

The logo for LoanStream Mortgage features the word "LOAN" in a large, black, sans-serif font. The letter "A" is replaced by a stylized mountain peak composed of several triangles in shades of blue and green. Below "LOAN" are the words "STREAM" and "MORTGAGE" in a smaller, black, sans-serif font.

LOAN STREAM MORTGAGE

CORRESPONDENT SELLER GUIDE

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PREFACE

This LoanStream Correspondent Seller Guide (“Seller Guide”) governs certain aspects of the business relationship with LoanStream approved mortgage loan sellers (each a “Seller” and collectively “Sellers”). This Seller Guide provides information to assist a Seller with transacting business with LoanStream from Loan Submission through the purchase of the loan.

The term “Agreement” within the text of this guide refers to a Mortgage Loan Purchase Agreement (MLPA) and any other agreements between LoanStream and the Seller, as well as the provisions of this Correspondent Seller Guide. See additional terms as pertain to this Seller Guide and Agreement in the [Seller Guide Glossary](#).

1. OVERVIEW

1.1 Introduction

1.1.1 About the Seller Guide

This Seller Guide contains requirements for doing business with LoanStream pursuant to a Mortgage Loan Purchase Agreement (MLPA) and any other agreements between LoanStream and the Seller. The Seller is bound by all provisions of this Seller Guide and must adhere to all requirements contained in this Seller Guide as well as LoanStream published guidelines.

This Seller Guide provides information that will assist the Seller with transactions from loan submission to the purchase of the loan. This includes how to become an approved Seller, requirements for acceptable loans, the LoanStream lock policy, compliance requirements, delivery requirements, and details of our underwriting policy.

This Seller Guide contains general information, policies, procedures, terms, conditions, and requirements that are applicable to all loan transactions. LoanStream may terminate its relationship with the Seller at any time if the Seller fails to meet its obligations, as outlined in this Seller Guide.

1.1.2 About LoanStream Mortgage

LoanStream's wide program offering includes Fannie Mae, Freddie Mac, FHA, USDA, and VA products, as well as LoanStream's proprietary products, to meet our Sellers' needs.

LoanStream operates in accordance with all provisions of the Fair Housing Act, Equal Credit Opportunity Act (ECOA), and federal and state fair housing and anti-predatory lending laws. In addition, LoanStream will always comply with all state and local laws.

All LoanStream Correspondent Sellers are required to operate in accordance with all provisions of the Fair Housing Act, ECOA, and federal and state fair housing and anti-predatory lending laws.

1.2 Terms and Use of the Seller Guide

This Seller Guide contains confidential information and is the sole property of LoanStream Mortgage (LoanStream). This Seller Guide cannot be reproduced or used for any other reason than conducting business with LoanStream. Unauthorized use of LoanStream's Seller Guide, websites, and systems is strictly prohibited.

1.3 Updates to the Seller Guide

LoanStream reserves the right to amend or supplement this Seller Guide at any time at its sole discretion. All updates to the Seller Guide are effective as of the date stated on the update and/or Announcement.

Seller is responsible for reviewing and complying with any update and/or Announcement issued by LoanStream.

1.4 Announcements

Announcements, revisions, or updates to the Seller Guide are available on the LoanStream Seller website under **Forms and Announcements** at www.LSCorrespondent.com. Seller is responsible for remaining current on all updates and addressing any questions regarding LoanStream policies and guidelines. Changes are effective immediately unless otherwise stated on the Announcement and/or updated material.

1.5 LoanStream Correspondent Website

The LoanStream Correspondent website is online at www.LSCorrespondent.com. Upon approval, the LoanStream Client Administration Department will issue login credentials (username and password) to the approved Seller for access to the secure area of the website. Information contained on the website and the terms and conditions of access to and use of such information and materials are subject to change without notice.

1.6 Customer Support

LoanStream strives to deliver superior customer support to effectively handle all of our Sellers' needs. Contact your sales and sales support team for assistance with any questions you may have.

1.7 Hours of Business

LoanStream's normal hours of operation are Monday through Friday, 8:00 AM through 6:00 PM Pacific Time.

LoanStream's Lock Desk normal hours of operation are Monday through Friday, 8:00 AM through 6:00 PM Pacific Time.

2. APPROVAL PROCESS

LoanStream offers both delegated and non-delegated underwriting Correspondent programs. For non-delegated, LoanStream completes the underwriting of the credit file prior to closing of the loan. For delegated, Seller completes the underwriting functions of the loan.

2.1 Applicant Eligibility

These eligibility guidelines are applied when evaluating Seller applicants for LoanStream approval, thus allowing the Seller to conduct business with LoanStream Mortgage.

2.1.1 Licensing

Seller must be properly licensed and authorized to originate and sell loans that meet LoanStream's product line and underwriting requirements.

2.1.2 Net Worth

Seller must have a tangible and verifiable net worth as follows:

PROGRAM APPROVAL LEVEL	MIN. NET WORTH	AUDITED REQUIRED
Emerging Banker and Emerging Banker Plus	\$100,000	No
Non-Delegated Correspondent	\$500,000	Yes ²
Delegated Conforming (FNMA/FHLMC)	\$1,000,000	Yes ²
Delegated Government (FHA/VA/USDA)	\$1,000,000	Yes ²
Delegated Non-Conforming (Jumbo/NonQM)	\$5,000,000	Yes
Mandatory Commitments ¹	\$1,500,000	Yes
TPO (Wholesale) ¹	\$2,500,000	Yes
TPO (Non-Delegated Correspondent) ¹	\$5,000,000	Yes
TPO (Delegated Correspondent) ¹	\$10,000,000	Yes
¹ Requires conforming delegated approval.		
² CPA-prepared acceptable with management approval on case-by-case basis.		

2.1.3 Loan Closing

Seller must be able to close loans in its own name and have established at least one (1) funding facility with an industry-recognized warehouse lender. Financial institutions subject to oversight by the Comptroller of the Currency, Federal Reserve Bank, FDIC, NCUA, or OTS are allowed to fund loans with their own cash.

2.1.4 Errors & Omissions (E&O) Insurance

Seller must maintain a current Mortgage E&O Insurance Policy and separate Fidelity Bond each with minimum coverage of \$300,000 per occurrence.

2.1.5 Approval Process: Good Standing

Seller must have a “Good Standing” rating with all governmental licensing and revenue collection agencies, including a public record clear of any significant civil or criminal judgments. An applicant whose firm has been suspended, is currently under investigation by governmental agencies or has an open judgment in excess of \$25,000 may not be approved.

2.1.6 Principal Officers, Owners, and Partners

All of Seller’s principal officers, owners, and/or partners must have an acceptable personal credit profile. In the case of Corporations, the entity must have a satisfactory corporate report.

- Past credit difficulties will be reviewed on a case-by-case basis; a letter from the Seller explaining any derogatory item(s) is required
- Financial institutions subject to oversight by the Comptroller of the Currency, Federal Reserve Bank, FDIC, NCUA, or OTS may have this requirement waived

2.2 LoanStream Fair Lending Statement

LoanStream is fully committed to the principle that all credit decisions must be made without regard to race, color, religion, national origin, sex, marital status, familial status, military status, disability, age (provided the applicant has the capacity to contract and the applicant is of an age meeting the underwriting requirements for the loan program), or any other basis prohibited by law. LoanStream fulfills this commitment while maintaining prudent credit discipline and sound business practice.

- Seller must strictly comply with all applicable Fair Lending laws and regulations
- All loans must be prudently originated
- Seller must treat each of its borrowers in a fair and consistent manner

LoanStream recognizes affirmative steps must be taken to ensure this principle is applied consistently and continuously throughout all aspects of its credit operation. This includes product design, sales and marketing, underwriting, training, performance evaluation, and servicing practices. Discrimination based on race, color, sex, sexual orientation, disability, national or ethnic origin, marital or familial status, religion, or age is unlawful and is not tolerated.

If any regulator cites Seller for a Fair Lending violation, LoanStream shall exercise its right to terminate its relationship with Seller.

2.3 Application Processing/Required Documentation

Applicants interested in obtaining approval to become a LoanStream Seller can visit the LoanStream Seller website at www.lscorrespondent.com and complete the **Contact Us** form or contact LoanStream at (833) 311-0126 or LSMCorrespondent@lsmortgage.com.

2.3.1 Application Package

A LoanStream Regional Sales Executive (RSE) will contact you to discuss our requirements and expectations. If there is a mutual understanding that our requirements and expectations can be met, the RSE will send an application package via email or a secure Internet portal. Seller must complete and return the application and provide requested supporting documentation for review.

2.3.2 Due Diligence

LoanStream will review the application package and submitted documentation and conduct due diligence through verification processes, including but not limited to Internet searches, government agency and proprietary exclusionary lists, credit repositories, public records, and MIDEX/LexisNexis.

Upon completion of the Due Diligence review, LoanStream will make a determination and advise the applicant of the decision via an email from LoanStream Administration. Applicants approved for LoanStream Seller status will be further notified by letter of their account activation, including key LoanStream contacts, steps to follow for orientation, and how to obtain credentials for accessing the secure LoanStream Seller portal.

2.4 Insurance Policy Requirements

Sellers must have a blanket fidelity bond or banker's bond and an errors and omissions (E&O) insurance policy that satisfies current agency guidelines in effect at all times. The policies must insure the Seller against losses resulting from dishonest or fraudulent acts committed by the Seller's personnel, any employees of outside firms that provide data processing services for the Seller, and temporary contract employees or student interns.

The fidelity bond must also protect against dishonest or fraudulent acts by the Seller's principal owner if the insurance underwriter provides such coverage. The Seller must also obtain a direct surety bond to cover any officers, including its principal owner, if not covered by the fidelity bond.

Minimum coverage of \$300,000 per occurrence is required for each policy.

2.5 Notification of Significant Changes

Seller must notify LoanStream in writing of any contemplated major changes in its organization, including with its notice copies of any filing with or approvals from its regulators. Significant changes where notification is required include but are not limited to:

- Merger, consolidation, or reorganization
- Material changes in ownership (15% share or more)—direct or indirect—including any change in ownership of Seller's parent company, any owner of the parent, or any beneficial owner of the Seller that does not own a direct interest in the Seller
- Change in corporate name
- Change from federal charter to state charter (or vice versa) when Seller is a savings and loan association or bank
- Material adverse change in financial condition
- Sale of a substantial portion of the Seller's assets or a line of business

2.6 Recertification

Seller will be notified annually by email that they must submit to recertification and renew their approval with LoanStream. Completion of the recertification process is required if Seller wishes to continue doing business with LoanStream. If the Seller is non-responsive to the notification and request for renewal, LoanStream will send a second notification with a final due date for recertification documentation.

Failure to recertify will result in suspension of Seller's access to the LoanStream Seller portal and prevent further access to LoanStream products and the ability to submit, lock, and/or fund loans.

Required documentation for the recertification process includes:

- LoanStream Correspondent Recertification Form, completed, signed, and dated
- Last annual Financial Statements (Balance Sheets and Income Statements)
- Semi-annually provide most recent quarterly interim Financial Statements (Balance Sheet Income Statement)
- List of principal officers and senior management (including the underwriting manager) hired during the prior twelve (12) months
- Evidence of Fidelity Bond and Mortgage Errors & Omissions Insurance with minimum coverage of \$300,000 per occurrence

3. REPRESENTATIONS AND WARRANTIES

Seller, as a condition to consummation of a transaction contemplated herein, hereby makes the following representations and warranties to Purchaser as of each Closing Date. The term “Agreement” refers to the Mortgage Loan Purchase Agreement (MLPA) and any other agreements between LoanStream and the Seller as well as the provisions of this Correspondent Seller Guide.

3.1 General Representations and Warranties

3.1.1 Due Organization and Authority

Seller is duly organized, validly existing, and in good standing under the laws of the state of its formation and has all licenses necessary to carry on its business as now being conducted and is licensed, qualified, and in good standing in each state where a Mortgaged Property is located if the laws of such state require licensing or qualification in order to conduct business of the type conducted by Seller, and, in any event, Seller is in compliance with laws of any such state to the extent necessary to ensure the enforceability of the related Mortgage Loan in accordance with the terms of this Guide.

Seller has the full corporate power and authority to execute and deliver an Agreement with LoanStream and to perform in accordance therewith. Execution, delivery, and performance of an Agreement (including all instruments of transfer to be delivered pursuant to the Agreement) by Seller and the consummation of transactions contemplated thereby have been duly and validly authorized. The Agreement evidences the valid, binding, and enforceable obligation of Seller. All requisite corporate action has been taken by Seller to make the Agreement valid and binding upon Seller in accordance with its items. Seller is and has been at all material times in compliance with this LoanStream Correspondent Seller Guide.

3.1.2 Ordinary Course of Business

Consummation of the transactions contemplated herein is in Seller’s ordinary course of business. The transfer, assignment, and conveyance of Mortgage Notes and Mortgages by Seller pursuant to the Agreement are not subject to the bulk transfer or any similar statutory provisions in effect in any applicable jurisdiction.

3.1.3 No Conflicts

Neither execution and delivery of the Agreement, origination of Mortgage Loans by Seller, the sale of Mortgage Loans to Purchaser, other transactions contemplated, or fulfillment of or compliance with terms and conditions of the Agreement will (i) conflict with or result in a breach of any of the terms, conditions, or provisions of Seller’s charter or bylaws, any legal restriction, agreement, or instrument to which Seller is now a party or by which it is bound, or constitute a default or result in acceleration under any of the foregoing, or (ii) result in violation of any law, rule, regulation, order, judgment, or decree to which Seller or its property is subject, or (iii) impair the ability of Purchaser to realize on Mortgage Loans or impair the value of such Mortgage Loans.

3.1.4 Ability to Perform

Seller does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant required of Seller under the Agreement. Seller is solvent, and the sale of Mortgage Loans

will not cause Seller to become insolvent. The sale of Mortgage Loans is not undertaken with the intent to hinder, delay, or defraud any of Seller's creditors.

3.1.5 Material Adverse Change

Seller has not experienced a Material Adverse Change, and there is no action, suit, proceeding, or investigation pending or, to Seller's knowledge, threatened against Seller that, either in any one instance or in aggregate, is likely to result in any Material Adverse Change to Seller.

3.1.6 No Consent Required

No consent, approval, authorization, or order of any court or governmental agency or body is required for (i) execution, delivery, and performance by Seller of or compliance by Seller with the Agreement or the Mortgage Loans, (ii) delivery of or any portion of Mortgage Files to Purchaser or Purchaser's designee, (iii) sale of Mortgage Loans to Purchaser or consummation of transactions contemplated by the Agreement, or if required, such approval has been obtained prior to the initial Closing Date.

3.1.7 No Untrue Information

Neither the Agreement nor any information, statement, report, or other document furnished or to be furnished pursuant to the Agreement or in connection with transactions contemplated therein contains any untrue statement or material fact or omits to state a fact necessary to make the statements contained therein not materially misleading.

3.1.8 Sale Treatment

Seller declares that the disposition of the Mortgage Loans pursuant to the Agreement will be afforded sale treatment for accounting and tax purposes.

3.1.9 No Commissions to Third Parties

Seller has not dealt with and does not currently deal with any broker, agent, or anyone else who might be entitled to a fee or commission in connection with the sale of any Mortgage Loan to Purchaser.

3.1.10 Financial Statements

All financial statements delivered to Purchaser fairly present the results of operations and changes in financial position at the end of each such period of Seller and its subsidiaries and have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved except as set forth in notes thereto. There has been no change in the business, operations, financial condition, properties, or assets of Seller since the last financial statement was delivered to Purchaser that would have a material adverse effect on Seller's ability to perform its obligations under the Agreement. Seller has fully and truthfully completed any forms requested by Purchaser in a timely manner and in accordance with the provided instructions.

3.1.11 Fair Consideration

Consideration received by Seller upon the sale of Mortgage Loans under the Agreement constitutes fair consideration and reasonably equivalent value for such Mortgage Loans.

3.1.12 MERS

Seller is a MERS member in good standing and will comply in all material respects with MERS rules and procedures in connection with origination, transfer, and servicing of any MERS Mortgage Loans for as long as such Mortgage Loans are registered with MERS.

3.1.13 Notification of Change

Seller will give written notification to Purchaser within ten (10) days of the occurrence of any event that would cause Seller to be unable to make any of the representations and warranties specified herein.

3.2 Individual Loans

As to each Mortgage Loan, Seller hereby represents and warrants to Purchaser that as of the Mortgage Loan's respective Closing Date, the following are true.

3.2.1 Mortgage Loans as Described

The information regarding the Mortgage Loan disclosed to Purchaser is complete, true, and accurate in all material respects.

3.2.2 Payments Current

All payments required to be made up to the related Closing Date for the Mortgage Loan under the terms of the Mortgage Note have been made and credited.

3.2.3 No Outstanding Charges

There are no defaults in complying with the terms of the Mortgage, and all taxes, government assessments, insurance premiums, water, sewer, and municipal charges, leasehold payments, or ground rents that previously became due and owing have been paid, or an escrow of funds has been established in an amount sufficient to pay for every such item that remains unpaid and that has been assessed but is not yet due and payable. Seller has not advanced funds or induced, solicited, or knowingly received any advance of funds by a party other than the Mortgagor, directly or indirectly, for the payment of any amount required under the Mortgage Loan.

3.2.4 Original Terms Unmodified

The terms of each Mortgage Loan and Mortgage have not been impaired, waived, altered, or modified in any respect, except by a written instrument that has been recorded, if necessary to protect the interests of Purchaser and that has been delivered to Purchaser and is part of the Mortgage File.

The substance of any such waiver, alteration, or modification has been approved by all applicable Persons to the extent required. No Mortgagor has been released, in whole or in part, except in connection with an assumption agreement approved by all applicable Persons, to the extent required, and which assumption agreement is part of the Mortgage Loan File delivered to Purchaser.

3.2.5 No Defenses

No Mortgage Loan is subject to any right of rescission, set-off, counterclaim, or defense, nor will the operation of any of the terms of the Mortgage Note or the Mortgage or the exercise of any right thereunder render either the Mortgage Note or the Mortgage unenforceable, in whole or in part, or subject to any right of rescission, set-off, counterclaim, or defense, and no such right of rescission, set-off, counterclaim, or defense has been asserted with respect thereto, and no Mortgagor was a debtor in any state or federal bankruptcy or insolvency proceeding from the time the Mortgage Loan was originated through the Closing Date.

3.2.6 Hazard Insurance

Pursuant to the terms of the Mortgage, all buildings or other improvements upon the Mortgaged Property are insured by a generally acceptable insurer against loss by fire, hazards of extended coverage, and such other hazards as are customary in the area where the Mortgaged Property is located pursuant to insurance policies conforming to all applicable requirements. If upon origination of the Mortgage Loan, the Mortgaged Property was in an area identified in the Federal Register by the Federal Emergency Management Agency (FEMA) as having special flood hazards, a life-of-loan flood insurance policy meeting the requirements of the current guidelines of the Federal Flood Insurance Administration is in effect that conforms to all applicable requirements. Such flood insurance shall be with a nationally recognized flood insurer approved by the Agencies or other insurer as may be approved by Purchaser.

All individual insurance policies contain a standard mortgagee clause naming Seller and its successors and assigns as mortgagee, and all premiums thereon have been paid. The mortgage obligates the Mortgagor thereunder to maintain the hazard insurance policy at the Mortgagor's cost and expense and, on the Mortgagor's failure to do so, authorizes the holder of the Mortgage to obtain and maintain such insurance at such Mortgagor's cost and expense and to seek reimbursement therefore from the Mortgagor. Where required by state law or regulation, the Mortgagor has been given an opportunity to choose the carrier of the required hazard insurance, provided the policy is not a "master" or "blanket" hazard insurance policy covering the common facilities of a planned unit development (PUD).

The hazard insurance policy is the valid and binding obligation of the insurer, is in full force and effect, and will be in full force and effect and inure to the benefit of Purchaser upon consummation of the transactions contemplated by the Agreement. Seller has not engaged in and has no knowledge of the Mortgagor or any sub-servicer engaging in any act or omission that would impair the coverage of any such policy, the benefits of the endorsement provided for herein, or the validity and binding effect of either, including without limitation, no unlawful fee, commission, kickback, or other unlawful compensation or value of any kind has been or will be received, retained, or realized by any attorney, firm, or other Person, and no such unlawful items have been received, retained, or realized by Seller.

3.2.7 Compliance with Applicable Requirements

Each Mortgage Loan complies with (i) all applicable local, state, and federal laws, rules, regulations, and ordinances, (ii) the requirements and guidelines of any applicable governmental Agency, board, commission, instrumentality, or other governmental or quasi-governmental body or office, (iii) all judicial and administrative judgments, orders, stipulations, and injunctions applicable to Seller or the Mortgage Loans, and (iv) all applicable provisions of this Seller Guide.

Notwithstanding the above, if a Mortgage Loan is purchased under Purchaser's NonQM program, Seller shall not be responsible for ensuring the Mortgage Loan meets the Ability to Repay requirements under regulation 12 CFR Part 1026.43(c) and (e).

3.2.8 No Satisfaction of Mortgage

Each Mortgage has not been satisfied, canceled, subordinated, or rescinded, in whole or in part, and the Mortgaged Property has not been released from the lien of the Mortgage, in whole or in part, nor has any instrument been executed that would affect any such release, cancellation, subordination, or rescission. Seller has not waived the performance by the Mortgagor of any action if the Mortgagor's failure to perform such action would cause the Mortgage Loan to be in default, nor has Seller waived any default resulting from any action or inaction by the Mortgagor.

3.2.9 Valid First Lien

Each Mortgage is a valid, subsisting, enforceable, and perfected first lien and first priority security interest in the Mortgaged Property, including all buildings on the Mortgaged Property and all installations and mechanical, electrical, plumbing, heating, and air conditioning systems located in or annexed to such buildings and all additions, alterations, and replacements made at any time with respect to the foregoing. The lien of each Mortgage is subject only to (1) the lien of current real property taxes and assessments not yet due and payable; (2) covenants, conditions, restrictions, rights of way, easements, and other matters of public record as of the date of recording acceptable to mortgage lending institutions generally and specifically referred to in the Lender's title insurance policy delivered to the originator of the Mortgage Loan and (i) referred to or otherwise considered in the appraisal made for the originator of the Mortgage Loan or (ii) which do not adversely affect the Appraised Value of the Mortgaged Property; and (3) other matters to which similar properties are commonly subject that do not materially interfere with the benefits of the security intended to be provided by the Mortgage or the use, enjoyment, value, or marketability of the related Mortgaged Property.

Any security agreement, chattel mortgage, or equivalent document related to and delivered in connection with the Mortgage Loan establishes and creates a valid, subsisting, and enforceable first lien and first priority security interest in the property described therein, and Seller has full right to sell and assign the same to Purchaser. The Mortgaged Property was not, as of the date of origination of the Mortgage Loan, subject to a mortgage, deed of trust, deed to secure debt, or other security instrument creating a lien subordinate to the lien of the Mortgage.

3.2.10 Validity of Mortgage Documents

Each Mortgage Note and Mortgage are genuine, and each is the legal, valid, and binding obligation of the maker thereof, enforceable in accordance with its terms. All parties to the Mortgage Note and the Mortgage and any other related agreement had legal capacity to enter into the Mortgage Loan and to execute and deliver the Mortgage Note, and the Mortgage and any other related agreement have been duly and properly executed by such parties. None of the documents, instruments, and agreements submitted, reviewed, or used in connection with the origination of the Mortgage Loan were falsified or contain any untrue statements of material fact and do not omit to state a material fact required to be stated therein or necessary to make the information and statements therein not misleading. No fraud was committed in connection with the origination of the Mortgage Loan. Seller has reviewed all of the documents constituting the Mortgage File and the Servicing File for each Mortgage Loan and has made such inquiries as it deems

necessary or as may be required by applicable law to make and confirm the accuracy of the representations set forth herein.

3.2.11 Full Disbursement of Proceeds

Each Mortgage Loan has been closed, and the proceeds of the Mortgage Loan have been fully disbursed, and there is no requirement for future advances thereunder, and any and all requirements as to completion of any on-site or off-site improvement and as to disbursements of any escrow funds, therefore, have been complied with unless a minor withhold of funds has been approved by the Purchaser. All costs, fees, and expenses incurred in making or closing the Mortgage Loan and the recording of the Mortgage were paid, and the Mortgagor is not entitled to any refund of any amounts paid or due under the Mortgage Note or Mortgage.

3.2.12 Ownership

Seller is the sole owner of record and holder of the Mortgage Loan. The Mortgage Loan is not assigned or pledged, and Seller has good and marketable title thereto, and has full right to transfer and sell the Mortgage Loan therein to Purchaser free and clear of any encumbrance, equity, participation interest, lien, pledge, charge, claim, or security interest and has full right and authority subject to no interest or participation of or agreement with other party to sell and assign each Mortgage Loan pursuant to the Agreement.

3.2.13 Doing Business

All parties that have had any interest in the Mortgage Loan, whether as mortgagee, assignee, pledgee, or otherwise, are (or, during the period in which they held and disposed of such interest, were) (i) in compliance with any and all applicable licensing requirements of the laws of the state wherein the Mortgaged Property is located, and (ii) organized under the laws of such state, or (iii) qualified to do business in such state, or (iv) federal and loan associations or national banks having principal offices in such state, or (v) not doing business in such state.

3.2.14 Mortgage Insurance

If a Mortgage Loan is required to have mortgage insurance as provided in the Seller Guide, then a private mortgage insurance policy has been obtained from a private mortgage insurance company that is acceptable to Fannie Mae and/or Freddie Mac, and no action, inaction, or event has occurred, and no state of facts exists that has or will result in the exclusion from, denial of, defense to, or rescission of coverage.

3.2.15 Title Insurance

The Mortgage Loan is covered by an American Land Title Association (or any successor thereto) lender's title insurance policy of other generally acceptable form of policy of insurance acceptable to the Agencies, issued by a title insurer acceptable to the Agencies and qualified to do business in the jurisdiction where the Mortgaged Property is located, insuring Seller, its successors and assigns, as to the first priority lien, as applicable, of the Mortgage in the original principal amount of the Mortgage Loan subject to the exceptions contained herein. Where required by state law or regulation, the Mortgagor has been given the opportunity to choose the carrier of the required mortgage title insurance. Additionally, such lender's title insurance policy affirmatively insures ingress and egress, and against encroachments by or upon the Mortgaged Property or any interest therein.

