D) must be dated within 120 days of the Note date
- Investment properties must contain a rent comparable schedule
- Collateral Desktop Analysis (CDA) ordered from Clear Capital is required to support the value of the appraisal. The Seller is responsible for ordering the CDA

  If the CDA returns a value that is “Indeterminate” or if the CDA indicates a lower value than the appraised value that exceeds a 10% tolerance, then one (1) of the following requirements must be met:

  A Clear Capital BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation of Three Reports is required. The Value Reconciliation will be used for the appraised value of the property. The Seller is responsible for ordering the BPO and Value Reconciliation through Clear Capital

- A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. The Seller is responsible for providing the field review or 2nd full appraisal full appraisal
- If two (2) full appraisals are provided, a CDA is not required

For properties purchased by the seller of the property within ninety (90) days of the fully executed purchase contract the following requirements apply:

- Second full appraisal is required
- Property seller on the purchase contract is the owner of record
- Increases in value should be documented with commentary from the appraiser and recent paired sales

The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in lieu

Appraisal Requirements Based on Loan Amount:	
First Lien Amount	**Appraisal Requirements**
Purchase	
≤ $2,000,000	1 Full Appraisal
> $2,000,000	2 Full Appraisals
Refinance	
≤ $1,500,000	1 Full Appraisal
> $1,500,000	2 Full Appraisals

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

- Appraisals must be completed by two (2) independent companies
- The LTV will be determined by the lower of the two (2) appraised values if the lower appraisal supports the value conclusion
- Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled
- If the two (2) appraisals are done “subject to” and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon

4.7.2. Construction to Permanent Financing

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

4.7.3. Disaster Area Requirements

FEMA Major Disaster Declarations with designated counties eligible for individual assistance (IA);

Areas where FEMA has not made a disaster declaration, but Community Loan Servicing or an Investor (Fannie Mae, Freddie Mac, FHA, USDA or the Veterans Administration) has determined that there may be an increased risk of loss due to a disaster;

Areas where the Seller has reason to believe that a property might have been damaged in a disaster

4.7.4. Properties Listed for Sale

- Properties currently listed for sale (at the time of application) are not eligible for refinance transactions
- 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 twelve (12) months of the application date