Seller is the sole insured of such lender's title insurance policy, and such lender's title insurance policy is in full force and effect and will be in force and effect upon the consummation of the transactions contemplated in the Agreement. No claims have been made under such lender's title insurance policy, and no prior holder of the Mortgage, including Seller, has done, by act or omission, anything that would impair the coverage of such lender's title insurance policy, including, without limitation, no unlawful fee, commission, kickback, or other unlawful compensation or value of any kind has been or will be received, retained or realized by any attorney, firm, or other Person and no such unlawful items have been received, retained or realized by Seller.

3.2.16 No Defaults

There is no default, breach, violation, or event of acceleration existing under the Mortgage or the Mortgage Note and no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation, or event of acceleration and neither Seller nor its predecessors have waived any default, breach, violation, or event of acceleration.

3.2.17 No Mechanics' Liens

There are no mechanics' or similar liens or claims that have been filed for work, labor, or material (and no rights are outstanding that under the law could give rise to such liens) affecting the related Mortgaged Property that are or may be liens prior to, equal with, or coordinate with the lien of the related Mortgage.

3.2.18 Location of Improvements: No Encroachments

All improvements that were considered in determining the Appraised Value of the Mortgaged Property lay wholly within the boundaries and building restriction lines of the Mortgaged Property and no improvements on adjoining properties encroach upon the Mortgaged Property. No improvement located on or being part of the Mortgaged Property is in violation of any applicable zoning law or regulation.

3.2.19 Origination: Payment Terms

Principal payments on each Mortgage Loan commenced no more than sixty (60) days after the funds were disbursed in connection with the Mortgage Loan. At the time each Mortgage Loan was closed, the lender identified on the Mortgage Note was (i) licensed to originate Mortgage Loans in the state in which the Mortgaged Property is located, and (ii) a mortgagee approved by the Secretary of Housing and Urban Development pursuant to sections 203 and 211 of the National Housing Act or a savings and loan association, a savings bank, a commercial bank, or similar banking institution that is supervised and examined by a Federal or State authority. The Mortgage Interest Rate is the interest rate set forth in the Mortgage Note.

The Mortgage Note is payable in monthly installments of principal and interest, with interest calculated and payable in arrears, sufficient to amortize the Mortgage Loan fully by the stated maturity date, over an original term or not more than forty years from commencement of amortization. No Mortgage Loan provides for negative amortization. No Mortgage Loan is a balloon mortgage loan.

3.2.20 Customary Provisions

Each Mortgage contains customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Property of the benefits of the

security provided thereby, including (i) in the case of a Mortgage designated as a deed of trust, by trustee's sale, and (ii) otherwise by judicial foreclosure.

Upon default by a Mortgagor on a Mortgage Loan and foreclosure on or trustee's sale of the Mortgaged Property, pursuant to the proper procedures, the holder of the Mortgage Loan will be able to deliver good and merchantable title to the Mortgaged Property. There is no homestead or other exemption available to the Mortgagor that could interfere with the right to sell the Mortgaged Property at a trustee's sale or the right to foreclose the Mortgage subject to applicable federal and state laws and judicial precedent with respect to bankruptcy and right of redemption.

3.2.21 Conformance with Guidelines

Each Mortgage Loan conforms to Purchaser's underwriting guidelines and, as applicable, Agency guidelines. The Mortgage Note and Mortgage are on forms acceptable to the Agencies and Purchaser, as applicable. The Mortgage Loan complies with all requirements of the Seller Guide, and to the extent, the Seller Guide requires the Mortgagor to undertake certain actions after the Closing Date, all such actions will be performed in the timeframes prescribed.

3.2.22 Mortgaged Property

All inspections, licenses, and certificates required to be made or issued with respect to all occupied portions of the Mortgaged Property and, with respect to the use and occupancy of the same, including but not limited to certificates of occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities.

3.2.23 No Additional Collateral

Each Mortgage Note is not and has not been secured by any collateral except the lien of the corresponding Mortgage and the security interest of any applicable security agreement or chattel mortgage referred to under [Validity of Mortgage Documents](#) above.

3.2.24 Deed of Trust

In the event, a Mortgage constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the Mortgage and no fees or expenses are or will become payable by Purchaser to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Mortgagor.

3.2.25 Acceptable Investment

There are no circumstances or conditions with respect to the Mortgage, the Mortgaged Property, the Mortgagor, or the Mortgagor's credit standing that can reasonably be expected to cause private institutional investors to regard the Mortgage Loan as an unacceptable investment, cause the Mortgage Loan to become delinquent, or adversely affect the value or marketability of the Mortgage Loan. Each Mortgage Loan is of investment quality and able to be included in a securitized pool of mortgage loans. If Seller attempted to sell any Mortgage Loan to another Person prior to selling it to Purchaser, Seller has notified Purchaser and provided Purchaser with any and all reasons why the other Person did not purchase the Mortgage Loan.

3.2.26 Delivery of Mortgage Documents

Any document or information required to be delivered by Seller to Purchaser under the Agreement or the Seller Guide has been delivered to Purchaser or its designee. To the extent any such document is required to be delivered after the Closing Date, such document will be delivered as required by the Seller Guide. Seller is in possession of a complete, true, and accurate Mortgage File, except for such documents, the originals of which have been delivered to Purchaser.

3.2.27 Condominiums and Planned Unit Developments (PUDs)

If the Mortgaged Property is a condominium or PUD (other than a de minimus planned unit development), such condominium or PUD project meets all applicable Agency eligibility requirements, except as allowed under the Seller Guide for the LoanStream NonQM program as non-warrantable, or is located in a condominium or PUD project that has received all applicable Agency project approvals, and the representations and warranties required by the Agencies, as applicable, with respect to such condominium or PUD have been made and remain true and correct in all respects.

3.2.28 Due on Sale

Each Mortgage contains an enforceable provision for the acceleration of the payment of the unpaid principal balance of the Mortgage Loan in the event the Mortgaged Property is sold or transferred without the prior written consent of the Mortgagee thereunder.

3.2.28.1 Costs

All costs and expenses incurred by Purchaser in connection with or related to setup, transfer, and/or delivery of any Mortgage Loan submitted to Purchaser for purchase, regardless of whether the Mortgage Loan is ultimately purchased by Purchaser, including but not limited to loan sale fees, servicing fees, any fees due to MERS, fees for title policy endorsements and continuations, fees for tax contracts of flood insurance contracts and the transfer thereof to any servicer, and Seller's attorney's fees shall be paid by Seller.

3.2.29 Transfer of Mortgage Loans

The Assignment of Mortgage is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the Mortgaged Property is located.

3.2.30 No Buydown Provision, Graduated Payment, or Contingent Interest

Each Mortgage Loan does not contain provisions pursuant to which Monthly Payments are paid or partially paid with funds deposited in any separate account established by Seller, the Mortgagor, or anyone on behalf of the Mortgagor or paid by any source other than the Mortgagor or does it contain any other similar provisions currently in effect that may constitute a "buydown" provision. The Mortgage Loan is not a graduated-payment mortgage, and the Mortgage Loan does not have a shared appreciation or other contingent interest feature.

3.2.31 Consolidation of Future Advances

Any future advances made prior to the related Closing Date have been consolidated with the outstanding principal amount secured by the Mortgage, and the secured principal amount, as consolidated, bears a

single interest rate and single repayment term. The lien of the Mortgage securing the consolidated principal amount is expressly insured as having first lien priority by a title insurance policy, an endorsement to the policy insuring the mortgagee's consolidated interest, or by other title evidence acceptable to the Agencies, as applicable. The consolidated principal amount does not exceed the original principal amount of the Mortgage Loan.

3.2.32 Mortgaged Property Undamaged

For each Mortgage Loan, there is no proceeding pending or, to Seller's knowledge, threatened for the total or partial condemnation of the Mortgaged Property. The Mortgaged Property is undamaged by waste, fire, earthquake, earth movement, windstorm, flood, tornado, or other casualty so as to adversely affect the Mortgaged Property's value as security for the Mortgage Loan for the use for which the premises were intended.

3.2.33 Collection Practices and Escrow Deposits

The origination and collection practices used with respect to the Mortgage Loan have been in accordance with Accepted Servicing Practices, in all respects in compliance with all applicable laws and regulations, and in all material respects proper and prudent in the mortgage origination and servicing business. With respect to escrow deposits and Escrow Payments, all such payments are in the possession of Seller, and there exist no deficiencies in connection therewith for which customary arrangements for repayment thereof have not been made. All Escrow Payments have been collected in full compliance with state and federal law. An escrow of funds is not prohibited by applicable law and has been established in an amount sufficient to pay for every item that remains unpaid, and which has been assessed but is not yet due and payable. No escrow deposits or Escrow Payments, or other charges or payments due Seller have been capitalized under the Mortgage or the Mortgage Note. All Mortgage Interest Rate adjustments have been made in strict compliance with state and federal law and the terms of the related Mortgage Note. Any interest required to be paid pursuant to state and local law has been properly paid and credited.

3.2.34 Appraisal

Unless otherwise permitted by the Seller Guide, the Mortgage File contains an appraisal of the related Mortgaged Property signed prior to the approval of the Mortgage Loan application by a Qualified Appraiser. The appraisal was ordered per Seller Guide requirements for Purchaser's NonQM program, if applicable. The appraisal was performed in accordance with all applicable requirements and conforms to Fannie Mae's appraisal guidelines and requirements.

3.2.35 Servicemembers' Civil Relief Act

No Mortgagor has notified Seller, and Seller has no knowledge of any relief requested or allowed to the Mortgagor under the Servicemembers' Civil Relief Act of 2003, as amended, or any successor legislation thereto.

3.2.36 Environmental Matters

Each Mortgaged Property is free from any and all toxic or hazardous substances, and there exists no violation of any local, state, or federal environmental law, rule, or regulation. There is no pending action or proceeding directly involving any Mortgaged Property of which Seller is aware in which compliance with any environmental law, rule, or regulation is an issue, and nothing further remains to be done to satisfy in

full all requirements of each such law, rule, or regulation constituting a prerequisite to the use and enjoyment of said property.

3.2.37 No Denial of Insurance

Seller has caused or will cause to be performed any and all acts required to preserve the rights and remedies of Purchaser in any insurance policies applicable to the Mortgage Loans including, without limitation, any necessary notifications of insurers, assignments of policies or interests therein, and establishments of coinsured, joint loss payee and mortgagee rights in favor of Purchaser. No action, inaction, or event has occurred, and no state of fact exists or has existed that has resulted or will result in the exclusion from, denial of, or defense to cover under any applicable pool insurance policy, special hazard insurance policy, mortgage insurance certificate, or bankruptcy bond, irrespective of cause of such failure of coverage. In connection with the placement of any such insurance, no commission, fee, or other compensation has been or will be received by Seller or any designee of Seller or any corporation in which Seller or any officer, director, or employee had a financial interest at the time of placement of such insurance.

3.2.38 Points and Fees: Mortgagor Acknowledgment

All points, fees, and charges (including finance charges), whether or not financed, assessed, collected, or to be collected in connection with the origination and servicing of each Mortgage Loan, complied with all applicable guidelines and have been disclosed in writing to the Mortgagor in accordance with applicable state and federal law and regulation.

3.2.39 Simple Interest Mortgage Loans

None of the Mortgage Loans are simple interest mortgage loans.

3.2.40 Single Premium Credit Life Insurance

No Mortgagor was required to purchase any single premium credit insurance policy (e.g., life, disability, accident, unemployment, or health insurance product) or debt cancellation agreement as a condition of obtaining the extension of credit. No Mortgagor obtained a prepaid single premium credit insurance policy in connection with origination of the Mortgage Loan. No proceeds from any Mortgage Loan were used to purchase single premium credit insurance policies or debt cancellation agreements as part of the origination of, or as a condition to closing, such Mortgage Loan. No Mortgagor has a debt cancellation agreement with respect to the related Mortgage Loan.

3.2.41 Recordation

Seller is MERS approved, and all Mortgage Loans are and shall be registered with MERS and subject to MERS procedures.

3.2.42 Predatory Lending Regulations: High-Cost Loans

No Mortgage Loan is (i) a "high cost" loan under the Home Ownership and Equity Protection Act of 1994 (HOEPA), or (ii) a "high cost," "threshold," "predatory," or "covered" loan under any other applicable state, federal, or local law (or a similarly classified loan using different terminology under a law imposing heightened regulatory scrutiny or additional legal liability for residential mortgage loans having high interest rates, points, and/or fees). No Mortgage Loan is a High-Cost Loan or Covered Loan, as applicable.

3.2.43 Origination

No error, omission, misrepresentation, negligence, fraud, or similar occurrence with respect to a Mortgage Loan has taken place on the part of any Person including, without limitation, the Mortgagor, appraiser, builder, developer, or any other party involved in the origination of the Mortgage Loan or in the application of any insurance in relation to such Mortgage Loan. No predatory or deceptive lending practices, including, without limitation, the extension of credit without regard to the ability of the Mortgagor to repay and the extension of credit that has no apparent benefit to the Mortgagor, were employed in the origination of the Mortgage Loan.

3.2.44 Compliance with Anti-Money Laundering (AML) Laws

Seller has complied with all applicable anti-money laundering laws and regulations, including without limitation the USA Patriot Act of 2001 (collectively, the Anti-Money Laundering Laws), Seller has established an anti-money laundering compliance program as required by the Anti-Money Laundering Laws and the regulations promulgated by the Office of Foreign Assets Control (OFAC) of the United States Department of Treasury, has conducted the requisite due diligence in connection with the origination of each Mortgage Loan for purposes of the Anti-Money Laundering Laws that also requires regular checks of the Specially Designated Nationals (SDN) list issued by OFAC, including with respect to the legitimacy of the applicable Mortgagor and the origin of assets used by said Mortgagor to purchase the property in question, and maintains, and will maintain, sufficient information to identify the applicable Mortgagor for purposes of the Anti-Money Laundering Laws.

3.2.45 Underwriting Methodology

The methodology used in underwriting the extension of credit for each Mortgage Loan employs objective mathematical principles that relate to the Mortgagor's income, assets, and liabilities to the proposed payment, and such underwriting methodology does not rely on the extent of the Mortgagor's equity in the collateral as the principal determining factor in approving such credit extension. Such underwriting methodology confirmed that at the time of origination (application/approval), the Mortgagor had a reasonable ability to make timely payments on the Mortgage Loan.

3.2.46 Higher Cost Products

No Mortgagor was encouraged or required to select a Mortgage Loan product offered by the Mortgage Loan's originator, which is a higher cost product designed for less creditworthy borrowers unless at the time of the Mortgage Loan's origination, such Mortgagor did not qualify taking into account credit history and debt-to-income ratios for a lower cost credit product then offered by the Mortgage Loan's originator or any affiliate of the Mortgage Loan's originator. If at the time of loan application, the Mortgagor may have qualified for a lower-cost credit product than offered by any mortgage lending affiliate of the Mortgage Loan's originator, the Mortgage Loan's originator referred the Mortgagor's application to such affiliate for underwriting consideration.

3.2.47 Arbitration

No Mortgage Loan contains any term requiring arbitration.

4. EARLY PAYMENT DEFAULT/EARLY PAYOFF/REPURCHASE/INDEMNIFICATION

Seller and Purchaser understand and agree that provisions of the Agreement shall survive the sale of the Mortgage Loans and delivery of the Mortgage File to Purchaser and shall inure to the benefit of Purchaser, notwithstanding any restrictive or qualified endorsement on any Mortgage Note or Assignment of Mortgage or the examination or failure to examine any Mortgage File. Upon discovery by either Seller or Purchaser of any breach of the Agreement, the party discovering such breach shall give prompt written notice to the other. Absent clear and convincing evidence of actual and material prejudice to Seller, Purchaser's failure to provide timely notice to Seller under this Section shall not relieve Seller of any of its duties or obligations.

4.1 Discovery and/or Notice of Breach

Within twenty (20) days after the earlier of either discovery by or notice to Seller of any breach, Seller shall cure such breach or, if such breach cannot be cured, Seller shall, at Purchaser's option, and in addition to the indemnification obligations of Seller under the Agreement, repurchase any affected Mortgage Loan at the Repurchase Price. In the event a breach involves any representation or warranty set forth under [Representations and Warranties](#) above, and such breach cannot be cured within twenty (20) days after the earlier of either discovery by or notice to Seller of such breach, all of the Mortgage Loans materially affected thereby shall, at Purchaser's option, and in addition to the indemnification obligations of Seller under the Agreement, be repurchased by Seller at the Repurchase Price.

4.2 Foreclosure of the Mortgaged Property

Seller's repurchase obligation with respect to a Mortgage Loan shall not be eliminated by the fact the Mortgaged Property has been foreclosed upon and acquired by Purchaser, its assigns, or a third party. Seller's repurchase obligations hereunder include the purchase of the Mortgaged Property from Purchaser at the applicable Repurchase Price (if Purchaser has acquired the Mortgaged Property) or, if a third party has acquired the Mortgaged Property, paying Purchaser the applicable Repurchase Price. Upon Purchaser's demand to Seller for any payment due hereunder, Purchaser shall have the absolute right to withhold or offset any monies otherwise due Seller, including but not limited to monies that may be due Seller associated with other Mortgage Loans purchased or subject to purchase by Purchaser.

4.3 Direct Remittance

Any repurchase of a Mortgage Loan or purchase of a Mortgaged Property shall be accomplished by direct remittance of the Repurchase Price to Purchaser in accordance with Purchaser's instructions. Upon Seller remitting the Repurchase Price to Purchaser, Purchaser shall assign the repurchased Mortgage Loan or deed title to the Mortgaged Property, as applicable, to Seller and deliver to Seller any documents held by Purchaser relating to the repurchased Mortgage Loan at Seller's cost, in each case without representation or warranty from, or recourse to, Purchaser.

4.4 Repurchase Price Calculation

4.4.1 For a Mortgage Loan

The Repurchase Price shall include:

- a. The unpaid principal balance of such Mortgage Loan, plus
- b. Any Premium, plus

- c. All costs and expenses actually incurred through the repurchase date, including but not limited to reasonable fees and expenses of counsel associated with enforcing Seller's repurchase obligations hereunder, plus
- d. All interest associated with the Mortgage Loan that has accrued but been unpaid from the "paid-to-date" of the Mortgage Loan through and including the last day of the month in which the repurchase is made, plus
- e. Any advances made by Purchaser or any successor holder of the Mortgage Loan, less
- f. Any proceeds of mortgage insurance with respect to the Mortgage Loan actually collected by Purchaser or any successor holder of the Mortgage Loan.

4.4.2 For a Mortgaged Property

For any Mortgaged Property that has been foreclosed upon (or otherwise subject to similar process) and title obtained by Purchaser, any successor holder, or third party, then Seller shall be obligated to pay Purchaser a Repurchase Price as follows:

- a. The unpaid principal balance of such Mortgage Loan at the time of foreclosure, plus
- b. Any Premium, plus
- c. All costs and expenses, including but not limited to fees and expenses of counsel incurred by Purchaser or any successor holder in connection with the foreclosure and management/care of the property and enforcing Seller's repurchase obligations hereunder, plus
- d. All accrued but unpaid interest on the unpaid principal balance of the Mortgage Loan from the "paid-to-date" of the Mortgage Loan through and including the last day of the month in which the foreclosure occurs, plus
- e. Any advances made by Purchaser or any successor holder of the Mortgage Loan, less
- f. Any proceeds of mortgage insurance with respect to the Mortgage Loan actually collected by Purchaser or any successor holder of the Mortgage Loan, less
- g. The net proceeds actually received by Purchaser associated with the sale of the property to a third-party purchaser.

4.5 Underwriting

Purchaser may underwrite certain Mortgage Loans sold to Purchaser (i.e., review the full credit package for compliance with applicable guidelines, including but not limited to employment, income, assets, collateral, and verifications). Seller acknowledges that (i) any underwriting undertaken by Purchaser does not include determining a Mortgage Loan's compliance with applicable federal, state, or local laws or regulations, which remains Seller's obligation, and (ii) in underwriting the Mortgage Loan, Purchaser relies upon the information and data supplied by Seller as being truthful, accurate, and complete in all material respects.

For any Mortgage Loan underwritten by Purchaser, notwithstanding the above, if the information Seller provided to Purchaser, which Purchaser relied upon to underwrite the Mortgage Loan, was true, accurate, and complete in material respects, this Subsection shall not apply to a Mortgagor's assertion that Seller or Purchaser failed to determine the Mortgagor's Ability to Repay the loan as required under regulation 12 CFR

Part 1026.43 (c) and (e). Seller shall not make the representation and warranty under [Underwriting Methodology](#) above.

4.5.1 Delegated Underwriting

All loan programs are subject to additional LoanStream Mortgage requirements and terms of the Seller Guide.

Delegated Loan Type	Loan Program Types Included
Conforming	Fannie Mae (FNMA) and Freddie Mac (FHLMC) eligible loans
Government	FHA, USDA/GRH/RD, and VA
Non-conforming	LoanStream Mortgage Jumbo and NonQM

4.6 Early Payment Default (EPD)

An Early Payment Default (EPD) is defined differently by Loan Type and underwriting designation of the Mortgage Loan. This policy applies to payments due to LoanStream Mortgage and/or its assignees.

Loan Type	Underwriting	# of Payments	Days Delinquent	Remedy
Conforming	Non-delegated	N/A	N/A	N/A
Conforming	Delegated	Four (4)	90+	- Premium¹ \$2,500 Fee
Government ²	Non-delegated	N/A	N/A	N/A
Government ²	Delegated	Four (4)	90+	- Premium¹ \$2,500 Fee
Jumbo & NonQM	Non-delegated	Three (3)	30+	Repurchase³
Jumbo & NonQM	Delegated	Six (6)	30+	Repurchase³
¹ Any over par premium pricing paid to Seller for the purchase of the Mortgage Loan				
² Includes FHA, USDA, and VA				
³ See Section 4.4 for Repurchase Price Calculation				

4.7 Early Payoff (EPO)

With respect to any Mortgage Loan that pays off in full within the specified number of days shown below of purchase of the Mortgage Loan, Seller will be billed for recapture of all over par premium pricing paid to Seller for the purchase of the Mortgage Loan.

Conforming/Government	One hundred fifty (150) days
Jumbo/NonQM	One hundred eighty (180) days

4.8 Indemnification

Seller shall indemnify and hold harmless Purchaser from and against any and all claims, losses, damages, penalties, fines, forfeitures, attorney's fees (and related costs), judgments, and any other costs, fees, and expenses (collectively "Damages") arising from (i) any act or omission on the part of Seller or any other Person in origination, receiving, processing, funding, or servicing of any Mortgage Loan prior to the related Transfer Date or otherwise arising from the transfer of servicing of the Mortgage Loans, or (ii) breach of the

Agreement by Seller. Notwithstanding the above, Seller shall not be responsible for any Damages incurred by Purchaser that are caused by Purchaser's acts, omissions, or instructions to Seller.

4.8.1 Third-party Claim

Seller shall immediately notify Purchaser if a claim is made by a third party with respect to the Mortgage Loans or the Agreement. Purchaser shall control the defense of any such claim, and Seller shall pay all expenses in connection therewith, including counsel fees, costs, and expenses, and promptly pay, discharge, and satisfy any judgment or decree that may be entered against it or Purchaser in respect of such claim.

In addition to Seller obligations set forth in this section, Purchaser may pursue any and all remedies otherwise available under the Agreement, at law, or in equity, including but not limited to the right to seek damages and the right to demand repurchase under the Agreement. Seller indemnification obligation set forth herein shall survive termination of the Agreement notwithstanding any applicable statute of limitations, which Seller hereby expressly waives.

Notwithstanding anything in the Agreement to the contrary, neither party shall be liable to the other for any punitive damages.

5. PROTECTION OF CONFIDENTIAL INFORMATION

"Confidential Information" means any nonpublic information disclosed by either party to the other, whether prior to or after signing the Agreement, directly or indirectly, in writing, orally, or by inspection of tangible objects.

5.1 Exclusions

Confidential Information does not include any information that (i) is publicly known prior to the time of disclosure to the receiving party, (ii) becomes publicly known after disclosure to the receiving party through no action or inaction of the receiving party or its attorneys, accountants, agents, officers, directors, consultants, and employees (collectively "Representatives"), (iii) is already in possession of the receiving party without restriction on use or disclosure at the time of disclosure by the disclosing party, (iv) becomes available to the receiving party without restriction on use or disclosure from a third party without a breach of such third party's obligations of confidentiality, or (v) is independently developed by the receiving party without use of or reference to the disclosing party's Confidential Information.

5.2 Holding Confidential Information in Strict Confidence

Each party agrees to (i) hold the other party's Confidential Information in strict confidence and to take reasonable precautions to protect such Confidential Information (which precautions shall be no less than those employed to preserve the secrecy of its own confidential materials), (ii) comply with all applicable federal and state laws regarding privacy and confidentiality of nonpublic customer or consumer information, including but not limited to the adherence to the Gramm-Leach-Bliley Act and its implementing regulations, (iii) not make any use of or act on the other party's Confidential Information whatsoever at any time, except to fulfill its obligations under the Agreement, (iv) not reverse engineer or disassemble any products, technology, or tangible objects that utilize such Confidential Information, and (v) not disclose any such Confidential Information or any information derived therefrom to any third party.

or contact any third party regarding the Confidential Information or information derived therefrom, except to enforce provisions herein or to those of the receiving party's Representatives who have a legitimate "need to know" and are bound in writing to restrictions substantially similar to those herein.

The receiving party shall promptly notify the disclosing party upon discovery of any unauthorized use or disclosure of Confidential Information or any other breach of the Agreement and will cooperate with the disclosing party in every reasonable way to help regain possession of such Confidential Information and prevent its future unauthorized use. The receiving party shall be responsible for any breach of the Agreement by its Representatives as if such Representatives were a party hereto.

5.3 As Pertains to Seller Approval and Purchase of Mortgage Loans

Seller authorizes Purchaser—in connection with any sale of any Mortgage Loan to Seller, Seller's request to become an approved seller of Mortgage Loans to Purchaser or Purchaser's recertification of Seller as an approved seller of Mortgage Loans to Purchaser—to (i) verify any information Seller provides to Purchaser, whether pertaining to any Mortgage Loan, Seller, or any officer, director, or employee of Seller and (ii) obtain business credit and reference reports and any other information that is of concern to Purchaser. Seller agrees that such reports, information, and verifications may be disclosed to potential purchasers of the Mortgage Loans from Purchaser; however, Purchaser shall not use such reports, information, or verifications for any consumer credit purpose.

6. RATE LOCK REQUIREMENTS

LoanStream has developed the following rate lock requirements and policies to minimize LoanStream's interest rate exposure for loans we purchase. The LoanStream Secondary Marketing Department will handle any circumstance not covered specifically in this document on a case-by-case basis.

6.1 Rate Locks

6.1.1 Pricing/Locks

Secondary Marketing is responsible for establishing pricing for loans purchased by LoanStream. The daily published rate sheets are only indications. Market conditions are volatile and may cause intraday rate/price changes. Pricing is subject to change without notice due to market conditions or technical issues. No promises or guarantees concerning pricing and rates shall be communicated to Seller prior to a Rate Lock Confirmation received from the Lock Desk or Secondary Marketing.

A lock is an agreement between Seller and LoanStream that stipulates the specific number of days LoanStream guarantees the rate/price. If interest rates rise during the stipulated lock period, LoanStream is committed to honoring the original rate/price. Although a loan may be locked, there is no guarantee that the borrower will be qualified for the loan; that is, the loan is subject to LoanStream underwriting approval, where applicable, and other eligibility requirement not assessed at the time of lock.

6.1.2 Lock Option Best Efforts

A Best Effort lock commitment is a commitment whereby the Seller locks a single loan with a pledge of best efforts to sell that loan to LoanStream. The Best Effort lock commitment is a lock for a specific borrower, subject property, program, and price. For Best Effort locks that close, and for which Seller fails to deliver

and sell the loan to LoanStream, LoanStream reserves the right to enforce a pair-off fee for this unfulfilled commitment.

The pair-off amount will be calculated by comparing the original Best Efforts locked price to current market on the same lock term as the original lock. Any positive market movement will be the pair-off figure to be billed to the Seller by LoanStream.

6.1.3 Lock and Registration Options

Sellers may lock loans by these means:

- Website: www.LSCorrespondent.com
- Email: corrlocks@lsmortgage.com

6.1.4 Lock Periods

Lock periods may vary by loan product and the stage the loan is in at the time of the lock. LoanStream lock periods begin the day a loan is locked. For example, a 15-day lock issued on August 1st will expire on August 15th. Generally, LoanStream offers the following lock periods.

- 15-day lock
- 30-day lock
- 45-day lock
- 60-day lock

6.1.5 Lock Activity, Times, and Cutoff

LoanStream Lock Desk hours are Monday through Friday, 8:00 AM to 6:00 PM (Pacific Standard Time) and the Lock Desk adheres to LoanStream's posted holiday schedule. Pricing and lock capabilities are also available via LoanStream's web portal Monday through Friday, 8:00 AM to 8:59 PM (PST).

Seller should ensure all required information is provided when requesting a lock. This includes but may not be limited to:

• Borrower Name	• Loan Purpose	• Note Rate
• Credit Score(s)	• Loan Term	• Occupancy
• Doc Type	• Loan Type	• Program Type
• DTI Ratios	• Lock Period	• Property Address
• Loan Amount	• LTV/CLTV	

The LoanStream Lock Desk may request additional information prior to lock confirmation.

6.2 Rate Lock Confirmation

6.2.1 Notice of Receipt

LoanStream Secondary Marketing will reply to a lock request once the lock is completed (or before completion in the event additional information is needed to complete the lock). Seller will receive confirmation when the lock is completed. Submission of a lock request does not guarantee the loan will be

locked. When the lock is completed, Seller will receive a confirmation email. A copy of the lock confirmation will also be available on the LoanStream Seller portal.

6.2.2 Lock Expiration

The lock expiration date, as listed on the Rate Lock Confirmation, is the date LoanStream's commitment to honor a locked loan rate expires. It is also the date by which the Seller is to deliver the loan for purchase. If Seller requires additional time for loan delivery and a lock extension was not requested prior to lock expiration, the loan is subject to late delivery fees. A lock expiring on a weekend or holiday is automatically extended to the next business day.

The late delivery fee is calculated as a 0.125 late delivery fee plus two basis points (0.02) per day the file is late.

Example:

- Lock expiration date is September 20th
- Loan delivery date is September 22nd (2 days late)
- Late delivery fee is calculated as:
 - 0.125 late delivery penalty
 - 2 (days) x .02 = .04
 - 0.125 + .04 = 0.165 total late delivery charge

6.2.3 Lock Extension

It is Seller's responsibility to monitor its locked loan pipeline and request extensions as needed. To avoid the added cost of a lock extension, all measures should be taken to close and deliver loans within the original lock period. When an extension is required, it must be requested before 5:00 PM Pacific Time on the lock expiration date; a lock extension is only available if the expiring lock is still active.

See rate sheet for current extension requirements and current per-day cost. Maximum lock extension is the more restrictive of 30 days or current rate sheet allowance.

6.2.4 Locked Loan Delivery Policy

Loans locked under **Best Efforts** must be received on or before 5:00 PM Pacific Time on the lock expiration date. After file review is completed, LoanStream will issue a Purchasing Disposition (PD) to notify the Seller of certain conditions that must be met, including but not limited to underwriting and purchasing conditions. The PD will include a "Conditions Cleared By Date" (the greater of seven (7) calendar days from the date of the disposition or the lock expiration date). If the Conditions Cleared By Date falls on a holiday or weekend, it will roll over to the next business day. If conditions are not cleared by this date, suspense fees may be charged to the Seller. All conditions must be cleared within 30 days of notification or the file will be subject to return.

Suspense fees accrue at a rate of two basis points (0.02) per day, starting on day eight, for the full time in suspense if not cleared during the seven calendar day grace period. For example, if conditions are cleared on day nine in suspense, the Seller will be charged nine days of suspense fees, not two days.

6.2.5 Re-Lock Policy

A seller may re-lock loans that have not closed prior to the lock expiration date. The re-lock price will be determined based on the date of the re-lock in relation to the original lock expiration date, including any applicable lock extensions that occurred.

- Re-lock occurs $\leq$ 30 days after lock expiration:
 - [Worse case pricing \(WCP\)](#) of:
 - Original net price
 - Current market net price
 - New lock term may be selected by the Seller although it may not be greater than the original lock term
 - 25 basis points (0.25) relock fee will be applied

NOTE: In addition to the requirements above, NonQM relocks will also incur all extension costs from the time of expiration until the re-lock day if requested 15 or days more past expiration. Standard re-lock policy is allowed only with loan resubmission under a new loan number.

- Re-lock occurs $>$ 30 days after lock expiration
 - New lock at current market net price
 - 25 basis points (0.25) relock fee will be applied

NOTE: In addition to the requirements above, NonQM relocks will also incur all extension costs from the time of expiration until the re-lock day. Standard re-lock policy is allowed only with loan resubmission under a new loan number. If re-lock is requested more than 30 days after original lock expiration, the re-lock fee is waived.

LoanStream will allow up to two re-locks for no greater than a total of 60 days, never to exceed the original lock term.

6.3 Loan Data Change Request

If any ***required information*** (listed under Lock Activity above) changes after a loan is locked, Seller must notify the LoanStream Lock Desk of the change (via email to corrlocks@lsmortgage.com). Notification should also be sent if Seller makes any changes to the mortgage that differ from the most recent rate lock.

The LoanStream Lock Desk will reply in acknowledgment of receipt of the change notification and advise of any resulting change in the structure of the loan or associated fees.

6.4 Locked Rate Change

Requirements for changing a locked rate on a non-delegated, underwritten loan:

- Loans not yet delivered can be changed by the Seller
- Loans delivered but not yet decisioned by LoanStream Underwriting can be changed by the Seller
- Loans delivered for which an initial underwriting decision has been issued must be changed by the LoanStream Underwriter
 - Seller must submit applicable documentation that reflects the change (1003, 1008, AUS, Credit Report, etc.) to the LoanStream Underwriter when requesting a change

NOTE: Loans submitted to LoanStream with delegated underwriting (underwritten by Seller) are not subject to this policy. Changes to a locked delegated underwriting loan can be made at any time at the Seller's discretion.

6.5 Loan Program Change

All loan program changes require a re-lock with LoanStream Secondary Marketing. A written loan program change request must be sent to the LoanStream Lock Desk (corrlocks@lsmortgage.com) with subject line: Loan Program Change Request for Borrower Last Name – Loan Number.

Example: Loan Program Change Request for Brown – 123456789

6.5.1 Change in Amortization Type

If the program change includes Fixed to ARM, or vice versa, or amortization term changes, Worse Case pricing for the date of the original commitment or the date of the change will apply.

6.5.2 Property Change

Rate locks are tied to the property. If the property changes, a new rate lock is required at current available pricing.

6.5.3 Borrower Change

A change of borrower is acceptable as long as one of the original borrowers remains the same. If all original borrowers change, a new rate lock is required at current available pricing.

6.6 Market Improvement Renegotiation

An improving market may create circumstances where borrowers request a better rate/price than was originally locked. Renegotiations to prevent loan fallout are considered on a case-by-case basis.

6.6.1 Renegotiation Criteria

Renegotiation must be initiated by the Seller, and the renegotiation price is determined as follows:

- [Worse case pricing \(WCP\)](#) of:
 - Original net price
 - Current market net price less 50 basis points (0.50)
- New lock term on current market must be no less than original lock term
- Must lower the locked rate by at least 0.125%
- Seller pricing can be worsened by the renegotiation but cannot be improved
- LoanStream allows for a one-time renegotiation on a lock. Any additional renegotiations require LoanStream approval.

6.7 Worse Case Pricing (WCP)

Worse case pricing is derived from comparing the original lock rate and price to current market rate and price and applying the worse of the two. This comparison is done net any loan-level price adjusters (LLPAs) and lock extensions that have already been applied to the original lock.

6.8 Mandatory Commitments

LoanStream offers a mandatory commitment option to approved Sellers. Mandatory commitments are done through a specified loan bidding process, commonly referred to as a “bid tape.” Consult your LoanStream Correspondent sales team for approval requirements.

6.8.1 Hours of Operation

LoanStream mandatory commitment hours follow standard U.S. securities trading market hours. LoanStream follows the Securities Industry and Financial Markets Association ([SIFMA Holiday Schedule](#)), which is subject to change.

All bid tapes must be submitted no later than 1:00 PM Pacific Time (4:00 PM Eastern Time) to ensure sufficient time for return bids and applicable commitments. LoanStream cannot assure a same day bid for bid tapes submitted after this designated time.

6.8.2 Eligibility Requirements

All Correspondent Sellers must be approved with LoanStream Mortgage to lock and deliver through mandatory commitments.

Minimum Eligibility Requirements:

- Seller must be approved for delegated underwriting on programs for which they will have mandatory commitments
- Seller must maintain a minimum company net worth of \$1,500,000
- Seller must demonstrate experience with mandatory commitments and/or actively working with a vendor with mandatory experience

Please consult your Correspondent sales team for further direction on mandatory approvals.

6.8.3 Eligible Products

The following programs are eligible for mandatory commitments:

- **Conforming:** FNMA and FHLMC eligible fixed rate products offered by LoanStream Mortgage, including high-balance eligible loans
- **Government:** FHA, VA, and USDA eligible fixed rate products offered by LoanStream Mortgage, including high-balance eligible

Underwriting Options Permitted:

- Delegated
- Non-Delegated

6.8.4 Required Bid Tape Components

LoanStream requires the following minimum loan details on bid tapes to ensure an accurate price:

- Seller Loan Number
- Subject Property State

- Subject Property Zip Code
- Subject Property Type
- Subject Property Number of Units
- Occupancy Type
- Loan Amount
- Note Rate
- Loan Amortization Term
- Loan Credit Score
- Loan DTI
- LTV
- CLTV
- Loan Transaction Type
- Cash-out Refinance Indicator
- Lock Date
- Loan Type (i.e., Conforming, FHA, VA, USDA)
- Documentation Type (Full or Streamline)
- Mortgage Insurance Paid By (LPMI or BPMI)
- Mortgage Insurance Type (i.e., Single, Split, Monthly, Annual, or Financed)
- Impounds Waived (Yes or No)
- PITIA
- Special Program Indicator (i.e., High Balance, HomeReady, etc.)
- AUS Type (i.e. DU, LP)
- Buydown

NOTE: LoanStream's mandatory bid is in no way an approval of loan eligibility. All loans committed to LoanStream are subject to the Seller Guide. Any loans that do not meet underwriting guidelines and all terms of the Seller Guide will either be suspended or rejected for loan purchase.

6.8.5 Pricing and Delivery

Pricing of loans on a bid tape is based on live market conditions and an estimated delivery date of the loans as provided by the Seller. Sellers will receive their mandatory commitment from LoanStream by the end of the business day the loans were committed.

The LoanStream commitment confirmation will detail the following components:

- Mandatory Commitment Date
- Seller Loan Number
- LoanStream Loan Number
- All-in Price
- Delivery Expiration Date

Loans delivered under mandatory commitments must be received by LoanStream no later than 5:00 PM Pacific Time on the commitment expiration date. Loans delivered after the commitment expiration date are subject to a late delivery charge of 12.5 basis points (.125%) plus two basis points (.02) per day the file is delivered late. Delivering loans prior to the commitment expiration date will have no impact on the price.

Loans delivered but suspended for loan purchase will be given seven (7) calendar days from the date of the suspense notification to submit documentation to clear conditions. On day eight, the Correspondent will begin incurring suspense penalties at a rate of two basis points (.02) per day, going back to the suspense notification date. All conditions must be cleared within 30 days of notification or the file will be subject to return and pair out.

6.8.6 Pair-outs, Tolerance, Rolls, and Substitutions

Pair Outs

For mandatory commitments, Seller is required to fill said commitments with loans eligible for purchase and completed for purchase by LoanStream. Commitments not fulfilled by Seller are subject to a pair-out fee. Pair-out fees, when applicable, are calculated based on market movement between the original commitment and current market.

Tolerance

LoanStream will allow for a two percent (2%) tolerance above or below the original mandatory commitment. Delivery of more than 2% under the commitment amount will be subject to a pair-out fee. Delivery of more than 2% above the commitment amount will be subject to current market pricing.

Rolls

For commitments not ready for delivery by the commitment expiration date, Correspondent may request a roll on the commitment. Roll requests must be initiated by the Seller via email (mandatory@lsmortgage.com) to LoanStream. The roll charge, when applicable, is determined by market movement. LoanStream reserves the right to deny any roll request at their sole discretion.

Substitutions

If a loan substitution is needed, the Seller is responsible for initiating a request for the substitution with the LoanStream mandatory desk via email (mandatory@lsmortgage.com). Loan substitutions must be the same product and must be able to slot into the same security coupon with similar loan characteristics. All substitutions require LoanStream approval.

7. CLOSING AND PURCHASE REVIEW

7.1 Closed Loan Submission

All mortgage loans submitted by Seller must meet LoanStream eligibility requirements, as set forth in the Mortgage Loan Purchase Agreement (MLPA), this Seller Guide, LoanStream Underwriting Guidelines, LoanStream Program Overlays, and other related documents. In addition, all loans submitted to LoanStream must comply with all federal, state, and local laws and regulations.

Seller must submit complete and accurate closed mortgage loan files only, on or before the lock expiration date (all loans must be locked prior to purchase). All loans will be audited for completeness and quality prior to purchase.

7.2 Seasoned Loans

Loan seasoning is measured from the Note date to the date LoanStream purchases the loan.

MAXIMUM LOAN AGE BY PROGRAM	
Conforming Conventional	60 Days
FHA/VA/USDA	60 Days
Jumbo/NonQM	60 Days

- A printout of the payment history indicating how the payment was applied, including any disbursements from escrows, must be included in the loan package for all seasoned loans.
- Conforming and government closed loans must be delivered no later than 45 days from the Note date.
- A recertification of value supporting the original appraised value will be required for loans purchased more than 60 days from the Note date.

7.3 Appraisal

7.3.1 Appraiser Exclusionary List

Seller must check every appraisal against the LoanStream Appraiser Exclusionary List. If there is a match, LoanStream will not accept the appraisal and may determine the loan is unsalable to LoanStream.

7.3.2 General Inspection Requirements

Only appraisals from certified residential or general appraisers are accepted (trainees are not acceptable).

Appraisal alternative eligibility:

Appraisal Alternative Type	Delegated	Non-Delegated
1. Fannie Mae 1004D Alternatives	No	No
2. Fannie Mae Hybrid Appraisal	No	No
3. Fannie Mae PIW / Value Acceptance	Yes	Yes
4. Fannie Mae Value Acceptance + Property Data	No	No
5. Freddie Mac ACE	Yes	No
6. Freddie Mac ACE + PDR	No	No

7.3.3 Disaster Inspection Requirements

Properties must have a reinspection completed if the original appraisal was completed prior to a disaster. Appraiser who performs the inspection must review the original appraisal report and certify that his/her personal inspection revealed no indications of significant disaster-related damages. Appraiser's Disaster Area Property Inspection Report must address the physical condition of the site and improvements. If the condition of the subject property is acceptable, the value conclusion made prior to the disaster is acceptable.

Appraiser should submit reinspection on *FNMA Form 1004D*, and it must include the following:

- Statement from appraiser that the subject property has not sustained damage from the disaster; or
 - If property damage is found, an itemized list of damages with repair estimates must be included
 - If property damage is structural or there are other complex damages, a qualified third-party must inspect the damage and provide evidence the property has been satisfactorily repaired

- Regardless of the estimated cost to complete, all repairs must be completed prior to the loan being cleared to close
- Statement from appraiser regarding neighborhood conditions as relates to the disaster
- Photographs of the subject property

7.3.4 UCDP and SSR for Conventional and NonQM Loans

- LoanStream requires Seller to upload appraisals for all Conventional Fannie Mae/Freddie Mac loans to the Uniform Collateral Data Portal (UCDP)
- Seller must receive a “Successful” status on both Fannie Mae and Freddie Mac Submission Summary Reports (SSRs) prior to submission of the loan to LoanStream for purchase
- The Fannie Mae SSR must include a Collateral Underwriter (CU) score
- **Non-Delegated:** Seller must add LoanStream as a Lender Seller/Aggregator User (or Lender CorrAgg User) in the UCDP, which permits sharing of appraisal data with LoanStream (see the *Fannie Mae/Freddie Mac UCDP Appraisal Sharing User Guide* for more information)

7.3.5 Transfer Appraisals for Conventional, USDA, Jumbo, and NonQM Loans

LoanStream Mortgage allows transferred appraisals on Conventional, USDA, Jumbo, and NonQM loans when the following requirements are met:

- Appraisal was ordered through an AIR-compliant AMC; and
- Appraisal Transfer Letter is provided that includes, at a minimum, the following:
 - Clearly identify the subject loan transaction (i.e. property address, borrower names, etc.).
 - Clearly identify the original institution that ordered the appraisal.
 - Clearly identify the lender the appraisal is being transferred to.
 - Certification from the original institution transferring the appraisal that the appraisal was ordered/prepared in accordance with and is fully compliant with Appraisal Independence Requirements (AIR), Truth-in-Lending Act (TILA), and all applicable laws and regulations.
- Ineligible attributes for an appraisal transfer:
 - Appraiser, appraisal company, and/or Appraisal Management Company (AMC) that is on the LoanStream Mortgage exclusionary list
 - Exterior-only Inspection or Desktop Appraisal
 - Appraisals that were previously transferred (2+ transfers of the same appraisal)
 - Appraisals that are “Subject to” or “Recertification of Value” assignments

FHA and VA loans must follow respective guidelines for transferred appraisals.

7.4 Home Mortgage Disclosure Act (HMDA)

The Home Mortgage Disclosure Act, Regulation C, requires a Type of Purchaser Code to be identified on any Originated or Purchased loan. LoanStream’s Type of Purchaser Code is 71 (credit union, mortgage company, or finance company).

Seller must provide the HMDA Universal Loan Identifier (ULI) and Legal Entity Identifier (LEI) for each loan at the time of submission and include the Uniform Residential Loan Application (URLA/1003) *Demographic Information Addendum* for each.

7.5 Closing Documents

All Seller closing documents must meet requirements set forth in Fannie Mae, Freddie Mac, FHA, and VA guidelines, as applicable or as otherwise specified by LoanStream.

7.5.1 Prepaid Interest

Prepaid interest may not be charged to the borrower prior to the funding date and must comply with state disbursement regulations.

- Per Diem Interest calculations are based on:
 - 365 days/year for FHA and VA loans
 - 360 days/year for Conventional loans and LoanStream proprietary programs (unless otherwise required by state-specific law or usury provisions)

7.5.2 Maximum Interest Credit (Funding Into the Month)

LOAN TYPE	DAYS INTO THE MONTH ALLOWED
Fannie/Freddie, Jumbo, NonQM	7 Calendar Days
FHA/VA Standard	4 Calendar Days
FHA Streamline/VA IRRRL	Not Allowed

7.5.3 Power of Attorney (POA)

Loans closing with a POA are acceptable. Please consult specific program requirements in this Seller Guide and where silent follow applicable Agency (FNMA, FHA, VA, USDA) guidelines.

7.5.4 Manufactured Home Documents

Seller must ensure the Security Instrument indicates the manufactured home is secured by real property when submitting collateral documents when a mortgage is secured by a manufactured home.

Refer to [LOANSTREAM GUIDELINES AND FORMS](#) for additional program level guidelines regarding eligibility on manufactured homes.

7.5.5 MERS Requirements

Seller must use Mortgage Electronic Registration Systems, Inc. (MERS) and assign a Mortgage Identification Number (MIN) to all loans sold to LoanStream.

- Seller agrees to maintain an active MERS account and execute all closing documents with a valid MIN.
- The Mortgage Instrument must contain the MIN obtained when registering the loan in MERS.
- Beneficiary and Servicing rights to the loan must be transferred to LoanStream within MERS within five days of loan purchase by LoanStream using Investor and Servicer ID 1004455.
- Any previous MERS MIN must reflect as inactive prior to purchase.

7.5.6 Texas 50(a)(6) Refinance

For any Texas Rate and Term Refinance submitted for purchase, Seller must provide a copy of the Deed of Trust for the previous loan.

If a Texas 50(a)(6) is being refinanced as a Texas 50(a)(4) loan, Seller must provide an Affidavit Regarding Conventional Refinance of a Home Equity Loan signed by the borrower(s).

7.5.7 Dates on Closing Documents

Stamped signature dates are acceptable on closing documents when other documents that are hand-signed and dated by the borrower(s) match the date of the Notary's acknowledgement. If a stamped date is questionable, it is the Seller's responsibility to provide supporting documentation the borrower(s) executed the documents on the stamped date, or the loan may be subject to repurchase.

Mortgage loans with closing documents signed before the date on the closing documents are not eligible for purchase by LoanStream.

7.5.8 First Payment Date

The first payment date must fall on the first day of the month and must be no earlier than thirty (30) days from the Note Date.

7.6 Title Insurance

Loans must be covered by a Title Insurance Policy that has been paid in full and is valid, binding, and remains in full force and effect.

- The title insurer must be qualified to do business in the state where the subject property is located
- The title insurer and title policy must conform to Fannie Mae/Freddie Mac requirements
- The preliminary title report must indicate that the final title policy will be issued after funding
- The Title Insurance Policy must indicate the title is acceptable and the mortgage constitutes a lien of the required priority on a fee simple or leasehold estate
 - An ALTA Leasehold Policy is required on all leasehold estates
- Policy effective date must be on or after the security instrument recording date
 - In the event the security instrument is re-recorded, the effective date must be amended to the date of re-recording or after

7.6.1 Borrower Information

All borrower names must be indicated on the title commitment. If a borrower's marital status appears to be different on the Loan Application/1003, the discrepancy must be addressed. The property seller's name must be cross-referenced to the Purchase Agreement and valuation chain of title.

7.6.2 Coverage Amount

Coverage must be at least equal to the original principal amount of the mortgage.

7.6.3 Insured Name

Seller must be named as the insured on the title policy with the included language of "Its Successors and Assigns as Their Interest May Appear."

7.6.4 Age of Report

The preliminary title report/title commitment must be dated no later than 90 days prior to closing. Any requirements by Title, such as Statement of Information, must be cleared prior to closing.

7.6.5 Vesting

Final title policy vesting must reflect the name(s) of the individual borrower(s) as they appear on the security instrument.

For business purpose loans refer to the [NonQM Products](#) guidelines for holding title in the name of a business.

7.6.6 Chain of Title

All non-delegated underwritten files must contain a 24-month title history from an acceptable source. The transfer date, price, buyer, and property seller names on any title transfer that occurred within the previous 24 months must be provided. Vesting history must be reviewed for inconsistencies or indications of flipping activity.

For delegated underwritten files, Seller is to follow applicable Agency guidelines. LoanStream recommends diligence on review of title history to assess the overall risk of the transaction and potential title or lien perfection issues on all Mortgage Loans sold to LoanStream.

7.6.7 Title Exceptions

LoanStream allows the following title exceptions.

- **Public Utility Subsurface Easement** – Location must be fixed and verified. Exercise of Rights of Easement must not interfere with use and enjoyment of the property or proposed improvements upon which the appraisal or loan is based.
- **Public Utility Above Surface Easement** – Allowed if easement extends along one or more property lines for distribution purposes or along the rear property line for drainage, provided they do not extend more than twelve (12) feet from the subject property lines and do not interfere with any of the buildings, improvements, or with use of the subject property. Also allowed, public utility restrictions, provided their violation will not result in forfeiture or reversion of title or a lien of any kind for damages or have an adverse effect on the fair market value of the subject property.
- **Mutual Easement Agreement** – Agreement that establishes joint driveways or party walls constructed on the subject property and an adjoining property allowed, provided all future owners have unlimited and unrestricted use of them.
- **Encroachments** – Allowed under the following circumstances:
 - Encroachment of one foot or less on adjoining property by eaves or other overhanging projections or by driveways provided there is at least a 10-foot clearance between the buildings on the subject property and the property line affected by the encroachment
 - Encroachment on the subject property by improvements on adjoining property provided these encroachments extend one foot or less over the property line of the subject property, have a total area of 50 square feet or less, do not touch any buildings, and do not interfere with the use of any improvements on the subject property or the use of the subject property not occupied by improvements

- Encroachment on adjoining property by hedges or removable fences
- **Lien for Real Estate or Ad Valorem Taxes and Assessments** – Allowed if not yet due and payable.
- **Oil, Water, or Mineral Rights** – Allowed as long as they do not materially alter the contour of the property or impair its value or usefulness for its intended purposes.

7.6.8 Survey Requirements

If the title company requires a survey or plat map due to an exception noted on the title policy, a copy must be submitted with the loan file. Surveys must be certified, dated, and signed by the licensed civil engineer or registered surveyor performing the survey. Unimproved land surveys are not acceptable. Surveys must be reviewed for easements, encroachments, flood zone impacts, and possible boundary violations, taking into account the location of the dwelling on the property.

7.6.9 Title Policy Forms

The final title policy must be written on an *American Land Title Association (ALTA) form*.

- ALTA Standard Form
- ALTA Short Form with amendments required by state law in states where standard ALTA forms of coverage are not used or in which ALTA Standard form has not been adopted (provided those amendments are acceptable to Fannie Mae/Freddie Mac)
- Condominiums and planned unit developments (PUDs) must have ALTA endorsement number 4 or PUD endorsement number 5 or comparable title insurance coverage
- LoanStream generally requires the following countersigned endorsements, as applicable to the program or property type:
 - Closing Protection Letter (if non-delegated/LoanStream underwritten)
 - Condominium - ALTA Form #4
 - Environmental Lien Protection - ALTA Form #8.1
 - Manufactured Home - ALTA Form #7
 - PUD - ALTA Form #5
 - State-specific Endorsements
 - Variable Rate - ALTA Form #6

7.7 Wire Instructions

For each mortgage loan, Seller must provide wiring instructions that include:

- Warehouse bank name, street address, city, state, and zip code
- Bank contact name and phone number
- Name on the account
- Account number
- ABA routing number (9 digits)

7.8 File Delivery

Files must be delivered electronically via the LoanStream Seller portal. This is a secure website accessible only to LoanStream and its approved Sellers. Underwriting and purchasing conditions can also be viewed and uploaded via this secure portal.

7.9 Collateral Delivery

Seller must ensure collateral documents are delivered so LoanStream can conduct a timely review to ensure timely purchase of their loans.

7.9.1 Collateral Documents

Seller must upload copies of collateral documents to the LoanStream Seller portal; if a document requires re-recording, it will be stipulated as a condition to be corrected before LoanStream will purchase the loan.

Collateral Documents to include, at a minimum:

- Certified copy of Mortgage/Deed of Trust, along with any applicable riders
 - A MERS MIN must be included on the Note and Security Instrument
- Certified copy of Note, any applicable addendums w/endorsement or Allonge to OCMBC, Inc.
- Preliminary Title Report/Title Commitment

7.9.2 Addressing the Collateral Package

Unless otherwise instructed, deliver collateral package to LoanStream Mortgage custodian.

Attn: Data Entry/LoanStream Correspondent
Deutsche Bank National Trust Company
1761 East St. Andrew Place
Santa Ana, CA 92705

7.9.3 Recorded Mortgage/Deed of Trust & Final Title Policies

Use the following shipping address for the recorded Mortgage/Deed of Trust:

OCMBC, Inc., C/O DocProbe
1133 Ocean Avenue Mailstop Code DP1949
Lakewood, NJ 08701

Upload all Final Title Policies via the DocProbe portal* (www.docprobe.net).

* To register for access to the DocProbe portal, please email DocProbe support (portalsupport@docprobe.net).

7.9.4 Shipping and Tracking

Seller must retain collateral shipping and tracking information for all delivered packages and include this information with loan delivery to LoanStream.

7.10 Loan Delivery

7.10.1 Closed Loan Submission Form

LoanStream provides a Closed Loan Submission Form to assist lenders in providing a complete loan package for closed loan review. This form is not required, but highly recommended.

7.10.2 Loan Package Review

The mortgage loan file and collateral package are reviewed to confirm:

- Accuracy and Completeness
 - All required documents must be included
- Proper execution

If LoanStream fails to review or discover any deficiency or error in a submitted mortgage file, Seller remains responsible for providing documentation and/or correcting any errors.

7.10.3 Incomplete Closing Package

Upon review of the closing package, LoanStream will issue a Purchasing Disposition, including any outstanding conditions.

All conditions must be delivered and cleared within seven (7) specific calendar days following the Purchasing Disposition or Lock Expiration Date, whichever is greater. If the conditions are not cleared within this time period, Seller will be assessed a suspense fee.

7.10.4 Bailee Requirement

LoanStream requires a Bailment or Bailee Letter from the Warehouse Bank when a loan is pledged to secure a warehouse line of credit. When the Note is delivered, the Bailee Letter must be included. LoanStream Mortgage does not accept a Lost Note Affidavit (LNA).

The Bailee Letter must include:

- Seller Name
- LoanStream Loan Number
- Principal Balance
- Wire Instructions

7.10.5 Original Note Endorsement or Allonge

The Allonge to the Note endorsing the Note in Blank must be completed and executed by an authorized Seller employee. If an Allonge is not provided, an authorized Seller employee must endorse the Note itself.

Note to be endorsed as follows:

PAY TO THE ORDER OF
OCMBC, INC. A CALIFORNIA CORPORATION
WITHOUT RECOURSE

Send the Original Note, Bailee Letter, and Allonge to the Note to:

Attn: Data Entry/LoanStream Correspondent
Deutsche Bank National Trust Company
1761 East St. Andrew Place
Santa Ana, CA 92705

7.11 Temporary Buydowns

LoanStream Mortgage purchases loans that include Temporary Buydowns. Please see individual [product guideline](#) for buydown eligibility and parameters.

8. LOAN PURCHASE

8.1 Closing Disclosure

A fully completed Closing Disclosure (CD) that shows all fees, funds, and costs involved with the loan transaction is required for each loan. On Purchase Transactions, the settlement agent must provide a copy of the settlement breakdown from the property seller's side, signed by the settlement agent/attorney and Seller.

8.1.1 Clerical Correction

When clerical corrections are applied, Seller must provide LoanStream a copy of the corrected CD and the letter of explanation to the borrower regarding the correction. Corrections must be made in compliance with applicable requirements for the mortgage loan to be eligible for purchase by LoanStream.

8.1.2 TILA/RESPA Tolerance Cure Requiring Refund

When a cure requiring a refund to the borrower is required, Seller must provide LoanStream a copy of the post-closing CD(s) and a copy of the refund check to the borrower. All CD corrections must be made in compliance with applicable TILA/RESPA requirements in order for the mortgage loan to be eligible for purchase by LoanStream.

8.1.3 Closing Disclosure: Principal Reduction

LoanStream allows principal reductions that are documented on the CD with the reason provided to be applied at closing. If a principal reduction is applied after closing, the file must include documentation that indicates the amount of the principal reduction and the reason or source of the reduction.

If Seller receives funds from the borrower for principal reduction after LoanStream's purchase of the loan, but prior to the first payment date due to LoanStream, Seller must forward the funds to LoanStream within five (5) days of receipt.

8.2 Seller Servicing of Mortgage Loans

Mortgage Loans shall be sold on a servicing released basis. Seller shall service the Mortgage Loans through the applicable Transfer Date for no additional consideration and in accordance with Accepted Servicing Practices and applicable law. The contents of each Servicing File required to be retained by Seller to service the Mortgage Loans shall be held in trust by Seller for the benefit of Purchaser as the owner thereof. Seller's possession of any portion of the Servicing File is at the will of Purchaser for the sole purpose of facilitating servicing of the related Mortgage Loan prior to the Transfer Date, and such retention and possession by Seller shall be in a custodial capacity only. Ownership of each Mortgage Note, Mortgage File, and Servicing File related to any Mortgage Loan sold to Purchaser is vested in Purchaser and the ownership of all records and documents with respect to the related Mortgage Loan prepared by or which come into the possession of Seller at the will of Purchaser in such custodial capacity only. The Servicing File to be retained by Seller

prior to the Transfer Date shall be appropriately marked to clearly reflect the sale of the related Mortgage Loan to Purchaser.

8.2.1 Servicing Transfer Letter

A Servicing Transfer Letter (aka Goodbye Letter) to the borrower is required when transferring servicing. Seller must prepare and send this letter, and the borrower must receive the letter at least 15 days prior to the first payment due to LoanStream, in compliance with regulatory requirements. The Servicing Transfer Letter must reference the correct servicer and list the payment address, Seller's address, phone number, and hours of operation.

Payment Processing Address for Agency Conforming and Government loans:

Attn: Payment Processing
OCMBC, Inc.
P.O. Box 103750
Pasadena, CA 91189-3750
(800) 760-1833, option 1

Written Correspondence Address:

OCMBC, Inc.
19000 MacArthur Blvd., Suite 200
Irvine, CA 92612

Payment Processing Address for all Non-QM, Closed-End Seconds, Jumbo One, and Alt Agency loans:

Shellpoint Mortgage Servicing
PO Box 650840
Dallas, TX 75265-0840
Borrower Customer Service Toll Free Number: (800) 365-7107

8.3 Purchaser Servicing of Mortgage Loans

With respect to each Mortgage Loan, on the related Transfer Date, Purchaser or its designee shall assume, and Seller shall cease, all servicing responsibilities related to such Mortgage Loans. The related Transfer Date shall be the date specified by Purchaser, which shall be no later than sixty (60) days after the Closing Date. On or prior to the related Transfer Date, Seller shall, at its sole expense, take such steps as may be necessary or appropriate to effectuate and evidence the transfer of the Mortgage Loans to Purchaser or its designee, including but not limited to the following.

8.3.1 Notice to Mortgagors

As indicated under [Servicing Transfer Letter](#) above, Seller shall mail to the Mortgagor of each Mortgage Loan a letter (commonly referred to as a "goodbye letter") advising the Mortgagor of the transfer of the servicing of the related Mortgage Loan to Purchaser or its designee, in accordance with all applicable laws. The content and format of the letter shall have the prior approval of Purchaser, and Seller shall provide Purchaser with copies of all such notices no later than the related Transfer Date. Seller shall also cooperate with Purchaser with respect to the notice of transfer of mortgage loan required by the Helping Families Save Their Home Act of 2009, as implemented in Section 131(g) of the Truth in Lending Act.

8.3.2 Notice to Taxing Authorities and Insurance Companies

Seller shall transmit to the applicable tax services, taxing authorities, and insurance companies (including primary mortgage insurance policy insurers and flood insurance insurers, if applicable) and/or agents notification of the transfer of servicing to Purchaser or its designee, and instructions to deliver all notices, tax bills, and insurance statements to Purchaser or its designee from and after the related Transfer Date. Seller shall provide Purchaser with copies of all such notices no later than the related Transfer Date. Seller must send a Notification of Transfer of Servicer to entities such as:

- Condominium/PUD Insurer
- Earthquake Insurer
- Flood Insurer
- Private Mortgage Insurance (PMI) Company
- Property Insurance Company

8.3.3 Notification to Insurance Agent(s)

Sellers must transmit notification of the transfer of servicing to the applicable hazard and/or flood insurance agent(s), as appropriate, requesting the change to the mortgagee loss payee clause.

NOTE: The seller must not notify the insurance agent of the change in servicer until after the wire transfer from LoanStream Mortgage.

For All Loans the loss payee clause must read:

OCMBC, Inc.
ISAOA/ATIMA
19000 MacArthur Blvd., Suite 200
Irvine, CA 92612

8.3.4 Notification to Private Mortgage Insurance Company

For Loans requiring mortgage insurance, Sellers must transmit notification of the transfer of servicing to the applicable mortgage insurance company when Loans are being sold to LoanStream Mortgage.

NOTE: The Seller must not deliver any notification of Loan sale and change of servicer until receipt of the wire transfer from LoanStream Mortgage. Sellers are required to instruct the applicable mortgage insurance company to deliver all notices, billings, and/or insurance statements to LoanStream Mortgage as follows:

Attn: PMI/MIP Unit
OCMBC, Inc.
19000 Mac Arthur Blvd., Suite 200
Irvine, CA 92612

8.3.5 Delivery of Servicing Records

Seller shall forward to Purchaser or its designee, at Seller's cost, all servicing records and the Servicing File relating to each Mortgage Loan.

8.3.6 Escrow Payments

Seller shall provide Purchaser with an accounting statement of Escrow Payments and suspense balances and loss draft balances sufficient to enable Purchaser to reconcile the amount of such payment with the accounts of the Mortgage Loans. The Purchase Price paid by Purchaser to Seller for each Mortgage Loan shall be net of the amount of the Escrow Payments and suspense balances and loss draft balances associated with each such Mortgage Loan. Additionally, Seller shall wire transfer to Purchaser all other amounts received or held by Seller in connection with the Mortgage Loans.

8.3.7 Payoffs and Assumptions

Seller shall provide to Purchaser or its designee copies of all assumption and payoff statements generated by Seller on the Mortgage Loans prior to the related Transfer Date.

8.3.8 Mortgage Payments Received Prior to Transfer Date

Prior to the related Transfer Date, all payments received by Seller on each Mortgage Loan shall be properly applied by Seller to the account of the Mortgagor.

8.3.9 Mortgage Payments Received After Related Transfer Date

The amount of any Monthly Payments received by Seller during the first sixty (60) days after the related Transfer Date shall be forwarded to Purchaser within one (1) Business Day following the date of receipt by either wire transfer or overnight mail to the address specified for notices in the Agreement. Seller shall notify Purchaser of the particulars of the payment, which notification requirement shall be satisfied if Seller forwards with its payment sufficient information to permit appropriate processing of the payment by Purchaser. Seller shall assume full responsibility for the necessary and appropriate legal application of Monthly Payments received by Seller after the related Transfer Date with respect to Mortgage Loans then in foreclosure or bankruptcy; provided, for purposes of the Agreement, necessary and appropriate legal application of such Monthly Payments shall include but not be limited to endorsement of a Monthly Payment to Purchaser with the particulars of the payment such as the account number, dollar amount, date received, and any special Mortgagor application instructions.

8.3.10 Misapplied Payments

Misapplied payments shall be processed as follows:

- a. All parties shall cooperate in correcting misapplication errors.
- b. The party discovering a misapplied payment occurring prior to the related Transfer Date shall immediately notify the other party.
- c. If a misapplied payment that occurred prior to the related Transfer Date cannot be identified and resulted in a shortage in a custodial account or escrow account, Seller shall be liable for the amount of such shortage. Seller shall reimburse Purchaser for the amount of such shortage within thirty (30) days after receipt of a written demand from Purchaser. If a misapplied payment that occurred prior to the related Transfer Date has created an improper Purchase Price as the result of an inaccurate outstanding principal balance, payment shall be made to the party shorted by the improper payment application within five (5) Business Days after notice thereof by the other party.

- d. Any payment issued under this Section shall be accompanied by a statement indicating the corresponding Seller and/or Purchaser Mortgage Loan identification number and an explanation of the allocation of any such payments.

8.3.11 Books and Records

On the related Transfer Date, Seller's books, records, and accounts with respect to the Mortgage Loans shall comply with all applicable laws and Accepted Servicing Practices.

8.3.12 Reconciliation

Seller shall, on or before the related Transfer Date, reconcile principal balances and make any appropriate monetary adjustments as may be reasonably required by Purchaser. Any such monetary adjustments will be transferred between Seller and Purchaser as appropriate.

8.3.13 IRS Forms

Seller shall prepare and file all IRS forms 1098, 1099, and other applicable forms and reports that are required to be filed with respect to the period prior to the related Transfer Date in relation to the servicing and ownership of the Mortgage Loans. Seller shall provide copies of such forms to Purchaser upon request and shall reimburse Purchaser for any costs or penalties incurred by Purchaser due to Seller's failure to comply with this paragraph. Purchaser or Purchaser's designee shall prepare and file all such reports with respect to any period commencing on or after the related Transfer Date.

8.4 Payment Reversal Request

If Seller believes that a payment received by LoanStream after purchase and transfer was remitted to LoanStream in error, Seller must submit Payment Reversal Request as follows:

- Address an email to servicing@lsmortgage.com with the Subject line Payment Reversal Request for borrower's last name - LoanStream loan number
Example: Payment Reversal Request for Brown - 123456789
- In the body of the email, explain why the request is being made and indicate the payment amount and date payment made by the borrower
- Attach this documentation to the email:
 - Seller's loan history, prepared by Seller's loan servicer
 - Copy of Purchase Advice
 - Servicing Transfer Letter
- Send the email and allow five (5) business days for investigation and a response
- All requests must be submitted within sixty (60) days of the payment due date

8.5 Purchase Advice

When LoanStream approves a loan for purchase, we will notify Seller of the scheduled purchase date via Purchase Advice posted in the Seller Portal. The Purchase Advice will detail the total amount to be transmitted via wire transfer.

LoanStream will use amortization cutoffs as determined with minimum servicing transfer timelines to be compliant with all applicable regulations. Your purchase advice from LoanStream will always detail when the first payment will be due to LoanStream Mortgage.

8.6 Wire Transfer

On the scheduled date, LoanStream will wire transfer loan funds due to the depository institution identified on the Wire Transfer Instructions or Bailee Letter. Funds will include the principal balance adjusted for interest, premiums, escrow balances, and any other applicable fees.

8.7 Tax Information

Seller must provide LoanStream with accurate and complete tax information. This information is crucial to the proper administration of the tax escrow account for servicing. If any tax penalty is assessed due to incorrect transmission of information, Seller is responsible for payment of such penalties.

Seller is responsible for any tax disbursements from the escrow account that are due within thirty (30) days of LoanStream purchase. Use the economic loss date as determined by the property location county to measure the 30 days from LoanStream purchase.

8.8 Post-Closing Trailing Documents

Seller must submit **Final Post-Closing Trailing Documents** to DocProbe within 180 days of the LoanStream Mortgage purchase date. Documents not received within the allotted 180-day timeframe will incur a \$200 procurement fee per missing document.

Final Post-Closing Trailing Documents include but are not limited to:

- Original Recorded Security Instrument
- Original Recorded Assignment (to LoanStream)
- Original Final Title Policy
- Any additional documentation specified by LoanStream

Prior to delivery, Seller must review all post-closing trailing documents for completion and accuracy.

Post-Closing Trailing Document Delivery Instructions:

Final Title Policies	Upload all final title policies via the DocProbe portal* (www.docprobe.net) * To register for access to the title portal, please email support (portalsupport@docprobe.net).
Original Recorded Documents (Wet-signed, Originals Required)	OCMBC, Inc., C/O DocProbe 1133 Ocean Avenue Mailstop Code DP1949 Lakewood, NJ 08701

8.9 Standard Schedule of Fees

Fees associated with Mortgage Loans purchased by LoanStream, when applicable (effective 03/13/23):

Fee Type	Fee Amount	Stipulations
Underwriting – All Programs	\$500.00	Non-delegated only
Loan Purchase Fee Conforming/Govt	\$270.00	Applicable to Conforming and Govt Loans
Loan Purchase Fee: Non-Conforming	\$520.00	Applicable to Jumbo, NonQM, & Closed End Second Loans
Business Entity Review	\$395.00	NonQM Loans vested in an entity will require additional review on Non-delegated UW loans
Final Doc Procurement Fee	\$200.00	Reference § 8.8 for complete details

8.9.1 Right to Collect

LoanStream reserves the right to collect any outstanding fees from Seller, including pair-off fees, early payoff premiums, repurchases, outstanding final closing documents, attorney’s fees, and any other fees or expenses identified by LoanStream.

LoanStream reserves the right to collect monies in a lawful manner, including but not limited to deducting the amount from the purchase or other payment due to Seller. LoanStream will give Seller thirty (30) days from the date of a billing invoice to pay the balance due. After 30 days, amounts unpaid are considered past due, and LoanStream may begin to net the balance due from outgoing loan purchase wires until unpaid amounts due are paid in full.

8.10 Government Insuring Timing and Document Requirements

The Seller is responsible for ensuring that all FHA, VA, and USDA Loans are insured, and evidence of insuring is delivered to LoanStream Mortgage within 60 days from Closing with delivery of insuring evidence not to precede the date of Loan purchase by LoanStream Mortgage. Evidence of insuring for all FHA, VA, and USDA loans should be emailed to insuring@lsmortgage.com.

Refer to the [Post-Closing Trailing Documents](#) section of this Guide for post-closing trailing document delivery information.

9. MISCELLANEOUS PROVISIONS

As is true throughout this Seller Guide, the term “Agreement” refers to the Mortgage Loan Purchase Agreement (MLPA) and any other agreements between LoanStream and the Seller as well as the provisions of this Correspondent Seller Guide.

9.1 Notices

All demands, notices, and communications hereunder shall be in writing and shall be deemed to have been duly given if mailed by registered or certified mail, return receipt requested, or, if by other means, when received by the other party at the address shown below or such other address or email address as may hereafter be furnished to the other party by like notice. Any such demand, notice, or communication hereunder shall be deemed to have been received on the date delivered to or received at the premises of

the addressee (as evidenced, in the case of registered or certified mail, by the date noted on the return receipt as the accepted or refused date).

If to Purchaser:

Attn: General Counsel
OCMBC, INC. A California Corporation
19000 MacArthur Blvd., Suite 200
Irvine, CA 92612

9.2 Severability Clause

If anything in the Agreement is prohibited or held to be void or unenforceable, it shall be ineffective only to the extent of such prohibition or unenforceability in that specific jurisdiction, without invalidating or rendering unenforceable anything else in the Agreement. To the extent permitted by applicable law, the parties waive any provision of law that prohibits or renders void or unenforceable any provision hereof. If the invalidity of any part, provision, or section of this Agreement shall deprive any party of the economic benefit intended to be conferred by this Agreement, the parties shall negotiate, in good faith, to develop a structure, the economic effect of which is as close as possible to the economic effect of the Agreement, without regard to such invalidity.

9.3 Further Agreements

Purchaser and Seller each agree to execute and deliver to the other such additional documents, instruments, or agreements as may be necessary or appropriate to effectuate the purposes of the Agreement. Seller also agrees to comply with all provisions of the Seller Guide.

9.4 Intention of the Parties

The parties intend that Purchaser is purchasing and Seller is selling 100% ownership interest in the Mortgage Loans sold hereunder and not a debt instrument of Seller or another security. Accordingly, the parties each intend to treat each transaction for accounting and federal income tax purposes as a sale by Seller and a purchase by Purchaser of the Mortgage Loans. Moreover, the arrangement under which the Mortgage Loans are held shall be consistent with classification of such arrangement as a grantor trust in the event it is not found to represent direct ownership of the Mortgage Loans.

Moreover, the arrangement under which the Mortgage Loans are held shall be consistent with classification of such arrangement as a grantor trust in the event it is not found to represent direct ownership of the Mortgage Loans. Purchaser shall have the right to review the Mortgage Loans and the related Mortgage Loan Files to determine the characteristics of the Mortgage Loans which shall affect the federal income tax consequences of owning the Mortgage Loans, and the Seller shall cooperate with all reasonable requests made by Purchaser in the course of such review.

9.5 General Interpretive Principles

Except as otherwise expressly provided in the Agreement or unless the context otherwise requires (i) the terms in the Agreement have the meaning assigned to them in the Agreement, Seller Guide, and Seller Guide Glossary, and include the plural as well as the singular and the use of any gender herein shall be deemed to include any other gender, (ii) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, (iii) references herein to

“Articles,” “Sections,” “Subsections,” “Paragraphs,” and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, Paragraphs, and other subdivisions of the Seller Guide, (iv) a reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to Paragraphs and other subdivisions, and (v) should any part of the Agreement conflict with a provision of the Seller Guide, the provisions of the Seller Guide shall prevail.

9.6 Reproduction of Documents

The Agreement and all documents relating thereto, including without limitation (i) consents, waivers, and modifications that may hereafter be executed, (ii) documents received by any party at the closing, and (iii) financial statements, certificates, and other information previously or hereafter furnished, may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic, or other similar process.

The parties agree that any such reproduction shall be as admissible in evidence as the original itself in any judicial or administrative proceeding, whether or not the original is in existence and whether or not such reproduction was made by a party in the regular course of business, and that any enlargement, facsimile, or further reproduction of such reproduction shall likewise be admissible in evidence.

9.7 Recordation of Assignment of Mortgage

To the extent permitted by applicable law, each Assignment of Mortgage is subject to recordation in all appropriate public offices for real property records in all the counties or their comparable jurisdictions in which any (or all) Mortgaged Property is situated, and in any other appropriate public recording office or elsewhere, such recordation to be effected at Seller’s expense in the event recordation is either necessary under applicable law or requested by Purchaser at its sole option.

9.8 No Personal Solicitation

From and after each Closing Date, for up to one calendar year, Seller shall not take any action or permit or cause any action to be taken by any of its agents, affiliates, or any independent contractors on Seller’s behalf, to personally, by telephone, mail, or electronic means, solicit the borrower or obligor under any Mortgage Loan for the purpose of refinancing the subject loan without the prior written consent of Purchaser.

It is understood and agreed that all rights and benefits relating to the solicitation of any Mortgagors and the attendant rights, title, and interest in and to the list of such Mortgagors and data relating to their Mortgage Loans (including insurance renewal dates) shall be transferred to Purchaser on the related Closing Date and Seller shall take no action to undermine these rights and benefits. Notwithstanding the foregoing, it is understood and agreed that promotions undertaken by Seller or any affiliate of Seller that are directed to the general public at large, including without limitation mass mailing based on commercially acquired mailing lists, newspaper, radio, internet, and television advertisements shall not constitute solicitation under this Section.

9.9 Termination

The Agreement may be terminated by either party upon thirty (30) days prior written notice to the other party. Upon such notification, Purchaser shall cease accepting Mortgage Loans for credit approval as of the effective date of termination but shall purchase pursuant to the terms of the Agreement any Mortgage Loan locked with Purchaser as of the termination date. Notwithstanding termination of the Agreement, the provisions of the Agreement shall survive and continue to apply to any Mortgage Loan purchased by Purchaser.

10. LOANSTREAM GUIDELINES

Product guidelines and underwriting overlays are attached and will be updated from time to time.

Guidelines attached include:

- FNMA – Delegated Guidelines
- FNMA – Non-Delegated Guidelines
- FHLMC – Delegated Guidelines
- FHLMC – Non-Delegated Guidelines
- Alt Agency – 2nd Home/Investment Matrix & Guidelines
- FHA – Delegated Guidelines
- FHA – Non-Delegated Guidelines
- FHA – Streamline Refinance Guidelines
- VA – Delegated Guidelines
- VA – IRRRL Guidelines
- VA – Non-Delegated Guidelines
- USDA – Delegated Guidelines
- Jumbo Product Comparison Matrix
- Jumbo One – Matrix & Guidelines
- Jumbo One Advantage – Matrix & Guidelines
- Jumbo One Premiere – Matrix & Guidelines
- Jumbo One Select – Matrix & Guidelines
- Closed End Second Full Doc & Alt Doc – Matrix
- Closed End Second Non-Delegated Full Doc & Alt Doc – Guidelines
- 5-8 Unit Residential Non-Delegated – Matrix
- NonQM DSCR - Matrix
- NonQM ONE – Matrix
- NonQM ONE – Guide
- NonQM ONE Non-Delegated – Guide

GLOSSARY

Capitalized terms in this Guide shall have the meanings below or as otherwise defined within the Guide.

Accepted Servicing Practices: Mortgage servicing practices of prudent mortgage lending institutions that service mortgage loans of the same type as the related Mortgage Loan in the jurisdiction where the related Mortgage Property is located.

Agency or Agencies: Fannie Mae/FNMA, Freddie Mac/FHLMC, FHA/HUD, Ginnie Mae/GNMA, USDA/Rural Development, VA, as applicable.

Appraised Value: The value set forth in an appraisal made by a Qualified Appraiser in connection with the origination of the related Mortgage Loan as the value of the Mortgaged Property.

Assignment of Mortgage: An Assignment of Mortgage, Notice of Transfer, or equivalent instrument in recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect the sale of the Mortgage to the Purchaser.

Business Day: Any day other than (i) a Saturday or Sunday, or (ii) a day on which banking and savings and loan institutions in the State of California are authorized or obligated by law or executive order to be closed.

Closing Date: The relevant date from time to time on which Purchaser shall purchase and Seller shall sell the Mortgage Loans identified on the Purchase Advice or Trade Confirmation, as applicable.

Escrow Payments: With respect to any Mortgage Loan, the amounts constituting ground rents, taxes, assessments, water rates, sewer rents, municipal charges, mortgage insurance premiums, fire and hazard insurance premiums, condominium charges, and any other payments required to be escrowed by the Mortgagor with the mortgagee pursuant to the Mortgage or any other document.

Fannie Mae: The Federal National Mortgage Association (FNMA), or any successor thereto.

FHA: The Federal Housing Administration, or any successor thereto.

Freddie Mac: The Federal Home Loan Mortgage Corporation (FHLMC), or any successor thereto.

Ginnie Mae: The Government National Mortgage Association (GNMA), or any successor thereto.

HUD: The U.S. Department of Housing and Urban Development, or any successor thereto.

Material Adverse Change: May be any of the following: (i) a material adverse change in or a material adverse effect upon the operations, business, properties, condition (financial or otherwise), assets, or prospects of Seller, (ii) a material impairment of Seller's ability to perform under an Agreement with LoanStream or any related agreement, (iii) a material adverse effect upon the legality, validity, binding effect, or enforceability of an Agreement with LoanStream, the Mortgage Loans sold thereunder, or any related agreement with Seller, or (iv) any material adverse change in any of Seller's warehouse agreements, including but not limited to the termination or cancellation of any agreement with a warehouse lender.

MERS: Mortgage Electronic Registration Systems, Inc., or any successor thereto.

MERS Mortgage Loan: Any Mortgage Loan registered with MERS and on the MERS system of recording transfers of mortgages.

Mortgage: The mortgage, Deed of trust or other instrument that creates a first or second lien, as applicable, on an unsubordinated estate in fee simple on the Mortgaged Property.

Mortgage File: With respect to each Mortgage Loan, all documents involved in the origination, underwriting (including documented compensating factors pertaining to exceptions), and servicing of the Mortgage Loan, including but not limited to any additional documents required to be therein pursuant to requirements of this Seller Guide.

Mortgage Interest Rate: The annual rate of interest borne on the Mortgage Note.

Mortgage Loan: An individual mortgage loan that is the subject of an Agreement with LoanStream, including without limitation the Mortgage, Mortgage Note, and all Servicing Rights and all other rights, benefits, proceeds, and obligations arising from or in connection with such mortgage loan.

Mortgage Note: The Note or other evidence of the indebtedness of the Mortgagor.

Mortgaged Property: The real property securing repayment of the debt evidenced by a Mortgage Note.

Mortgagor: The obligor on a Mortgage Note or other evidence of indebtedness applicable to a Mortgage Loan.

Person: Any individual, corporation, limited liability company, limited liability partnership, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government, or any agency or political subdivision thereof.

Premium: The amount Purchaser paid to Seller to purchase a particular Mortgage Loan in excess of the unpaid principal balance of such Mortgage Loan on the Closing Date.

Purchase Advice: With respect to those Mortgage Loans purchased on a flow basis, the document from Purchaser describing the financial terms of the transaction.

Purchase Price: The total amount Purchaser pays to Seller to purchase a Mortgage Loan. The Purchase Price for each loan shall be stated on the Purchase Advice.

Qualified Appraiser: An appraiser who had no interest, direct or indirect, in the Mortgaged Property or in any loan made on the security thereof, and whose compensation is not affected by the approval or disapproval of the Mortgage Loan, and such appraiser and the appraisal made by such appraiser both satisfy the requirements of Title XI of the Federal Institutions Reform, Recovery and Enforcement Act of 1989 and the regulations promulgated thereunder, all as in effect on the date the Mortgage Loan was originated.

Seller: The Seller Lender that is selling loans to LoanStream Mortgage pursuant to the LoanStream Mortgage Correspondent Seller Guide and the Mortgage Loan Purchase and Sale Agreement.

Seller Guide: Purchase guidelines, policies, procedures, and requirements, as may be developed, revised, supplemented, or replaced from time to time in Purchaser's sole discretion and any additional guidelines, policies, procedures, requirements, or other documents incorporated therein. Any change to the Seller Guide applies to any Mortgage Loan locked with Purchaser after Seller is notified of such change. The Seller Guide is incorporated herein by this reference.

Servicing File: With respect to each Mortgage Loan, the file retained by Seller until the applicable Transfer Date, consisting of originals of all documents in the Mortgage File that are not delivered to Purchaser or Purchaser's designee on or before the Closing Date, and copies of any other documents in the Mortgage File.

Servicing Rights: Any and all of the following: (i) any and all rights to service a Mortgage Loan, (ii) any payments to or monies received by Seller for servicing a Mortgage Loan, (iii) any late fees, penalties, or similar payments with respect to a Mortgage Loan, (iv) all agreements or documents creating, defining, or evidencing any such servicing rights to the extent they relate to such servicing rights and all rights of Seller thereunder, (v) Escrow Payments or other similar payments with respect to a Mortgage Loan and any amounts actually collected by Seller with respect thereto, (vi) all accounts and other rights to payment related to any of the property described in this paragraph, and (vii) any and all documents, files, records, servicing files, servicing documents, servicing records, data tapes, computer records, or other information pertaining to a Mortgage Loan or to the past present or prospective servicing of a Mortgage Loan.

Transfer Date: The date on which Purchaser or its designee shall receive the transfer of servicing responsibilities and begin to perform the servicing of the related Mortgage Loans, and Seller shall cease all servicing responsibilities. Such date shall be the date specified by Purchaser in its sole and absolute discretion.

CORRESPONDENT DELEGATED UNDERWRITING CONFORMING FANNIE MAE GUIDELINES WITH OVERLAYS

Note: Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible
(Subject properties in Baltimore County, MD remain eligible)

PRODUCT OFFERINGS	
Fixed Rate Products	10, 15, 20, 25, 30 year fixed - Nonstandard terms available

TOPIC	OVERLAY
BASIC GUIDELINES	Overlays in this matrix apply to FNMA (Fannie Mae) loans. Refer to FNMA Selling Guide for additional guidance. Information in this matrix is subject to change without notice.
Amended Tax Returns	Accepted for the following amendment reasons: - Amended for clerical items only (i.e., modifying a prior ITIN number to a newly issued SSN) - Amended for income-related items, under the following conditions: - Amended at least sixty (60) days before mortgage application taken - Amendment shows on transcripts (stamped returns not acceptable) - Documentation supplied to support the increase, including but not limited to: 1099 or W2 showing missed/updated income - Canceled Checks or Bank Statements showing missed/updated rental income
Appraisal	- Eligible Appraisal Alternatives - PIW/Value Acceptance - Ineligible Appraisal Alternatives - Value Acceptance + Property Data - Hybrid Appraisals 1004D Alternatives - Transferred appraisals allowed with restrictions as outlined in LSM Seller Guide Section 7.3.5.
Condominiums	- Must meet standard FNMA condo eligibility requirements - CVAS waiver is not allowed
Electronic Signatures/eSigning	- eSigning is allowed for most documents - eSigning is <u>not</u> allowed for: - Note/Note Rider(s) - Notice of Right to Cancel - Security Instrument/Security Instrument Rider(s)
Escrow Holdback	Not allowed.

CORRESPONDENT DELEGATED UNDERWRITING CONFORMING FANNIE MAE GUIDELINES WITH OVERLAYS

Note: Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible
(Subject properties in Baltimore County, MD remain eligible)

TOPIC	OVERLAY
Ineligible Programs – FNMA	- Community Land Trust - High-LTV Refinance - HomePath - HomeReady with Reduce Mortgage Insurance Option (HomeReady with standard mortgage insurance coverage is eligible) - HomeStyle - HomeStyle Renovation - Land Trusts - Native American Conventional Lending Initiative (NACLI) - Cooperative (Co-Op) - Native American Leased Land - Single-Closing Construction Transaction
Manufactured Home	- Not eligible in condo, co-op, or PUD project - Seller assumes indemnification obligations per FNMA Selling Guide Section A2-1-03, Indemnification for Losses - Single-wide manufactured home ineligible
Mortgage Insurance (MI)	- Eligible: - Monthly Borrower Paid MI - Single Premium - Split Premium - Ineligible: - Financed MI - Reduced MI - Monthly Lender Paid MI
Non-Permanent Resident Aliens	These borrowers accepted under the following conditions: - Evidence of an unexpired visa under one of these eligible visa classes: - A Series (A-1, A-2, A-3) - E Series (E-1, E-2, E-3) - NOTE: E-2 ineligible with Investor CNMI - G Series (G-1, G-2, G-3, G-4, G-5) - H-1, H-4 (when income used for H-4 borrower, current EAD also required) - L-1, L-2 (when income used for L-2 borrower, current EAD also required) - O-1A, O-1B, O-2 - TN (NAFTA visa)

CORRESPONDENT DELEGATED UNDERWRITING CONFORMING FANNIE MAE GUIDELINES WITH OVERLAYS

Note: Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible
(Subject properties in Baltimore County, MD remain eligible)

TOPIC	OVERLAY
	- Borrowers with an expired visa are eligible subject to the following: - The expired visa is one of the eligible classes listed above - Documentation verifying an application for extension or permanent status has been submitted to the USCIS - Borrowers with only a current Employment Authorization Document (EAD) are subject to the following: - EAD card must be current (unexpired) - If the EAD card is to expire within one year of Note date the underwriter should address the likelihood of income/employment continuance (i.e., previous EAD renewals, USCIS documentation, etc.) - All borrowers must have a valid Social Security Number (SSN) - DACA recipients with Category C33 work status under deferred action - Borrowers with diplomatic immunity are ineligible
Power of Attorney (POA)	A POA may not be eSigned and must be specific to the transaction
Social Security Number (SSN)	All borrowers must have a valid SSN
Tax Transcripts	- Transcripts are required for all tax returns used in the underwriting decision; this includes both personal and business returns, where applicable Note: Transcripts will not be required for loans with W2 only income, 1099 only income, or other income not documented with tax returns, unless otherwise required by applicable program requirements. - If the most recent year's tax returns have been filed, but not processed by the IRS, the following alternative documentation is allowed: - Copy of eFiled tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower - Letter from CPA who filed taxes stating the Adjusted Gross Income and copy of tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower - IRS stamped tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower - Borrower's copy of transcripts pulled directly from the IRS website Note: A copy of the "Where's My Refund" screen from IRS site can be provided in lieu of proof of deposit for tax refund.

CORRESPONDENT DELEGATED UNDERWRITING CONFORMING FANNIE MAE GUIDELINES WITH OVERLAYS

Note: Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible
(Subject properties in Baltimore County, MD remain eligible)

TOPIC	OVERLAY
Temporary Buydowns	• 30-Year Fixed Rate • Allowed in conjunction with FNMA HomeReady program • Borrower must qualify off Note rate • Buydown Options ○ 2-1 ○ 1-0 • Primary Residence and Second Homes • Purchase • Seller, Lender, or Interested Party Paid (Borrower-paid not allowed)
Underwriting Method	Manual Underwriting not allowed. All loans must receive AUS approval: FNMA DU Approve/Eligible

CORRESPONDENT NON-DELEGATED UNDERWRITING CONFORMING FANNIE MAE GUIDELINES WITH OVERLAYS

FANNIE MAE STANDARD CONFORMING AND HIGH-BALANCE LTV MATRIX ³					
OCCUPANCY	PURCHASE & LIMITED CASH OUT REFINANCE			CASH OUT REFINANCE	
	PROPERTY TYPE**	MAX LTV/CLTV/HCLTV		PROPERTY TYPE ²	MAX LTV/CLTV/HCLTV
		PURCH	LTD C/O		
PRINCIPAL RESIDENCE	SFR/PUD/CONDO	97% ¹	97% ¹	SFR/PUD/CONDO	80%
	MANUFACTURED	95%	95%	MANUFACTURED	65%
	2 UNITS	95%	95%	2 UNITS	75%
	3-4 UNITS	95%	95%	3-4 UNITS	75%
SECOND HOME	SFR/PUD/CONDO	90%	90%	SFR/PUD/CONDO	75%
	MANUFACTURED	90%	90%		
INVESTMENT PROPERTY	SFR/PUD/CONDO	85%	75%	SFR/PUD/CONDO	75%
	2-4 UNITS	75%	75%	2-4 UNITS	70%

¹Max LTV 95% for High Balance Loans
² Manufactured Homes: limited to 1-unit property; cash-out refinance term limited to ≤ 20 years
³Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)

FANNIE MAE HOMEReady LTV MATRIX ³						
OCCUPANCY & PROPERTY TYPE	PURCHASE			LIMITED CASH OUT REFINANCE		
	PRODUCT	MAX LTV/CLTV/HCLTV		PRODUCT	MAX LTV/CLTV/HCLTV	
		SINGLE LIEN	WITH DPA 2ND		SINGLE LIEN	WITH 2ND
PRINCIPAL RESIDENCE SFR/PUD/CONDO	CONFORMING	95.01 – 97%	97%/105%	CONFORMING	95.01 – 97% [◇]	105%/105%
	HIGH BALANCE	95%	95%/105%	HIGH BALANCE	95%	95%/95%
PRINCIPAL RES. 2 UNITS	CONFORMING	95%	N/A	CONFORMING	95%	N/A
PRINCIPAL RES. 3-4 UNITS		95%	N/A		95%	N/A

[◇] Loan must be currently owned by Fannie Mae.

PRODUCT OFFERINGS	
Fixed Rate Products	10, 15, 20, 25, 30 year fixed - Nonstandard terms available

CORRESPONDENT NON-DELEGATED UNDERWRITING CONFORMING FANNIE MAE GUIDELINES WITH OVERLAYS

2025 CONFORMING LOAN LIMITS 1-4 UNITS (https://singlefamily.fanniemae.com/originating-underwriting/loan-limits)			
UNIT S	GENERAL LIMITS	HIGH COST LIMITS	ALASKA & HAWAII
1	\$806,500	\$1,209,750	\$1,209,750
2	\$1,032,650	\$1,548,975	\$1,548,975
3	\$1,248,150	\$1,872,225	\$1,872,225
4	\$1,551,250	\$2,326,875	\$2,326,875
TOPIC		OVERLAY	
BASIC GUIDELINES		Overlays in this matrix apply to FNMA (Fannie Mae) loans. Refer to FNMA Selling Guide for additional guidance. Information in this matrix is subject to change without notice.	
Amended Tax Returns		Accepted for the following amendment reasons: - Amended for clerical items only (i.e., modifying a prior ITIN number to a newly issued SSN) - Amended for income-related items, under the following conditions: - Amended at least sixty (60) days before mortgage application taken - Amendment shows on transcripts (stamped returns not acceptable) - Documentation supplied to support the increase, including but not limited to: 1099 or W2 showing missed/updated income - Canceled Checks or Bank Statements showing missed/updated rental income	
Appraisal		- Condition ratings must be C1 through C4 - C5 and C6 condition ratings are ineligible - Eligible Appraisal Alternatives - PIW/Value Acceptance - Ineligible Appraisal Alternatives - Value Acceptance + Property Data - Hybrid Appraisals 1004D Alternatives - Transferred appraisals allowed with restrictions as outlined in LSM Seller Guide Section 7.3.5.	
Assets		- Internet Statements, obtained from a financial institution's website, must contain the same information found on a standard bank statement - VOD as a stand-alone document is not permitted unless obtained from a third-party vendor	
Condominiums		- FNMA PERS approved condos are eligible - Leasehold is not permitted - Minimum square footage: 400 Sq Ft	
Credit		All borrowers must have at least one (1) valid credit score to be eligible for an 'Approved' recommendation (by DU); extenuating circumstances are not allowed for Bankruptcy or Foreclosure	

CORRESPONDENT NON-DELEGATED UNDERWRITING CONFORMING FANNIE MAE GUIDELINES WITH OVERLAYS

TOPIC	OVERLAY
Electronic Signatures/eSigning	- eSigning is allowed for most documents - eSigning is <u>not</u> allowed for: - Note/Note Rider(s) - Notice of Right to Cancel - Security Instrument/Security Instrument Rider(s)
Escrow Holdback	Not allowed.
Ineligible Programs – FNMA	- Community Land Trust - High-LTV Refinance - HomePath - HomeReady with Reduce Mortgage Insurance Option (HomeReady with standard mortgage insurance coverage is eligible) - HomeStyle - HomeStyle Renovation - Land Trust - Native American Conventional Lending Initiative (NACLI) - Single-Closing Construction Transaction
Ineligible Properties	- Cooperative (Co-Op) - Native American Leased Land - Resale type Deed restrictions - Solar panels that affect first lien position
Manufactured Home	- Fixed rate programs only - Leased Land property is not allowed - Manufactured Home subject to Deed restrictions not allowed - Maximum 95% LTV - Not eligible in condo, co-op, or PUD project - Seller assumes indemnification obligations as described in FNMA Selling Guide Section A2-1-03, Indemnification for Losses - Single-wide manufactured home ineligible - Must meet all other FNMA guidelines
Mortgage Credit Certificate (MCC)	Not permitted
Mortgage Insurance (MI)	- Eligible: - Monthly Borrower Paid MI - Ineligible: - Financed MI

CORRESPONDENT NON-DELEGATED UNDERWRITING CONFORMING FANNIE MAE GUIDELINES WITH OVERLAYS

TOPIC	OVERLAY
	○ Single Premium ○ Split Premium ○ Reduced MI ○ Monthly Lender Paid MI
Multiple Financed Properties	• Allowed per FNMA Guidelines • HomeReady, no more than one (1) financed property • Maximum ten (10) financed properties for all borrowers on the loan • Minimum credit score of 720 when borrower(s) has/have more than six (6) financed properties
Non-Permanent Resident Aliens	These borrowers accepted under the following conditions: • Evidence of an unexpired visa under one of these eligible visa classes: ○ A Series (A-1, A-2, A-3) ○ E Series (E-1, E-2, E-3) ▪ NOTE: E-2 ineligible with Investor CNMI ○ G Series (G-1, G-2, G-3, G-4, G-5) ○ H-1, H-4 (when income used for H-4 borrower, current EAD also required) ○ L-1, L-2 (when income used for L-2 borrower, current EAD also required) ○ O-1A, O-1B, O-2 ○ TN (NAFTA visa) • Borrowers with an expired visa are eligible subject to the following: ○ The expired visa is one of the eligible classes listed above ○ Documentation verifying an application for extension or permanent status has been submitted to the USCIS • Borrowers with only a current Employment Authorization Document (EAD) are subject to the following: ○ EAD card must be current (unexpired) ○ If the EAD card is to expire within one year of Note date the underwriter should address the likelihood of income/employment continuance (i.e., previous EAD renewals, USCIS documentation, etc.) • All borrowers must have a valid Social Security Number (SSN) • DACA recipients with Category C33 work status under deferred action • Borrowers with diplomatic immunity are ineligible
Power of Attorney (POA)	A POA may not be eSigned and must be specific to the transaction
Social Security Number (SSN)	All borrowers must have a valid SSN
Tax Transcripts	• Transcripts are required for all tax returns used in the underwriting decision; this includes both personal and business returns, where applicable

CORRESPONDENT NON-DELEGATED UNDERWRITING CONFORMING FANNIE MAE GUIDELINES WITH OVERLAYS

TOPIC	OVERLAY
	○ Note: Transcripts will not be required for loans with W2 only income, 1099 only income, or other income not documented with tax returns, unless otherwise required by applicable program requirements. • If the most recent year's tax returns have been filed, but not processed by the IRS, the following alternative documentation is allowed: ○ Copy of eFiled tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ Letter from CPA who filed taxes stating the Adjusted Gross Income and copy of tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ IRS stamped tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ Borrower's copy of transcripts pulled directly from the IRS website Note: A copy of the "Where's My Refund" screen from IRS site can be provided in lieu of proof of deposit for tax refund.
Temporary Buydowns	• 30-Year Fixed Rate • Allowed in conjunction with FNMA HomeReady program • Borrower must qualify off Note rate • Buydown Options ○ 2-1 ○ 1-0 • Primary Residence and Second Homes • Purchase • Seller, Lender, or Interested Party Paid (Borrower-paid not allowed)
Underwriting Method	Manual Underwriting not allowed. All loans must receive AUS approval: FNMA DU Approve/Eligible
Unpaid Federal Tax Debt	• LoanStream considers all unpaid tax debt from prior years as delinquent, even if a lien has not been filed; one monthly payment is required • Borrower with delinquent Federal Tax Debt is ineligible NOTE: Record of Account can be used in lieu of a canceled check or proof of electronic payment
Verification of Employment	• Ineligible forms of Verification ○ Bank Statements ○ Paystubs

CORRESPONDENT DELEGATED UNDERWRITING CONFORMING FREDDIE MAC GUIDELINES WITH OVERLAYS

FREDDIE MAC STANDARD CONFORMING AND SUPER CONFORMING LTV MATRIX ¹					
OCCUPANCY	PURCHASE & LIMITED CASH OUT REFINANCE			CASH OUT REFINANCE	
	PROPERTY TYPE	MAX LTV/CLTV/HCLTV		PROPERTY TYPE	MAX LTV/CLTV/HCLTV
		PURC H	LIMITED C/O		
PRINCIPAL RESIDENCE	SFR/PUD/CONDO	95%	95%	SFR/PUD/CONDO	80%
	2 UNITS	85%	85%	2 UNITS	75%
	3-4 UNITS	80%	80%	3-4 UNITS	75%
SECOND HOME	SFR/PUD/CONDO	90%	90%	SFR/PUD/CONDO	75%
INVESTMENT PROPERTY	SFR/PUD/CONDO	85%	75%	SFR/PUD/CONDO	75%
	2-4 UNITS	75%	75%	2-4 UNITS	70%

¹Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)

FREDDIE MAC HOME POSSIBLE LTV MATRIX ¹		
FIXED RATE MORTGAGES	MAX CONFORMING LTV/TLTV/HTLTV	MAX SUPER-CONFORMING LTV/TLTV/HTLTV
1 UNIT	97%*	95%*
2 UNITS	95%*	85%
3 AND 4 UNITS	95%*	80%
ADJUSTABLE RATE MORTGAGES**	MAX CONFORMING LTV/TLTV/HTLTV	MAX SUPER-CONFORMING LTV/TLTV/HTLTV
1 UNIT	95%*	95%
2 UNITS	95%*	85%
3 AND 4 UNITS	75%*	75%

* TLTV ratio up to 105% is permitted when secondary financing is a Freddie Mac [Affordable Second](#).

[Freddie Mac Home Possible Product Page \(https://sf.freddiemac.com/resources/freddie-mac-home-possible-mortgage-fact-sheet\)](https://sf.freddiemac.com/resources/freddie-mac-home-possible-mortgage-fact-sheet); overlays on subsequent pages apply.

PRODUCT OFFERINGS	
Fixed Rate Products	10, 15, 20, 25, 30 year fixed - Nonstandard terms available

CORRESPONDENT DELEGATED UNDERWRITING CONFORMING FREDDIE MAC GUIDELINES WITH OVERLAYS

TOPIC	OVERLAY
BASIC GUIDELINES	Overlays in this matrix apply to FHLMC (Freddie Mac) loans. Refer to the FHLMC Single Family Seller/Service Guide for additional guidance. Information in this matrix is subject to change without notice.
Amended Tax Returns	Accepted for the following amendment reasons: • Amended for clerical items only (i.e. modifying a prior ITIN number to a newly issued SSN) • Amended for income-related items, under the following conditions: ○ Amended at least sixty (60) days before mortgage application taken ○ Amendment shows on transcripts (stamped returns not acceptable) ○ Documentation supplied to support the increase, including but not limited to: ▪ 1099 or W2 showing missed/updated income ▪ Canceled Checks or Bank Statements showing missed/updated rental income
Appraisal	• Eligible Appraisal Alternatives ○ ACE • Transferred appraisals allowed with restrictions as outlined in LSM Seller Guide Section 7.3.5.
Condominiums	• FHLMC Condo Project Advisor not allowed. • Leasehold not permitted. • Minimum square footage: 400 Sq Ft
Credit	All borrowers must have at least one (1) valid credit score to be eligible for an 'Accept' recommendation (LPA). Extenuating circumstances are not allowed for Bankruptcy or Foreclosure.
Custodial Account	An account in a minor's name where the borrower is named only as custodian of the funds is not eligible for use as closing costs, down payment, or reserves.
Electronic Signatures/eSigning	• eSigning is allowed for most documents. • eSigning is <u>not</u> allowed for: ○ Note ○ Note Rider(s) ○ Notice of Right to Cancel ○ Security Instrument ○ Security Instrument Rider(s)
Escrow Holdback	Not Allowed
Family Owned Business	Two years tax returns are required regardless of AUS (LPA) recommendation.
Ineligible Programs - FHLMC	• A- Risk Grade • Enhanced Relief Refinance • Home Possible ARMs and Manual Underwrites

CORRESPONDENT DELEGATED UNDERWRITING CONFORMING FREDDIE MAC GUIDELINES WITH OVERLAYS

TOPIC	OVERLAY
	• Home Possible Reduced Mortgage Insurance Option • Integrated Construction Conversion (Single-Closing) • Manufactured Homes • Native American Lands • PACE Obligations attached to property • Renovation Mortgages
Ineligible Properties	• Cooperative (Co-Op) • Native American leased land • Property flip of non-arm's length transaction • Resale type Deed Restrictions • Solar Panels that affect first lien position
Minimum Loan Amount	\$75,000
Mortgage Insurance (MI)	• Eligible: ○ Monthly Borrower Paid MI ○ Single Premium ○ Split Premium • Ineligible: ○ Financed MI ○ Reduced MI ○ Monthly Lender Paid MI
Non-Permanent Resident Aliens	These borrowers accepted under the following conditions: • Evidence of an unexpired visa under one of these eligible visa classes: ○ A Series (A-1, A-2, A-3) ○ E Series (E-1, E-2, E-3) ▪ NOTE: E-2 ineligible with Investor CNMI ○ G Series (G-1, G-2, G-3, G-4, G-5) ○ H-1, H-4 (when income used for H-4 borrower, current EAD also required) ○ L-1, L-2 (when income used for L-2 borrower, current EAD also required) ○ O-1A, O-1B, O-2 ○ TN (NAFTA visa) • Borrowers with an expired visa are eligible subject to the following: ○ The expired visa is one of the eligible classes listed above

CORRESPONDENT DELEGATED UNDERWRITING CONFORMING FREDDIE MAC GUIDELINES WITH OVERLAYS

TOPIC	OVERLAY
	○ Documentation verifying an application for extension or permanent status has been submitted to the USCIS • Borrowers with only a current Employment Authorization Document (EAD) are subject to the following: ○ EAD card must be current (unexpired) ○ If the EAD card is to expire within one year of Note date the underwriter should address the likelihood of income/employment continuance (i.e., previous EAD renewals, USCIS documentation, etc.) • All borrowers must have a valid Social Security Number (SSN) • DACA/Category C33 borrowers are ineligible • Borrowers with diplomatic immunity are ineligible
Power of Attorney (POA)	A POA may not be eSigned and must be specific to the transaction.
Social Security Number (SSN)	All borrowers must have a valid SSN.
Tax Transcripts	• Transcripts are required for all tax returns used in the underwriting decision; this includes both personal and business returns, where applicable ○ Note: Transcripts will not be required for loans with W2 only income, 1099 only income, or other income not documented with tax returns, unless otherwise required by applicable program requirements. • If the most recent year's tax returns have been filed, but not processed by the IRS, the following alternative documentation is allowed: ○ Copy of eFiled tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ Letter from CPA who filed taxes stating the Adjusted Gross Income and copy of tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ IRS stamped tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ Borrower's copy of transcripts pulled directly from the IRS website ○ Note: A copy of the "Where's My Refund" screen from IRS site can be provided in lieu of proof of deposit for tax refund.

CORRESPONDENT DELEGATED UNDERWRITING CONFORMING FREDDIE MAC GUIDELINES WITH OVERLAYS

TOPIC	OVERLAY
Temporary Buydown	• 30-Year Fixed Rate • Borrower must qualify off Note Rate • Buydown Options: ○ 2-1 ○ 1-0 • Primary Residence and Second Home • Purchase • Seller, Builder funded only (Borrower-paid not allowed)
Underwriting Method	Manual Underwriting not allowed. All loans must receive AUS approval (FHLMC LPA Accept/Eligible)
Unpaid Federal Tax Debt	• All federal income taxes must be paid in full at or prior to closing unless the following requirements are met: ○ There is not currently or indication of future filing of a Notice of Federal Tax Lien against the borrower in the county or the subject property location ○ The lender provides the following supplemental documentation: ▪ Copy of the IRS approved installment agreement that details the required monthly payment and total amount due; and ▪ Evidence the borrower is current on the required payments and at least one month payment as agreed has occurred; acceptable evidence includes the most recent payment notification from the IRS reflecting the last payment amount and date as well as the next payment due date and amount

CORRESPONDENT NON-DELEGATED UNDERWRITING CONFORMING FREDDIE MAC GUIDELINES WITH OVERLAYS

FREDDIE MAC STANDARD CONFORMING AND SUPER CONFORMING LTV MATRIX ¹					
OCCUPANCY	PURCHASE & LIMITED CASH OUT REFINANCE			CASH OUT REFINANCE	
	PROPERTY TYPE	MAX LTV/CLTV/HCLTV		PROPERTY TYPE	MAX LTV/CLTV/HCLTV
		PURCH	LIMITED C/O		
PRINCIPAL RESIDENCE	SFR/PUD/CONDO	95%	95%	SFR/PUD/CONDO	80%
	2 UNITS	85%	85%	2 UNITS	75%
	3-4 UNITS	80%	80%	3-4 UNITS	75%
SECOND HOME	SFR/PUD/CONDO	90%	90%	SFR/PUD/CONDO	75%
INVESTMENT PROPERTY	SFR/PUD/CONDO	85%	75%	SFR/PUD/CONDO	75%
	2-4 UNITS	75%	75%	2-4 UNITS	70%

¹Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)

FREDDIE MAC HOME POSSIBLE LTV MATRIX ¹						
OCCUPANCY & PROPERTY TYPE	PURCHASE			NO CASH-OUT REFINANCE		
	PRODUCT	MAX LTV/CLTV/HCLTV		PRODUCT	MAX LTV/CLTV/HCLTV	
		SINGLE LIEN	WITH DPA 2 ND		SINGLE LIEN	WITH 2 ND
PRINCIPAL RESIDENCE SFR/PUD/CONDO	CONFORMING	95.01 – 97%	97%/105%	CONFORMING	95.01 – 97%	97%/105%
	SUPER CONFORMING	95%	95%/105%	SUPER CONFORMING	95%	95%/105%
PRINCIPAL RESIDENCE 2—4 UNITS	CONFORMING	85%/95%/95%	N/A	CONFORMING	85%/95%/95%	N/A

* TLTV ratio up to 105% is permitted when secondary financing is a Freddie Mac [Affordable Second](#).

Freddie Mac Home Possible Product Page (<https://sf.freddiemac.com/resources/freddie-mac-home-possible-mortgage-fact-sheet>); overlays on subsequent pages apply.

PRODUCT OFFERINGS	
Fixed Rate Products	10, 15, 20, 25, 30 year fixed - Nonstandard terms available

2025 CONFORMING LOAN LIMITS 1-4 UNITS (CLICK HERE)			
UNITS	GENERAL LIMITS	HIGH COST LIMITS	ALASKA & HAWAII
1	\$806,500	\$1,209,750	\$1,209,750
2	\$1,032,650	\$1,548,975	\$1,548,975
3	\$1,248,150	\$1,872,225	\$1,872,225
4	\$1,551,250	\$2,326,875	\$2,326,875

CORRESPONDENT NON-DELEGATED UNDERWRITING CONFORMING FREDDIE MAC GUIDELINES WITH OVERLAYS

TOPIC	OVERLAY
BASIC GUIDELINES	Overlays in this matrix apply to FHLMC (Freddie Mac) loans. Refer to the FHLMC Single Family Seller/Service Guide for additional guidance. Information in this matrix is subject to change without notice.
Amended Tax Returns	Accepted for the following amendment reasons: • Amended for clerical items only (i.e. modifying a prior ITIN number to a newly issued SSN) • Amended for income-related items, under the following conditions: ○ Amended at least sixty (60) days before mortgage application taken ○ Amendment shows on transcripts (stamped returns not acceptable) ○ Documentation supplied to support the increase, including but not limited to: ▪ 1099 or W2 showing missed/updated income ▪ Canceled Checks or Bank Statements showing missed/updated rental income
Appraisal	• Eligible Appraisal Alternatives ○ ACE • Transferred appraisals allowed with restrictions as outlined in LSM Seller Guide Section 7.3.5.
Assets	• Internet statements, obtained from a financial institution's website, must contain the same information found on a standard bank statement • VOD as stand-alone document is not permitted unless obtained from a third-party vendor
Condominiums	• FHLMC Condo Project Advisor not allowed. • Leasehold not permitted. • Minimum square footage: 400 Sq Ft
Credit	All borrowers must have at least one (1) valid credit score to be eligible for an 'Accept' recommendation (LPA). Extenuating circumstances are not allowed for Bankruptcy or Foreclosure.
Custodial Account	An account in a minor's name where the borrower is named only as custodian of the funds is not eligible for use as closing costs, down payment, or reserves.
Electronic Signatures/eSigning	• eSigning is allowed for most documents. • eSigning is <u>not</u> allowed for: ○ Note ○ Note Rider(s) ○ Notice of Right to Cancel ○ Security Instrument ○ Security Instrument Rider(s)
Escrow Holdback	Not allowed
Family Owned Business	Two years tax returns are required regardless of AUS (LPA) recommendation.

CORRESPONDENT NON-DELEGATED UNDERWRITING CONFORMING FREDDIE MAC GUIDELINES WITH OVERLAYS

Ineligible Programs - FHLMC	• A- Risk Grade • Enhanced Relief Refinance • Home Possible ARMs and Manual Underwrites • Home Possible Reduced Mortgage Insurance Option • Integrated Construction Conversion (Single-Closing) • Manufactured Homes • Native American Lands • PACE Obligations attached to property • Renovation Mortgages
Ineligible Properties	• Cooperative (Co-Op) • Native American leased land • Property flip of non-arm's length transaction • Resale type Deed Restrictions • Solar Panels that affect first lien position
Minimum Loan Amount	\$75,000
Mortgage Credit Certificate (MCC)	Not permitted
Mortgage Insurance (MI)	• Eligible: ○ Monthly Borrower Paid MI ○ Single Premium ○ Split Premium • Ineligible: ○ Financed MI ○ Reduced MI ○ Monthly Lender Paid MI
Multiple Loans to One Borrower	• Per FHLMC guidelines • Minimum 720 score for borrower(s) who own more than six (6) financed properties • Maximum number of financed properties owned cannot exceed ten (10) for all borrowers • Maximum of 20% ownership concentration in any one project or subdivision

CORRESPONDENT NON-DELEGATED UNDERWRITING CONFORMING FREDDIE MAC GUIDELINES WITH OVERLAYS

Non-Permanent Resident Aliens	These borrowers accepted under the following conditions: • Evidence of an unexpired visa under one of these eligible visa classes: ○ A Series (A-1, A-2, A-3) ○ E Series (E-1, E-2, E-3) ▪ NOTE: E-2 ineligible with Investor CNMI ○ G Series (G-1, G-2, G-3, G-4, G-5) ○ H-1, H-4 (when income used for H-4 borrower, current EAD also required) ○ L-1, L-2 (when income used for L-2 borrower, current EAD also required) ○ O-1A, O-1B, O-2 ○ TN (NAFTA visa) • Borrowers with an expired visa are eligible subject to the following: ○ The expired visa is one of the eligible classes listed above ○ Documentation verifying an application for extension or permanent status has been submitted to the USCIS • Borrowers with only a current Employment Authorization Document (EAD) are subject to the following: ○ EAD card must be current (unexpired) ○ If the EAD card is to expire within one year of Note date the underwriter should address the likelihood of income/employment continuance (i.e., previous EAD renewals, USCIS documentation, etc.) • All borrowers must have a valid Social Security Number (SSN) • DACA/Category C33 borrowers are ineligible • Borrowers with diplomatic immunity are ineligible
Power of Attorney (POA)	A POA may not be eSigned and must be specific to the transaction.
Social Security Number (SSN)	All borrowers must have a valid SSN.
Tax Transcripts	• Transcripts are required for all tax returns used in the underwriting decision; this includes both personal and business returns, where applicable ○ Note: Transcripts will not be required for loans with W2 only income, 1099 only income, or other income not documented with tax returns, unless otherwise required by applicable program requirements. • If the most recent year's tax returns have been filed, but not processed by the IRS, the following alternative documentation is allowed: ○ Copy of eFiled tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ Letter from CPA who filed taxes stating the Adjusted Gross Income and copy of tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower

CORRESPONDENT NON-DELEGATED UNDERWRITING CONFORMING FREDDIE MAC GUIDELINES WITH OVERLAYS

	○ IRS stamped tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ Borrower's copy of transcripts pulled directly from the IRS website ○ Note: A copy of the "Where's My Refund" screen from IRS site can be provided in lieu of proof of deposit for tax refund.
Temporary Buydown	• 30-Year Fixed Rate • Borrower must qualify off Note Rate • Buydown Options: ○ 2-1 ○ 1-0 • Primary Residence and Second Home • Purchase • Seller, Builder funded only (Borrower-paid not allowed)
Underwriting Method	Manual Underwriting not allowed. All loans must receive AUS approval (FHLMC LPA Accept/Eligible)
Unpaid Federal Tax Debt	• All federal income taxes must be paid in full at or prior to closing unless the following requirements are met: ○ There is not currently or indication of future filing of a Notice of Federal Tax Lien against the borrower in the county or the subject property location ○ The lender provides the following supplemental documentation: ▪ Copy of the IRS approved installment agreement that details the required monthly payment and total amount due; and ▪ Evidence the borrower is current on the required payments and at least one month payment as agreed has occurred; acceptable evidence includes the most recent payment notification from the IRS reflecting the last payment amount and date as well as the next payment due date and amount
Verification of Employment	• Ineligible Form of Verification ○ Paystubs



Delegated/Non-Delegated CORRESPONDENT LSM ALT AGENCY

Second Home/Investment Matrix

STANDARD CONFORMING AND HIGH-BALANCE/SUPER CONFORMING MATRIX ¹				
OCCUPANCY	PROPERTY TYPE	MAX LTV/CLTV/HCLTV		
		PURCHASE	RATE/TERM REFI	CASH OUT REFI
SECOND HOME	SFR/PUD/CONDO	90%	90%	75%
INVESTMENT PROPERTY	SFR/PUD/CONDO	85%	75%	75%
	2-4 Units	75%	75%	70%

¹Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)

PRODUCT OFFERINGS	
Fixed Rate Products	10, 15, 20, 25, 30 year fixed - Nonstandard terms available

2025 CONFORMING LOAN LIMITS 1-4 UNITS			
UNITS	GENERAL LIMITS	HIGH COST LIMITS	AK, HI
1	\$806,500	\$1,209,750	\$1,209,750
2	\$1,032,650	\$1,548,975	\$1,548,975
3	\$1,248,150	\$1,872,225	\$1,872,225
4	\$1,551,250	\$2,326,875	\$2,326,875

TOPIC	OVERLAY
BASIC GUIDELINES	All loans must be underwritten to the more restrictive of the product matrix or DU or LPA findings report. Where both are silent, refer to the respective Agency guidelines, Fannie Mae Single Selling Guide for DU and Freddie Mac Single-Family Seller/Service Guide for LPA. Loans must be fully underwritten to either Fannie Mae or Freddie Mac guidelines and may not be combined. Fannie Mae-approved DU Validation Service is not allowed. Qualifying criteria are subject to change without notice.
Amended Tax Returns	Accepted for the following amendment reasons: - Amended for clerical items only (i.e. modifying a prior ITIN number to a newly issued SSN) - Amended for income-related items, under the following conditions: - Amended at least 60 days before mortgage application taken - Amendment shows on transcripts, stamped returns not acceptable - Documentation supplied to support the increase, including but not limited to: 1099 or W2 showing missed/updated income - Canceled checks or bank statements showing missed/updated rental income



Delegated/Non-Delegated CORRESPONDENT LSM ALT AGENCY

Second Home/Investment Matrix

TOPIC	OVERLAY
Appraisals	- Appraisal must meet all requirements of respective AUS and comply with all applicable regulations and standards including but not limited to USPAP, FIRREA, AIR and HVCC compliance - Condition ratings must be C1 through C4 - C5 and C6 condition ratings are ineligible DU: Value Acceptance (PIW) allowed per AUS findings. Value Acceptance + PDR is not allowed, full appraisal required on all loans that receive a Value Acceptance + PDR finding LPA: ACE Appraisal Waiver is permitted, per AUS findings. ACE+ PDR waiver is not allowed, full appraisal required on all loans that receive an ACE + PDR finding.
Assets	- Follow respective AUS (DU or LPA) - Internet Statements that are obtained from financial institution's website must contain same information found on a standard bank statement - VOD as stand-alone document is not permitted unless obtained from a third-party vendor - A custodial account, which is an account in a minor's name where the borrower is named only as custodian of the funds, is not eligible for use as closing costs, down payment, or reserves
Condominiums	FNMA only - FNMA PERS Approved condos are eligible FHLMC only – FHLMC Condo Project Advisor not allowed - Leasehold not permitted - Minimum square footage: 400 sq ft
Credit	- Follow respective AUS (DU or LPA) - All borrowers must have at least one (1) valid credit score to be eligible for an 'Approved' recommendation (by DU or LPA) - Extenuating circumstances are not allowed for Bankruptcy or Foreclosure
DTI	Follow respective AUS (DU or LPA)
Electronic Signatures/eSigning	- eSigning is allowed for most documents - eSigning is <u>not</u> allowed for: - Note - Note Rider(s) - Notice of Right to Cancel - Security Instrument - Security Instrument Rider(s)
Eligible Properties	- Single Family Residence (SFR) - Warrantable Condominium (attached or detached) - Planned unit development (PUD, attached or detached) NOTE: Condominiums, unpermitted additions and ADUs must meet the respective requirements of FNMA or FHLMC



Delegated/Non-Delegated CORRESPONDENT LSM ALT AGENCY

Second Home/Investment Matrix

TOPIC	OVERLAY
Escrow Waivers	- CA: Not permitted with LTVs over 90% - All other states: Not permitted on loans with LTVs over 80%
Family-Owned Business	Two years tax returns are required regardless of AUS (DU or LPA) recommendation
Income/Employment	Follow respective AUS (DU or LPA)
Ineligible Programs	- A- Risk Grade (FHLMC) - Community Land Trusts - CHOICEHome®, GreenCHOICE® (FHLMC) - High-LTV Refinance (FNMA) - HomePath, HomeStyle, HomeReady (FNMA) - Home Possible, Enhanced Relief Refinance (FHLMC) - Land Trusts - Native American Lands - PACE Obligations attached to property - Renovation Mortgages
Ineligible Properties	- Co-Ops - Indian Leased Land - Manufactured homes - Resale type Deed Restrictions - Solar Panels that affect first lien position
Minimum Loan Amount	\$75,000
Mortgage Credit Certificate (MCC)	Not permitted
Mortgage Insurance (MI):	- Borrower Paid, Lender Paid and Financed MI is allowed - Reduced Premium and Split Premium is not allowed
Multiple Financed Properties	- Follow respective AUS/Agency's requirements - Maximum 10 financed properties for all borrowers on the loan - Minimum credit score of 720 when borrower(s) have more than 6 financed properties
Non-Arm's Length Transaction	- Non-arm's length transactions, defined as purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property, are not allowed - Service providers (closing agent, title agent, appraiser, etc.) and principals or employees of OCMBC, Inc. may not provide services on their own transactions
Non-Permanent Resident Aliens	- Non-permanent resident aliens are eligible under the following conditions: - Acceptable visa evidence provided - Borrower eligible to work in the U.S., as evidenced by EAD issued by the USCIS - Borrower has valid social security number (SSN)



Delegated/Non-Delegated CORRESPONDENT LSM ALT AGENCY

Second Home/Investment Matrix

TOPIC	OVERLAY
	○ Borrower satisfies the same requirements, terms and conditions as those for U.S. Citizen • DACA borrowers with Category C33 work status under deferred action are ineligible • Borrowers with Diplomatic Immunity are ineligible
Power of Attorney (POA)	• POA may not be eSigned and must be specific to the transaction • Not allowed on cash-out refinances
Reserves	• Follow respective AUS (DU or LPA)
Social Security Number (SSN)	• All borrowers must have a valid SSN
Solar	• Follow respective Agency's requirements
Tax Transcripts	• Required when tax returns are used to qualify borrower income
Temporary Buydowns	• Not permitted
Underwriting Method	• All loans must receive AUS approval: FNMA DU Approve/Eligible or FHLMC Approve/Accept • Manual underwriting is not allowed • Fannie Mae-approved DU Validation Services are not allowed • All loans must be underwritten to the more restrictive of the product matrix or DU or LPA findings report • When the product matrix and AUS are both are silent, refer to the respective Agency guidelines, Fannie Mae Single Selling Guide for DU and Freddie Mac Single-Family Seller/Service Guide for LPA • Loans must be fully underwritten to either Fannie Mae or Freddie Mac guidelines and may not be combined
Unpaid Federal Tax Debt	• Delinquent tax debt that has not become a lien and does not impact title (open liens reflected on credit report will impact title and must be paid off) may remain open provided the following are met: ○ Repayment agreement to be provided ○ Evidence of at least one payment made under the plan(s) and payments are current • Delinquent tax debt that has become a lien or does not meet the requirements above is ineligible NOTE: Record of Account can be used in lieu of canceled check or proof of electronic payment.

FHA PRINCIPAL RESIDENCE STANDARD AND HIGH BALANCE LTV MATRIX ²							
PROPERTY TYPE		PURCHASE		NO CASH OUT		CASH OUT REFINANCE	
		LTV/CLTV	MIN FICO	LTV/CLTV	MIN FICO	LTV/CLTV	MIN FICO
1-4 UNITS	AUS Approve	96.50%/105%	580	97.75%	580	80.00%	620
		90.00%	550 ¹	90.00%	550 ¹		
¹ Loans with FICO below 580 have a maximum DTI of 50%							
² Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)							

PRODUCT OFFERINGS	
Fixed Rate Products	15, 20, 25, 30 year fixed - Nonstandard terms available

Streamline Refinances are eligible – see the FHA Streamline Guidelines with Overlays for details

FHA 2025 MORTGAGE LIMITS (COUNTY LOOKUP: https://entp.hud.gov/idapp/html/hicostlook.cfm) Effective for Case Numbers Assigned Between January 1, 2025, and December 31, 2025				
UNITS	FHA LOW-COST AREA	HIGH-COST AREA FHA FORWARD/FNMA/FHLMC	HIGH-COST AK, GM, HI, USVI FHA FORWARD	FANNIE/FREDDIE STANDARD
1	\$524,225	\$1,209,750	\$1,814,625	\$806,500
2	\$671,200	\$1,548,975	\$2,323,325	\$1,032,650
3	\$811,275	\$1,872,225	\$2,808,325	\$1,248,150
4	\$1,008,300	\$2,326,875	\$3,490,300	\$1,551,250

TOPIC	OVERLAY
BASIC GUIDELINES	Overlays in this matrix apply to Federal Housing Administration (FHA) guidelines. Refer to the FHA Single Family Housing Policy Handbook 4000.1 for additional guidance. Information in this matrix is subject to change without notice.
Amended Tax Returns	Accepted for the following amendment reasons: - Amended for clerical items only (i.e. modifying a prior ITIN number to a newly issued SSN) - Amended for income-related items, under the following conditions: - Amended at least sixty (60) days before mortgage application taken - Amendment shows on transcripts (stamped returns not acceptable) - Documentation supplied to support the increase, including but not limited to: 1099 or W2 showing missed/updated income - Canceled Checks or Bank Statements showing missed/updated rental income

TOPIC	OVERLAY
Assets	- Assets must be documented as determined by AUS, as applicable, and in accordance with FHA guidelines - An account in a minor's name where the borrower is named only as custodian of the funds is not eligible for use as closing costs, down payment, or reserves.
AUS	DU and LPA allowed
Cash Out Refinance Seasoning	In addition to meeting FHA seasoning, all cash out transactions must meet GNMA seasoning. - The new note date must be on or after: - The date that is 210 days or more after the date on which the first monthly payment was due on the mortgage being refinanced, and - The date on which six (6) consecutive monthly payments have been made on the mortgage being refinanced - For modified loans, the note date of the new loan must be on or after: - The date that is 210 days or more after the date on which the first modified monthly payment was due on the mortgage being refinanced, and - The date on which six (6) consecutive modified monthly payments have been made on the mortgage being refinanced
Condominiums	- Single Unit Approval allowed - HRAP eligible - DELRAP ineligible
Credit Report – Tradelines	Borrowers whose only credit history is built from Authorized User Accounts are not eligible.
Debt-to-Income Ratio (DTI)	- FICO ≥ 580: Follows AUS - FICO < 580: 50% maximum DTI regardless of AUS finding
Electronic Signatures/eSigning	- eSigning is allowed for most documents. - eSigning is not allowed for items below: [or any Loans with Power of Attorney (POA)] - Note - Note Rider(s) - Notice of Right to Cancel - Security Instrument - Security Instrument Rider(s) - COVID-19 Temporary Attestation

TOPIC	OVERLAY
Eligible Borrowers	• US Citizens • Permanent Residents • Inter-Vivos Revocable Trust • Non-Permanent Residents with: ○ Case numbers assigned prior to May 25, 2025, are allowed and must follow FHA Single Family Housing Policy Handbook 4000.1 requirements ○ Case numbers assigned on or after May 25, 2025, are ineligible except for citizens of Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau that have an EAD Category Code A08. Refer to FHA Single Family Housing Policy Handbook 4000.1 for additional requirements.
Escrow Account	Escrow Account required; no escrow waiver allowed.
Escrow Holdback	Not allowed
Family-Owned Business	Two years tax returns are required regardless of AUS recommendation.
Income	• Follow FHA Single Family Housing Handbook 4000.1 guidelines • The following types of income are unacceptable: ○ Income that is not in accordance with all applicable federal, state and local laws, rules and regulations ○ Any income generated from the cannabis or hemp industry
Ineligible Programs - FHA	• 203(h) • 203(k) • Construction to Permanent (Single-Closing) • Energy Efficient Mortgages (EEM) • FHA Back to Work • FHA Negative Equity Refinance • Section 184 - Indian Home Loan Guarantee Program • Section 223(e) - Declining Neighborhoods • Section 247 - Hawaiian Homelands • Section 248 - Indian Reservations • Texas 50(a)6 transactions • TPO Originated Loans

TOPIC	OVERLAY
Ineligible Properties	• Cooperatives (Co-Ops) • Indian Leased Land • Single-wide manufactured homes • Properties with solar panels that affect first lien position
Manufactured Homes	Allowed with Limitations – see ‘Manufactured Home Guidelines’ below for specific terms and conditions
Minimum Loan Amount	\$75,000
Mortgage Credit Certificate (MCC)	Not permitted
Non-Occupant Co-Borrower	Allowed per FHA guidelines
Power of Attorney (POA)	A POA may not be eSigned and must be specific to the transaction.
Recently Listed Properties	Property must be off the market at least one day prior to mortgage application date.
Renegotiated Purchase Contract	• Not allowed; however, minor adjustments due to condition or other relevant factors are permitted. • Increase of sales price after appraisal completed is not permitted.
Social Security Number (SSN)	All borrowers must have a valid SSN.
Tax Transcripts	• Required when tax returns are used to qualify borrower income, this includes both personal and business returns, where applicable • If the most recent year’s tax returns have been filed, but not processed by the IRS, the following alternative documentation is allowed: ○ Copy of eFiled tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ Letter from CPA who filed taxes stating the Adjusted Gross Income and copy of tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ IRS stamped tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ Borrower’s self-downloaded copy of transcripts pulled directly from the IRS website Note: A copy of the “Where’s My Refund” screen from IRS site can be provided in lieu of proof of deposit for tax refund.
Temporary Buydowns	Allowed with Limitations – see ‘Temporary Buydown Guide’ below for specific terms and conditions
Underwriting Methods	AUS Approve/Accept finding required, manual underwriting is not permitted

TOPIC	OVERLAY
Unpaid Federal Tax Debt	- Delinquent tax debt that has not become a lien and does not impact title (open liens reflected on credit will impact title and must be paid off) may remain open provided the following are met: - Repayment agreement to be provided - Evidence of at least three payments made under the plan(s) and payments are current - Delinquent tax debt that has become a lien or does not meet the above requirements is ineligible NOTE: Record of Account can be used in lieu of canceled check or proof of electronic payment.

TOPIC	OVERLAY
Manufactured Home Guidelines	Overlays in this matrix apply to Federal Housing Administration (FHA) guidelines. Refer to the FHA Single Family Housing Policy Handbook 4000.1 for additional guidance. Information in this matrix is subject to change without notice.
Standards (09/14/2015)	Appraiser must notify mortgagee and report any deficiency of MPR or MPS if a manufactured home does not comply with the following: - Floor area must be ≥ 400 sq ft - Constructed on or after June 15, 1976, in conformance with the federal MHCSS, as evidenced by an affixed HUD Certification Label in accordance with 24 CFR §3280.11 (Manufactured Homes produced prior to June 15, 1976 are ineligible for insured financing.) - Manufactured home and site exist together as a real estate entity in accordance with state law (but need not be treated as real estate for taxation purposes) - Manufactured home was moved from the factory or dealer directly to the site - Manufactured home was designed to be used as a dwelling with a permanent foundation built to comply with PFGMH - Finished grade elevation beneath the manufactured home (or, if basement used, the grade beneath the basement floor) is at or above the 100-year return frequency flood elevation - Structure is designed for occupancy as a principal residence by a single family
Estimate Cost (New Construction)	The appraiser must apply the cost approach for New Construction Manufactured Housing.
Flood Zone	LoanStream does not allow manufactured homes in a flood zone.

TOPIC	OVERLAY
Foundation: Existing Construction	• Definition: Existing construction for manufactured housing refers to a manufactured home that has been permanently installed on a site for one year or more prior to the case number assignment date. • Standard: If the perimeter enclosure is non-load-bearing skirting comprised of lightweight material, the entire surface area of the skirting must be permanently attached to backing made of concrete, masonry, treated wood, or a product with similar strength and durability. ○ Skirting: Skirting refers to a non-structural enclosure of a foundation crawl space that is typically, but not always, a lightweight material such as vinyl or metal attached to the side of the structure and extending to the ground (generally not installed below frost depth). ○ Perimeter Enclosure (MPR/MPS Item): The space beneath the manufactured home must be properly enclosed; the perimeter enclosure must be a continuous wall that is adequately secured to the perimeter of the unit and allows for proper ventilation of the crawl space. • Required Analysis and Reporting: If the manufactured home foundation does not meet the requirements for Existing Construction, the appraiser must notify the mortgagee and report the deficiency in the MPR or MMPS.
Foundation: New Construction	• Definition: New construction for manufactured housing refers to a manufactured home that has been permanently erected on a site for less than one year prior to the case number assignment date. • Standard: The space beneath the house must be enclosed by a continuous foundation type construction designed to resist all forces to which it is subject without transmitting forces to the building superstructure; the enclosure must be adequately secured to the perimeter of the house and be constructed of materials that conform, accordingly, to HUD MPS (such as concrete, masonry or treated wood) and the PFGMH for foundations. • Required Analysis and Reporting: If the manufactured home foundation does not meet the requirements for New Construction, appraiser must notify the mortgagee and report the deficiency of the MPR or MPS.
HUD Data Plate	• Standard HUD Data Plate Requirements: Manufactured homes have a data plate affixed in a permanent manner, typically adjacent to the electric service panel, the utility room, or within a cabinet in the kitchen. • Required Analysis and Reporting: The appraiser must report the information on the data plate within the appraisal, including the manufacturer name, serial number, model, and date of manufacture, as well as wind, roof load, and thermal zone maps. • Missing Data Plate (or Appraiser Cannot Locate): If the data plate is missing or the appraiser is unable to locate it, the appraiser must report this in the appraisal and is not required to secure the data plate information from another source. ○ If the data plate is missing or appraiser cannot locate it, LoanStream requires an IBTS report.

TOPIC	OVERLAY
IBTS Report/HUD Certification FHA	• HUD Certification Label Standard: The manufactured home must have an affixed HUD Certification Label located at one end of each section of the house, approximately one foot up from the floor and one foot in from the roadside, or as near that location on a permanent part of the exterior of the house, as practicable. Etched on the HUD Certification Label is the certification label number, as referred to as the HUD label number. Label numbers are not required to be sequential on a multi-section house. • Required Analysis and Reporting: The appraiser must report the HUD label number for all sections, or report that the HUD Certification Label is missing or that the appraiser was unable to locate it. ○ If the HUD Certification is missing or appraiser cannot locate it, LoanStream requires an IBTS report.
Ineligible Features	• The following are not allowed in relation to a manufactured home: ○ Located in a co-op or condo project ○ Located in a flood zone ○ Manufactured home with a leasehold ○ Manufactured home with an ADU or other dwelling structure ○ Single-wide manufactured homes
PFGMH Certification/Engineer Certification	• Certification by an engineer or architect, who is licensed/registered in the state where the manufactured home is located, attesting to compliance with the PFGMH, is required. • Any addition to the original structure (i.e. patio, deck, carport, rooms, etc.) must be addressed in the certification. ○ If the additions or alterations were not addressed in the certification inspection by the state or local jurisdiction administrative agency that inspects manufactured housing for compliance (or a licensed structural engineer may report on the structural integrity of the manufactured dwelling and the addition if the state does not employ inspectors) is required

TEMPORARY BUYDOWN GUIDE	
Product Eligibility	• 30-Year Fixed Rate only • Conforming and High-balance loan amounts • Primary Residence only • Purchase Transactions only • Single Family (1-2 Units), PUD and Condo only • Seller/Builder funded only
Term of Buydown	• 2/1 Buydown: ○ 24-month term ○ Initial interest rate temporarily reduced by no more than two percent below the note rate and increased by no more than one percent annually for no more than two years, with the non-reduced note rate applying for years three through 30 • 1/0 Buydown: ○ 12-month term ○ Initial interest rate temporarily reduced by no more than one percent below the note rate, with the non-reduced note rate applying for years two through 30
Underwriting Criteria	• Borrowers qualified using note rate, not buydown rate • Standard Interested Party Contribution guidelines apply • Seller / Builder funded only



CORRESPONDENT NON-DELEGATED UNDERWRITING FHA GUIDELINES WITH OVERLAYS

FHA PRINCIPAL RESIDENCE STANDARD AND HIGH BALANCE LTV MATRIX ²							
PROPERTY TYPE	UNDERWRITING METHOD	PURCHASE		NO CASH OUT		CASH OUT REFINANCE	
		LTV/CLTV	MIN FICO	LTV/CLTV	MIN FICO	LTV/CLTV	MIN FICO
1-4 UNITS	AUS	96.50%/105%	580	97.75%	580	80.00%	620
		90.00%	550 ¹	90.00%	550 ¹		

¹Loans with FICO below 580 have a maximum DTI of 50%

²Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)

PRODUCT OFFERINGS	
Fixed Rate Products	15, 20, 25, 30 year fixed - Nonstandard terms available

Streamline Refinances are eligible – see the FHA Streamline Guidelines with Overlays for details

FHA 2025 MORTGAGE LIMITS (COUNTY LOOKUP: https://entp.hud.gov/idapp/html/hicostlook.cfm) Effective for Case Numbers Assigned Between January 1, 2025, and December 31, 2025				
UNITS	FHA LOW-COST AREA	HIGH-COST AREA FHA FORWARD/FNMA/FHLMC	HIGH-COST AK, GM, HI, USVI FHA FORWARD	FANNIE/FREDDIE STANDARD
1	\$524,225	\$1,209,750	\$1,814,625	\$806,500
2	\$671,200	\$1,548,975	\$2,323,325	\$1,032,650
3	\$811,275	\$1,872,225	\$2,808,325	\$1,248,150
4	\$1,008,300	\$2,326,875	\$3,490,300	\$1,551,250



CORRESPONDENT NON-DELEGATED UNDERWRITING FHA GUIDELINES WITH OVERLAYS

LOAN TASK	PARTY RESPONSIBLE FOR COMPLETION	FURTHER DETAILS
FHA Case Assignment	Correspondent	Correspondent Lender is responsible for initial FHA Case Number assignment.
FHA CAIVRS Creation	Correspondent	Correspondent Lender is responsible for submission of a clear CAIVRS upon initial loan submission to LoanStream.
FHA Appraisal Delivery	Correspondent/LoanStream Mortgage	Correspondent Lender is responsible for emailing an XML appraisal to Appraisals@LSMortgage.com . LoanStream will submit the appraisal through HUD's Electronic appraisal Delivery (EAD) portal (Case Number must be assigned to OCMBC, Inc./LoanStream Mortgage prior to upload).
FHA Appraisal Logging	LoanStream Mortgage	LoanStream will log the appraisal.
FHA Underwriting of the Loan	LoanStream Mortgage	LoanStream will complete the required underwriting review and approval of FHA loans.
FHA UFMIP Remittance	Correspondent	Upon closing of the loan, Correspondent Lender is responsible for remitting the upfront mortgage insurance premium to HUD within HUD's required timeframe.
FHA MIC Completion	LoanStream Mortgage	LoanStream will complete the required tasks to obtain the Mortgage Insurance Certificate (MIC).

TOPIC	OVERLAY
BASIC GUIDELINES	Overlays in this matrix apply to Federal Housing Administration (FHA) guidelines. Refer to the FHA Single Family Housing Policy Handbook 4000.1 for additional guidance. Information in this matrix is subject to change without notice.
Amended Tax Returns	Accepted for the following amendment reasons: - Amended for clerical items only (i.e. modifying a prior ITIN number to a newly issued SSN) - Amended for income-related items, under the following conditions: - Amended at least sixty (60) days before mortgage application taken - Amendment shows on transcripts (stamped returns not acceptable) - Documentation supplied to support the increase, including but not limited to: 1099 or W2 showing missed/updated income - Canceled Checks or Bank Statements showing missed/updated rental income
Assets	- Assets must be documented as determined by DU, as applicable, and in accordance with FHA guidelines - Internet Statements, obtained from financial institution's website, must contain same information found on a standard bank statement. - VOD as stand-alone document not permitted unless obtained from a Third-Party Vendor. - An account in a minor's name where the borrower is named only as custodian of the funds is not eligible for use as closing costs, down payment, or reserves.



CORRESPONDENT NON-DELEGATED UNDERWRITING FHA GUIDELINES WITH OVERLAYS

TOPIC	OVERLAY
Cash Out Refinance Seasoning	In addition to meeting FHA seasoning, all cash out transactions must meet GNMA seasoning. - The new note date must be on or after: - The date that is 210 days or more after the date on which the first monthly payment was due on the mortgage being refinanced, and - The date on which six (6) consecutive monthly payments have been made on the mortgage being refinanced - For modified loans, the note date of the new loan must be on or after: - The date that is 210 days or more after the date on which the first modified monthly payment was due on the mortgage being refinanced, and - The date on which six (6) consecutive modified monthly payments have been made on the mortgage being refinanced
Condominiums	- Single Unit Approval allowed - HRAP eligible - DELRAP ineligible
Credit Report - Tradelines	Borrowers whose only credit history is built from Authorized User Accounts are not eligible.
Debt-to-Income Ratio (DTI)	Maximum DTI - FICO $\geq$ 580: Follows AUS - FICO < 580: 50% maximum DTI regardless of AUS finding
Electronic Signatures/eSigning	- eSigning is allowed for most documents. - eSigning is not allowed for items below: (or any Loans with POA) - Note - Note Rider(s) - Notice of Right to Cancel - Security Instrument - Security Instrument Rider(s) - COVID-19 Temporary Attestation
Eligible Borrowers	- US Citizens - Permanent Residents - Inter-Vivos Revocable Trust - Non-Permanent Residents with : Case numbers assigned prior to May 25, 2025, are allowed under the following conditions:



CORRESPONDENT NON-DELEGATED UNDERWRITING FHA GUIDELINES WITH OVERLAYS

TOPIC	OVERLAY
	▪ Acceptable Visa evidence provided ▪ Borrower eligible to work in the U.S., as evidenced by EAD issued by the USCIS ▪ Borrower has valid Social Security Number (SSN) ▪ Borrower satisfies the same requirements, terms, and conditions as those for U.S. citizen ▪ DACA: With Category C33 work status under deferred action, DACA borrowers allowed: • EAD must be current (if expiring within one year, evidence history of renewals) • Income source must be stable with a two-year work history ▪ Diplomatic Immunity: Borrowers with Diplomatic Immunity ineligible ○ Case numbers assigned on or after May 25, 2025, are ineligible except for citizens of Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau that have an EAD Category Code A08. Refer to FHA Single Family Housing Policy Handbook 4000.1 for additional requirements.
Employment Verification	Direct electronic verification of employment by third-party vendors is not permitted.
Escrow Account	Escrow Account required; no escrow waiver allowed.
Escrow Holdback	Not allowed
Family-Owned Business	Two years tax returns are required regardless of AUS recommendation.
Income	• Follow FHA Single Family Housing Handbook 4000.1 guidelines • The following types of income are unacceptable: ○ Income that is not in accordance with all applicable federal, state and local laws, rules and regulations ○ Any income generated from the cannabis or hemp industry
Ineligible Programs	• 203(h) • 203(k) • Construction to Permanent (Single-Closing) • Energy Efficient Mortgages (EEM) • FHA Back to Work • FHA Negative Equity Refinance • Section 184 - Indian Home Loan Guarantee Program • Section 223(e) - Declining Neighborhoods • Section 247 - Hawaiian Homelands • Section 248 - Indian Reservations • Texas 50(a)6 transactions • TPO Originated Loans



CORRESPONDENT NON-DELEGATED UNDERWRITING FHA GUIDELINES WITH OVERLAYS

TOPIC	OVERLAY
Ineligible Properties	• Co-Ops • Indian Leased Land • Resale type Deed Restrictions • Single-wide manufactured homes • Solar Panels that affect first lien position
Manufactured Homes	Allowed with Limitations – see ‘Manufactured Home Guidelines’ below for specific terms and conditions
Minimum Loan Amount	\$75,000
Mortgage Credit Certificate (MCC)	Not permitted
Multiple Loans to One Borrower	• LoanStream will close up to eight (8) properties for one borrower, including the subject property, or a total of \$2M in financing, whichever is less. • Maximum of 20% ownership concentration in any one project or subdivision.
Non-Occupant Co-Borrower	Allowed per FHA guidelines.
Power of Attorney (POA)	A POA may not be eSigned and must be specific to the transaction.
Recently Listed Properties	Property must be off the market at least one day prior to mortgage application date.
Renegotiated Purchase Contract	• Not allowed; however, minor adjustments due to condition or other relevant factors are permitted. • Increase of sales price after appraisal completed is not permitted.
Reserve Requirements	3 months PITIA is required for all 3-4 unit properties.
Social Security Number (SSN)	All borrowers must have a valid SSN.
Tax Transcripts	• Required when tax returns are used to qualify borrower income, this includes both personal and business returns, where applicable • If the most recent year’s tax returns have been filed, but not processed by the IRS, the following alternative documentation is allowed: ○ Copy of eFiled tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ Letter from CPA who filed taxes stating the Adjusted Gross Income and copy of tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ IRS stamped tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ Borrower’s self-downloaded copy of transcripts pulled directly from the IRS website Note: A copy of the “Where’s My Refund” screen from IRS site can be provided in lieu of proof of deposit for tax refund.



CORRESPONDENT NON-DELEGATED UNDERWRITING FHA GUIDELINES WITH OVERLAYS

TOPIC	OVERLAY
Temporary Buydowns	Allowed with Limitations – see ' Temporary Buydown Guide ' below for specific terms and conditions
Underwriting Methods	- Both Desktop Underwriter® (DU®) Loan Prospect Advisor® (LPA®) are allowed - Manual underwriting is not allowed
Unpaid Federal Tax Debt	- Delinquent tax debt that has not become a lien and does not impact title (open liens reflected on credit will impact title and must be paid off) may remain open provided the following are met: - Repayment agreement to be provided - Evidence of at least three payments made under the plan(s) and payments are current - Delinquent tax debt that has become a lien or does not meet the above requirements is ineligible NOTE: Record of Account can be used in lieu of canceled check or proof of electronic payment.

TOPIC	OVERLAY
MANUFACTURED HOME GUIDELINES	Overlays in this matrix apply to Federal Housing Administration (FHA) guidelines. Refer to the FHA Single Family Housing Policy Handbook 4000.1 for additional guidance. Information in this matrix is subject to change without notice.
Standards (09/14/2015)	Appraiser must notify mortgagee and report any deficiency of MPR or MPS if a manufactured home does not comply with the following: - Floor area must be ≥ 400 sq ft - Constructed on or after June 15, 1976, in conformance with the federal MHCSS, as evidenced by an affixed HUD Certification Label in accordance with 24 CFR §3280.11 (Manufactured Homes produced prior to June 15, 1976 are ineligible for insured financing.) - Manufactured home and site exist together as a real estate entity in accordance with state law (but need not be treated as real estate for taxation purposes) - Manufactured home was moved from the factory or dealer directly to the site - Manufactured home was designed to be used as a dwelling with a permanent foundation built to comply with PFGMH - Finished grade elevation beneath the manufactured home (or, if basement used, the grade beneath the basement floor) is at or above the 100-year return frequency flood elevation - Structure is designed for occupancy as a principal residence by a single family
Estimate Cost (New Construction)	The appraiser must apply the cost approach for New Construction Manufactured Housing.
Flood Zone	LoanStream does not allow manufactured homes in a flood zone.

TOPIC	OVERLAY
Foundation: Existing Construction	• Definition: Existing construction for manufactured housing refers to a manufactured home that has been permanently installed on a site for one year or more prior to the case number assignment date. • Standard: If the perimeter enclosure is non-load-bearing skirting comprised of lightweight material, the entire surface area of the skirting must be permanently attached to backing made of concrete, masonry, treated wood, or a product with similar strength and durability. ○ Skirting: Skirting refers to a non-structural enclosure of a foundation crawl space that is typically, but not always, a lightweight material such as vinyl or metal attached to the side of the structure and extending to the ground (generally not installed below frost depth). ○ Perimeter Enclosure (MPR/MPS Item): The space beneath the manufactured home must be properly enclosed; the perimeter enclosure must be a continuous wall that is adequately secured to the perimeter of the unit and allows for proper ventilation of the crawl space. • Required Analysis and Reporting: If the manufactured home foundation does not meet the requirements for Existing Construction, the appraiser must notify the mortgagee and report the deficiency in the MPR or MMPS.
Foundation: New Construction	• Definition: New construction for manufactured housing refers to a manufactured home that has been permanently erected on a site for less than one year prior to the case number assignment date. • Standard: The space beneath the house must be enclosed by a continuous foundation type construction designed to resist all forces to which it is subject without transmitting forces to the building superstructure; the enclosure must be adequately secured to the perimeter of the house and be constructed of materials that conform, accordingly, to HUD MPS (such as concrete, masonry or treated wood) and the PFGMH for foundations. • Required Analysis and Reporting: If the manufactured home foundation does not meet the requirements for New Construction, appraiser must notify the mortgagee and report the deficiency of the MPR or MPS.
HUD Data Plate	• Standard HUD Data Plate Requirements: Manufactured homes have a data plate affixed in a permanent manner, typically adjacent to the electric service panel, the utility room, or within a cabinet in the kitchen. • Required Analysis and Reporting: The appraiser must report the information on the data plate within the appraisal, including the manufacturer name, serial number, model, and date of manufacture, as well as wind, roof load, and thermal zone maps. • Missing Data Plate (or Appraiser Cannot Locate): If the data plate is missing or the appraiser is unable to locate it, the appraiser must report this in the appraisal and is not required to secure the data plate information from another source. ○ If the data plate is missing or appraiser cannot locate it, LoanStream requires an IBTS report.
IBTS Report/HUD Certification FHA	• HUD Certification Label Standard: The manufactured home must have an affixed HUD Certification Label located at one end of each section of the house, approximately one foot up from the floor and one foot in from the roadside, or as near that location on a permanent part of the exterior of the house, as practicable. Etched



CORRESPONDENT NON-DELEGATED UNDERWRITING FHA GUIDELINES WITH OVERLAYS

TOPIC	OVERLAY
	on the HUD Certification Label is the certification label number, as referred to as the HUD label number. Label numbers are not required to be sequential on a multi-section house. • Required Analysis and Reporting: The appraiser must report the HUD label number for all sections, or report that the HUD Certification Label is missing or that the appraiser was unable to locate it. ○ If the HUD Certification is missing or appraiser cannot locate it, LoanStream requires an IBTS report.
Ineligible Features	• The following are not allowed in relation to a manufactured home: ○ Located in a co-op or condo project ○ Located in a flood zone ○ Manufactured home with a leasehold ○ Manufactured home with an ADU or other dwelling structure ○ Single-wide manufactured homes ○ EEMs are not allowed for manufactured homes
PFGMH Certification/Engineer Certification	• Certification by an engineer or architect, who is licensed/registered in the state where the manufactured home is located, attesting to compliance with the PFGMH, is required. • Any addition to the original structure (i.e. patio, deck, carport, rooms, etc.) must be addressed in the certification. ○ If the additions or alterations were not addressed in the certification inspection by the state or local jurisdiction administrative agency that inspects manufactured housing for compliance (or a licensed structural engineer may report on the structural integrity of the manufactured dwelling and the addition if the state does not employ inspectors) is required

TEMPORARY BUYDOWN GUIDE	
Product Eligibility	• 30-Year Fixed Rate only • Conforming and High-balance loan amounts • Primary Residence only • Purchase Transactions only • Single Family (1-2 Units), PUD and Condo only • Seller/Builder funded only
Term of Buydown	• 2/1 Buydown: ○ 24-month term



CORRESPONDENT NON-DELEGATED UNDERWRITING FHA GUIDELINES WITH OVERLAYS

	○ Initial interest rate temporarily reduced by no more than two percent below the note rate and increased by no more than one percent annually for no more than two years, with the non-reduced note rate applying for years three through 30 ● 1/0 Buydown: ○ 12-month term ○ Initial interest rate temporarily reduced by no more than one percent below the note rate, with the non-reduced note rate applying for years two through 30
Underwriting Criteria	● Borrowers qualified using note rate, not buydown rate ● Standard Interested Party Contribution guidelines apply ● Seller/Builder funded only



CORRESPONDENT UNDERWRITING FHA STREAMLINE GUIDELINES WITH OVERLAYS

FHA STREAMLINE REFINANCE - CONFORMING, HIGH BALANCE & LTV/CLTV MATRIX ¹				
Transaction	Property Type	Occupancy	Max Loan Amount or Max LTV/CLTV	Minimum FICO
FHA Streamline	1-4 Unit	Primary Residence	High Balance	600
			Conforming Loan Balance	580
	Manufactured Home	Primary Residence	110%	620

¹Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)

PRODUCT OFFERINGS	
Fixed Rate Products	15, 20, 25, 30 year fixed - Nonstandard terms available

FHA 2025 MORTGAGE LIMITS (COUNTY LOOKUP: https://entp.hud.gov/idapp/html/hicostlook.cfm) Effective for Case Numbers Assigned Between January 1, 2025, and December 31, 2025				
UNITS	FHA LOW-COST AREA	HIGH-COST AREA FHA FORWARD/FNMA/FHLMC	HIGH-COST AK, GM, HI, USVI FHA FORWARD	FANNIE/FREDDIE STANDARD
1	\$524,225	\$1,209,750	\$1,814,625	\$806,500
2	\$671,200	\$1,548,975	\$2,323,450	\$1,032,650
3	\$811,275	\$1,872,225	\$2,808,325	\$1,248,150
4	\$1,008,300	\$2,326,875	\$3,490,300	\$1,551,250

LOAN TASK – NON-DELEGATED ONLY	PARTY RESPONSIBLE FOR COMPLETION	FURTHER DETAILS
FHA Case Assignment	Correspondent	Correspondent Lender is responsible for initial FHA Case Number assignment.
FHA CAIVRS Creation	Correspondent	Correspondent Lender is responsible for submission of a clear CAIVRS upon initial loan submission to LoanStream.
FHA Underwriting of the Loan	LoanStream Mortgage	LoanStream will complete the required underwriting review and approval of FHA loans.
FHA UFMIP Remittance	Correspondent	Upon closing of the loan, Correspondent Lender is responsible for remitting the upfront mortgage insurance premium to HUD within HUD's required timeframe.
FHA MIC Completion	LoanStream Mortgage	LoanStream will complete the required tasks to obtain the Mortgage Insurance Certificate (MIC).

TOPIC	OVERLAY
BASIC GUIDELINES	Overlays in this matrix apply to Federal Housing Administration (FHA) guidelines. Refer to the FHA Single Family Housing Policy Handbook 4000.1 for additional guidance. Information in this matrix is subject to change without notice.
Application/URLA – Minimum Requirements	• Non-Credit Qualifying: ○ Fully completed loan application including employment, but excluding the income section and asset section (unless funds are required) • Credit Qualifying: ○ Fully completed loan application is required
Appraisal Requirement	• No appraisal or valuation product required on SFRs, PUDs or Condos ○ Use the original value of the property for calculating the LTV • Manufactured homes require an exterior only appraisal ○ Max 110% LTV based on current value
Assets	• If the funds to close exceed the total mortgage payment of the new mortgage, the full amount of funds to close must be verified as follows: ○ Bank statements must show account activity for a full two (2) month period ○ Internet statements, obtained from financial institution's website, must contain same information found on a standard bank statement ○ VOD as stand-alone document not permitted unless obtained from a Third-Party Vendor and meet all FHA requirements
Cash Back at Closing	• Borrower should receive no cash back at closing • Cash back to borrower allowed for minor adjustments at closing, not to exceed \$500 ○ Refund of the borrower's unused escrow balance from the previous mortgage is not considered in the \$500 max cash back
Condominiums	• Condo approval issued by FHA is not required, however, if the unit is in a Condominium Project that has an FHA Condo ID, the FHA Condo ID needs to be added when the FHA case number is requested

TOPIC	OVERLAY
Credit	Non-Credit Qualifying • Eligible when all borrowers on the existing loan remain on the new loan. Borrower may only be removed from title under the following exceptions: ◦ Divorce/Legal Separation/Death – Final divorce decree, legal separation agreements verifying remaining borrower is responsible required ▪ Remaining borrower(s) to demonstrate they have made the mortgage payments for at least the most recent six (6) months prior case number assignment • A Credit Report is required. The lowest decision score amongst borrowers is used. One of the following is acceptable: ◦ Traditional Mortgage Only tri-merged credit report with minimum one credit score ◦ Soft-Pull Mortgage Only tri-merged credit report with minimum one credit score • 0 x30 mortgage payment history required in the last 6 months Credit Qualifying • Eligible when at least one borrower on the existing loan remains as a borrower on the new loan • Loan must meet FHA manual underwriting requirements for the following: ◦ Mortgage payment history - 0x30 mortgage payment history required in the last 6 months and no more than 1x30 in the previous 6 (7-12) months ◦ Assets, reserves and funds to close ◦ Credit history – Non-traditional credit is not allowed ◦ Income and employment - Direct electronic verification of employment by third-party vendors is not permitted ◦ Debt-to-income ratio (DTI) • A Credit Report is required. One of the following is acceptable: ◦ Traditional tri-merged credit report with minimum one credit score ▪ The lowest decision score amongst borrowers is used
Electronic Signatures/eSigning	• eSigning is allowed for most documents. • eSigning is not allowed for items below: (or any Loans with POA) ◦ Note ◦ Note Rider(s) ◦ Notice of Right to Cancel ◦ Security Instrument ◦ Security Instrument Rider(s) ◦ COVID-19 Temporary Attestation

TOPIC	OVERLAY
Eligible Borrowers	- US Citizens - Permanent Residents - Inter-Vivos Revocable Trust - Non-Permanent Residents with: Case numbers assigned prior to May 25, 2025, are allowed under the following conditions: - Acceptable Visa evidence provided - Borrower eligible to work in the U.S., as evidenced by EAD issued by the USCIS - Borrower has valid Social Security Number (SSN) - Borrower satisfies the same requirements, terms, and conditions as those for U.S. citizen - DACA: With Category C33 work status under deferred action, DACA borrowers allowed: - EAD must be current (if expiring within one year, evidence history of renewals) - Income source must be stable with a two-year work history - Diplomatic Immunity: Borrowers with Diplomatic Immunity ineligible Case numbers assigned on or after May 25, 2025, are ineligible except for citizens of Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau that have an EAD Category Code A08. Refer to FHA Single Family Housing Policy Handbook 4000.1 for additional requirements.
Escrow Account	Escrow Account required; no escrow waiver allowed.
Forbearance	Non-Credit Qualifying - Allowed, if at time of case file assignment, borrower has completed the forbearance plan and has made at least three (3) consecutive monthly payments within the month due since completing the forbearance plan Credit Qualifying - Allowed, if the borrower is still in forbearance at the time of case number assignment or has made less than three (3) consecutive monthly payments within the month due since completing the forbearance plan provided all payments are made within the month due for the six (6) months prior to forbearance and no more than 1x30 in those previous six (6) months
Income	- Follow FHA Single Family Housing Handbook 4000.1 guidelines - The following types of income are unacceptable: - Income that is not in accordance with all applicable federal, state and local laws, rules and regulations - Any income generated from the cannabis or hemp industry
Ineligible Programs	- Energy Efficient Mortgages (EEM) - Property with PACE Lien - Property with resale restrictions (age restrictions are acceptable on 1 unit properties) - Texas 50(a)6 transactions

TOPIC	OVERLAY
Ineligible Properties	• Commercial enterprises such as Assisted living, Boarding House, Bed and Breakfast, etc. • Condotels • Co-Ops • Geodesic Domes • Indian Leased Land • Land Trusts • Resale type Deed Restrictions (age restricted are acceptable on 1 unit properties) • Single-wide manufactured homes • Solar Panels that affect first lien position • Timeshares • Unique Properties • Unimproved Land • Working Farms or Ranches
Manufactured Homes	Allowed with Limitations – see ‘Manufactured Home Guidelines’ below for specific terms and conditions
Maximum Loan Amount Calculation/Loan Term	• Maximum new loan amount is the lesser of: ○ The outstanding principal balance on the existing FHA loan as of the month prior to closing plus ▪ Interest and MIP due ▪ Any late charges ▪ Escrow shortages ○ The original principal balance of the existing mortgage including financed UFMIP ○ Less any refund of MIP • Maximum loan term is: ○ The remaining amortization period of the existing mortgage plus 12 years, or ○ 30 years
Minimum Loan Amount	• \$75,000
Mortgage Credit Certificate (MCC)	Not permitted
Mortgage Payment History	• 0x30 in the last 6 months and no more than 1x30 in the previous 6 (7-12) months • Mortgage payment must be made within the month due prior to closing. ○ Example: If the loan is closing in Mar 2024, the payment due in Feb 2024 must be made, Sep 2023-Feb 2024 must be 0x30 and no more than 1 payment can be more than 30 days past due (1x30) Aug 2023-Mar 2023 If the mortgage is not reporting on the credit report, a Verification of Mortgage (VOM) for the most recent 12 months is required to evidence payment history

TOPIC	OVERLAY																															
Multiple Loans to One Borrower	- Up to eight (8) properties for one borrower, including the subject property, or a total of \$2M in financing, whichever is less is allowed - Maximum of 20% ownership concentration in any one project or subdivision																															
Net Tangible Benefit	All streamline refinances must evidence a net tangible benefit defined as follows: - Combined Rate is the interest rate on the mortgage plus the Mortgage Insurance Premium (MIP) - If the existing loan has been modified the net tangible benefit is based on the modified payment/interest rate <table><tr><th colspan="3">Refinances without a Term Reduction or with a Term Reduction of < 3 years</th></tr><tr><th rowspan="2">From</th><th colspan="2">To</th></tr><tr><th>Fixed Rate New Combined Rate</th><th>Hybrid ARM New Combined Rate</th></tr><tr><td>Fixed Rate</td><td>At least 0.5% below the prior Combined Rate</td><td>At least 2% below the prior Combined Rate</td></tr><tr><td>ARM</td><td>No more than 2% above the prior Combined Rate</td><td>At least 1% below the prior Combined Rate</td></tr></table> <table><tr><th colspan="3">Refinances with a Term Reduction ≥ 3 years</th></tr><tr><td colspan="3">In addition to the requirements below the combined principal, interest and MIP payment of the new mortgage must not exceed the combined principal, interest and MIP payment of the refinanced mortgage by more than \$50.00</td></tr><tr><th rowspan="2">From</th><th colspan="2">To</th></tr><tr><th>Fixed Rate New Combined Rate</th><th>Hybrid ARM New Combined Rate</th></tr><tr><td>Fixed Rate</td><td>Below the prior Combined Rate</td><td>At least 2% below the prior Combined Rate</td></tr><tr><td>ARM</td><td>No more than 2% above the prior Combined Rate</td><td>At least 1% below the prior Combined Rate</td></tr></table>	Refinances without a Term Reduction or with a Term Reduction of < 3 years			From	To		Fixed Rate New Combined Rate	Hybrid ARM New Combined Rate	Fixed Rate	At least 0.5% below the prior Combined Rate	At least 2% below the prior Combined Rate	ARM	No more than 2% above the prior Combined Rate	At least 1% below the prior Combined Rate	Refinances with a Term Reduction ≥ 3 years			In addition to the requirements below the combined principal, interest and MIP payment of the new mortgage must not exceed the combined principal, interest and MIP payment of the refinanced mortgage by more than \$50.00			From	To		Fixed Rate New Combined Rate	Hybrid ARM New Combined Rate	Fixed Rate	Below the prior Combined Rate	At least 2% below the prior Combined Rate	ARM	No more than 2% above the prior Combined Rate	At least 1% below the prior Combined Rate
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Non-Borrowing Spouse	If the non-borrowing spouse resides in a community property state or if the property is located in a community property state, refer to the FHA Single Family Housing Policy Handbook 4000.1 for requirements																															
Non-Occupant Co-Borrower	Allowed per FHA guidelines, refer to the FHA Single Family Housing Policy Handbook 4000.1 for additional requirements																															
Occupancy	Verification the subject property is occupied by the borrower as their primary residence may be evidenced with the following: - Utility bill (non-credit qualifying credit loans) - Employment documentation (credit qualifying loans)																															

TOPIC	OVERLAY
Power of Attorney (POA)	- POA is allowed for military personnel and incapacitated borrowers only. All requirements detailed in the FHA Single Family Housing Policy Handbook 4000.1 Section II.A.1a.i.(A)(3) must be met. - POA may not be eSigned and must be specific to the transaction - POA must not be used if title is taken in a trust
Recently Listed Properties	Property must be off the market at least one day prior to mortgage application date.
Reserve Requirements	- For credit qualifying loans the following reserve requirements apply: 1 month PITIA for 1-2 unit properties 3 months PITIA for 3-4 unit properties - If DTI > 31/43% additional reserves may be required
Seasoning Requirements	- All transaction must meet FHA and GNMA seasoning requirements - Seasoning requirements are applicable to all FHA Streamline refinances regardless of the type of loan paid. - On the date of the FHA case number assignment: - At least six (6) consecutive monthly payments have been made on the mortgage being refinanced - At least six (6) full months have passed since the first payment due date of the mortgage being refinanced - At least 210 days have passed from the closing date of the mortgage that is being refinanced - The new note date must be: 210 days or more past the due date of the first monthly payment of the mortgage being refinanced, and - After the date on which six (6) consecutive monthly payments have been made on the mortgage being refinanced - For modified loans, the seasoning requirements begin with the first payment due date after the modification - If the loan being refinanced was assumed by the borrowers, six months of payments must have been made since time of assumption - The following documents must be provided to evidence seasoning requirement are met: - Existing Note confirming the first payment due date for the mortgage being refinance - Credit report, credit report supplement or payment history verifying all payments were made in the required time period NOTE: Mortgage payments cannot be made in advance to meet the six consecutive payment requirements.
Social Security Number (SSN)	All borrowers must have a valid SSN.
Subordinate Financing	- Existing subordinate financing must be re-subordinated - New subordinate financing is not allowed NOTE: MaxONE and MaxONE Plus require that the second lien be repaid at time of refinance (unless forgiven under terms of MaxONE) and are not eligible for re-subordination

TOPIC	OVERLAY
Tax Transcripts	Required when tax returns are used to qualify borrower income
Temporary Buydowns	Ineligible
Underwriting Requirements	- All streamline refinances must be manually underwritten - Borrowers are not required to be screened through the Credit Alert Verification Reporting System (CAIVRS) - Ineligibility due to delinquent federal debt does not apply to streamline refinances - The following documents must be provided to evidence seasoning requirements and current interest rate: - Existing Note (confirming both the rate and the first payment due date for the mortgage being refinanced) - Credit report, credit report supplement or payment history verifying all payments were made in the required time period
Vesting	All occupying and non-occupying borrowers and co-borrower must take title to the subject property and sign the note and security instruments
Verbal VOE	Verbal verification of employment is required on all loans whether or not income is required to be documented

TOPIC	OVERLAY
Manufactured Home Guidelines	Overlays in this matrix apply to Federal Housing Administration (FHA) guidelines. Refer to the FHA Single Family Housing Policy Handbook 4000.1 for additional guidance. Information in this matrix is subject to change without notice.
Standards (09/14/2015)	Appraiser must notify mortgagee and report any deficiency of MPR or MPS if a manufactured home does not comply with the following: - Floor area must be ≥ 400 sq ft - Constructed on or after June 15, 1976, in conformance with the federal MHCSS, as evidenced by an affixed HUD Certification Label in accordance with 24 CFR §3280.11 (Manufactured Homes produced prior to June 15, 1976 are ineligible for insured financing.) - Manufactured home and site exist together as a real estate entity in accordance with state law (but need not be treated as real estate for taxation purposes) - Manufactured home was moved from the factory or dealer directly to the site - Manufactured home was designed to be used as a dwelling with a permanent foundation built to comply with PFGMH - Finished grade elevation beneath the manufactured home (or, if basement used, the grade beneath the basement floor) is at or above the 100-year return frequency flood elevation - Structure is designed for occupancy as a principal residence by a single family

Estimate Cost (New Construction)	The appraiser must apply the cost approach for New Construction Manufactured Housing.
Flood Zone	Manufactured homes in a flood zone are ineligible
Foundation: Existing Construction	- Existing construction allowed, new construction is ineligible Definition: Existing construction for manufactured housing refers to a manufactured home that has been permanently installed on a site for one year or more prior to the case number assignment date. - Preliminary title report must evident subject is permanently affixed Standard: If the perimeter enclosure is non-load-bearing skirting comprised of lightweight material, the entire surface area of the skirting must be permanently attached to backing made of concrete, masonry, treated wood, or a product with similar strength and durability. Skirting: Skirting refers to a non-structural enclosure of a foundation crawl space that is typically, but not always, a lightweight material such as vinyl or metal attached to the side of the structure and extending to the ground (generally not installed below frost depth). Perimeter Enclosure (MPR/MPS Item): The space beneath the manufactured home must be properly enclosed; the perimeter enclosure must be a continuous wall that is adequately secured to the perimeter of the unit and allows for proper ventilation of the crawl space. Required Analysis and Reporting: If the manufactured home foundation does not meet the requirements for Existing Construction, the appraiser must notify the mortgagee and report the deficiency in the MPR or MMPS.
Foundation: New Construction	Definition: New construction for manufactured housing refers to a manufactured home that has been permanently erected on a site for less than one year prior to the case number assignment date. Standard: The space beneath the house must be enclosed by a continuous foundation type construction designed to resist all forces to which it is subject without transmitting forces to the building superstructure; the enclosure must be adequately secured to the perimeter of the house and be constructed of materials that conform, accordingly, to HUD MPS (such as concrete, masonry or treated wood) and the PFGMH for foundations. Required Analysis and Reporting: If the manufactured home foundation does not meet the requirements for New Construction, appraiser must notify the mortgagee and report the deficiency of the MPR or MPS.
HUD Data Plate	Standard HUD Data Plate Requirements: Manufactured homes have a data plate affixed in a permanent manner, typically adjacent to the electric service panel, the utility room, or within a cabinet in the kitchen. Required Analysis and Reporting: The appraiser must report the information on the data plate within the appraisal, including the manufacturer name, serial number, model, and date of manufacture, as well as wind, roof load, and thermal zone maps. Missing Data Plate (or Appraiser Cannot Locate): If the data plate is missing or the appraiser is unable to locate it, the appraiser must report this in the appraisal and is not required to secure the data plate information from another source. If the data plate is missing or appraiser cannot locate it, an IBTS report is required.

IBTS Report/HUD Certification FHA	• HUD Certification Label Standard: The manufactured home must have an affixed HUD Certification Label located at one end of each section of the house, approximately one foot up from the floor and one foot in from the roadside, or as near that location on a permanent part of the exterior of the house, as practicable. Etched on the HUD Certification Label is the certification label number, as referred to as the HUD label number. Label numbers are not required to be sequential on a multi-section house. • Required Analysis and Reporting: The appraiser must report the HUD label number for all sections, or report that the HUD Certification Label is missing or that the appraiser was unable to locate it. ○ If the HUD Certification is missing or appraiser cannot locate it, an IBTS report is required
Ineligible Features	• The following are not allowed in relation to a manufactured home: ○ Located in a co-op or condo project ○ Located in a flood zone ○ Manufactured home with a leasehold ○ Manufactured home with an ADU or other dwelling structure ○ New construction ○ Single-wide manufactured homes ○ EEMs are not allowed for manufactured homes
PFGMH Certification/Engineer Certification	• Certification by an engineer or architect, who is licensed/registered in the state where the manufactured home is located, attesting to compliance with the PFGMH, is required. • Any addition to the original structure (i.e. patio, deck, carport, rooms, etc.) must be addressed in the certification. ○ If the additions or alterations were not addressed in the certification inspection by the state or local jurisdiction administrative agency that inspects manufactured housing for compliance (or a licensed structural engineer may report on the structural integrity of the manufactured dwelling and the addition if the state does not employ inspectors) is required

VA AUS UNDERWRITING MATRIX ¹					
TRANSACTION	PROPERTY TYPE	OCCUPANCY	MAX LTV/CLTV	MAX LOAN AMOUNT	MINIMUM FICO
PURCHASE	1-4 UNITS	PRINCIPAL RESIDENCE	100%	≤ \$1.00 MM	580
			100%	> \$1.00 MM ≤ \$1.50 MM	640
			90%	> \$1.00 MM ≤ \$1.50 MM	580
CASH-OUT REFINANCE	1-4 UNITS	PRINCIPAL RESIDENCE	90%	≤ \$1.00 MM	580
			100%	≤ \$1.00 MM	600
			100%	> \$1.00 MM	640
¹ Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)					

VA IRRRLs are eligible – see the VA IRRRL Guidelines with Overlays Matrix for program details

VA MANUAL UNDERWRITING MATRIX					
TRANSACTION	PROPERTY TYPE	OCCUPANCY	MAX LTV/CLTV	MAX LOAN AMOUNT	MINIMUM FICO
PURCHASE	1-4 UNITS	PRINCIPAL RESIDENCE	100%	≤ \$1.00 MM	580
	SFR	PRINCIPAL RESIDENCE	100%	\$500,000	No FICO
			95%	> \$500K ≤ \$1.00 MM	No FICO
CASH-OUT REFINANCE	1-4 UNITS	PRINCIPAL RESIDENCE	90%	≤ \$1.00 MM	580

PRODUCT OFFERINGS	
Fixed Rate Products	15, 20, 25, 30 year fixed - Nonstandard terms available

Loan Limits – Please reference [FHFA Conforming loan limits](#).

For guidance not covered in this document, please reference VA lender handbook https://www.benefits.va.gov/warms/pam26_7.asp.

TOPIC	OVERLAY
BASIC GUIDELINES	Overlays in this matrix apply to US Department of Veterans Affairs (VA) conforming guidelines . Refer to the VA lender handbook for additional guidance. Information in this matrix is subject to change without notice.
Amended Tax Returns	Accepted for the following amendment reasons: • Amended for clerical items only (i.e. modifying a prior ITIN number to a newly issued SSN) • Amended for income-related items, under the following conditions: ○ Amended at least sixty (60) days before mortgage application taken ○ Amendment shows on transcripts (stamped returns not acceptable) ○ Documentation supplied to support the increase, including but not limited to: ▪ 1099 or W2 showing missed/updated income ▪ Canceled Checks or Bank Statements showing missed/updated rental income
Assets	• Assets must be documented as determined by AUS, as applicable, and in accordance with VA guidelines • An account in a minor's name where the borrower is named only as custodian of the funds is not eligible for use as closing costs, down payment, or reserves.
AUS	• DU and LPA allowed
Cash-Out - Type I	• Seasoning requirements (see Seasoning Requirements section below) must be met • The proposed interest rate must be lower than the existing interest rate: ○ 0.5% rate reduction required for Fixed to Fixed ○ 2.0% rate reduction required for Fixed to ARM ▪ If discount points are utilized to reduce the interest rate, the LTV calculation is determined as follows: • ≤ 1.000 discount point requires a ≤ 100% LTV • > 1.000 discount points requires a ≤ 90% LTV ○ ARM to Fixed and ARM to ARM are exempt from rate reduction requirement • Net Tangible benefit must be met as indicated on the Loan Comparison • Fee recoupment must be ≤ 36 months after the date the loan closed ○ No more than 2.000 discount points can be charged ○ Recoupment is calculated by dividing all fees, expenses, and closing costs—whether included in the loan or paid outside the loan or paid outside of closing (i.e. an appraisal fee)—by the reduction of the monthly PI payment ▪ Borrower can only be charged for one appraisal/valuation product ▪ The VA funding fee, escrow, and prepaid expenses, such as insurance, taxes, special assessments, and homeowners' association (HOA) fees, are excluded from the fee recoupment calculation
Cash-Out - Type II	• Seasoning requirements (see Seasoning Requirements section below) must be met • Net Tangible benefit must be met as indicated on the Loan Comparison ○ Cash in hand at closing does not satisfy this requirement

TOPIC	OVERLAY
Debt-to-Income Ratio (DTI)	Maximum DTI - AUS Approved: 65% (> 65% requires Credit Policy 2nd-level review) - Manual Underwrite: 600 FICO, 50% - Manual Underwrite: No FICO, 45%
Electronic Signatures/eSigning	- eSigning is allowed for most documents. - eSigning is not allowed for items below: (or any Loans with POA) - Note - Note Rider(s) - Notice of Right to Cancel - Security Instrument - Security Instrument Rider(s) - COVID-19 Temporary Attestation
Escrow Account	Escrow Account required; no escrow waiver allowed.
Escrow Holdback	Not allowed
Family-Owned Business	Two years tax returns are required regardless of AUS recommendation.
Income	- Follow the VA Lender Handbook guidelines - The following types of income are unacceptable: - Income that is not in accordance with all applicable federal, state and local laws, rules and regulations - Any income generated from the cannabis or hemp industry
Ineligible Programs	- Construction to Permanent – One Closing Vehicle (Single-Closing) - Energy Efficient Mortgages (EEM) - Joint Loans - Native American Direct Loan - Property with PACE Lien (unless paying off through the transaction) - Property with resale restrictions (age restrictions are acceptable) - Texas 50(a)6 transactions

TOPIC	OVERLAY
Ineligible Properties	• Co-Ops • Indian Leased Land • Single-wide Manufactured Home • Solar Panels that affect first lien position
Minimum Loan Amount	\$75,000
Mortgage Credit Certificate (MCC)	Not permitted
Non-Occupant Co-Borrower	Not eligible
Power of Attorney (POA)	• A POA may not be eSigned and must be specific to the transaction. • LSM requires all of the following: ○ Alive and Well Statement from commanding officer (if active duty) ○ Underwriter must be able to validate the Veteran applied for the mortgage (lender certification is required) ○ Specific POA is required; a Military POA may be used in cases where borrower is actively deployed
Recently Listed Properties	Property must be off the market at least one day prior to mortgage application date.
Renegotiated Purchase Contract	• Not allowed; however, minor adjustments due to condition or other relevant factors are permitted. • Increase of sales price after appraisal completed is not permitted.
Seasoning Requirements	Seasoning requirements are applicable to all VA refinances regardless of the type of loan paid off through the transaction. • The new note date must be on or after: ○ The date that is 210 days or more after the date on which the first monthly payment was due on the mortgage being refinanced, and ○ The date on which six (6) consecutive monthly payments have been made on the mortgage being refinanced • For modified loans, the note date of the new loan must be on or after: ○ The date that is 210 days or more after the date on which the first modified monthly payment was due on the mortgage being refinanced, and ○ The date on which six (6) consecutive modified monthly payments have been made on the mortgage being refinanced NOTE: Mortgage payments cannot be made in advance to meet the six consecutive payment requirements
Social Security Number (SSN)	All borrowers must have a valid SSN.

TOPIC	OVERLAY
Tax Transcripts	- Transcripts are required when tax returns are used to qualify borrower income; this includes both personal and business returns, where applicable - If the most recent year's tax returns have been filed, but not processed by the IRS, the following alternative documentation is allowed: - Copy of eFiled tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower - Letter from CPA who filed taxes stating the Adjusted Gross Income and copy of tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower - IRS stamped tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower - Borrower's copy of transcripts pulled directly from the IRS website Note: A copy of the "Where's My Refund" screen from IRS site can be provided in lieu of proof of deposit for tax refund
Temporary Buydowns	Allowed with Limitations – see ' Temporary Buydown Guide ' below for specific terms and conditions
Unpaid Federal Tax Debt	- Delinquent tax debt that has not become a lien and does not impact title (open liens reflected on credit report will impact title and must be paid off) may remain open provided they are in an IRS approved payment plan with timely payments made, if applicable - Delinquent tax debt that has become a lien or does not meet the above requirements is ineligible NOTE: Record of Account can be used in lieu of canceled check or proof of electronic payment.
VA IRRRL	VA IRRRLs are eligible – see VA IRRRL Guidelines with Overlays Matrix for more details

TOPIC	OVERLAY
MANUFACTURED HOME GUIDELINES	Overlays in this matrix apply to US Department of Veterans Affairs (VA) conforming guidelines . Refer to the VA lender handbook for additional guidance. Information in this matrix is subject to change without notice.
Standards (09/14/2015)	Appraiser must notify mortgagee and report any deficiency of MPR or MPS if a manufactured home does not comply with the following: - Floor area must be ≥ 400 sq ft - Constructed on or after June 15, 1976, in conformance with the federal MHCSS, as evidenced by an affixed HUD Certification Label in accordance with 24 CFR §3280.11 (Manufactured Homes produced prior to June 15, 1976 are ineligible for insured financing.) - Manufactured home and site exist together as a real estate entity in accordance with state law (but need not be treated as real estate for taxation purposes) - Manufactured home was moved from the factory or dealer directly to the site - Manufactured home was designed to be used as a dwelling with a permanent foundation built to comply with PFGMH

TOPIC	OVERLAY
	- Finished grade elevation beneath the manufactured home (or, if basement used, the grade beneath the basement floor) is at or above the 100-year return frequency flood elevation - Structure is designed for occupancy as a principal residence by a single family
Flood Zone	LSM does not allow manufactured homes in a flood zone.
Foundation: Existing Construction	Definition: Existing construction for manufactured housing refers to a manufactured home that has been permanently installed on a site for one year or more prior to the case number assignment date. Standard: If the perimeter enclosure is non-load-bearing skirting comprised of lightweight material, the entire surface area of the skirting must be permanently attached to backing made of concrete, masonry, treated wood, or a product with similar strength and durability. Skirting: Skirting refers to a non-structural enclosure of a foundation crawl space that is typically, but not always, a lightweight material such as vinyl or metal attached to the side of the structure and extending to the ground (generally not installed below frost depth). Perimeter Enclosure (MPR/MPS Item): The space beneath the manufactured home must be properly enclosed; the perimeter enclosure must be a continuous wall that is adequately secured to the perimeter of the unit and allows for proper ventilation of the crawl space. Required Analysis and Reporting: If the manufactured home foundation does not meet the requirements for Existing Construction, the appraiser must notify the mortgagee and report the deficiency in the MPR or MMPS.
HUD Data Plate	Standard HUD Data Plate Requirements: Manufactured homes have a data plate affixed in a permanent manner, typically adjacent to the electric service panel, the utility room, or within a cabinet in the kitchen. Required Analysis and Reporting: The appraiser must report the information on the data plate within the appraisal, including the manufacturer name, serial number, model, and date of manufacture, as well as wind, roof load, and thermal zone maps. Missing Data Plate (of Appraiser Cannot Locate): If the data plate is missing or the appraiser is unable to locate it, the appraiser must report this in the appraisal and is not required to secure the data plate information from another source. If the data plate is missing or appraiser cannot locate it, LSM requires an IBTS report.
IBTS Report/HUD Certification FHA	HUD Certification Label Standard: The manufactured home must have an affixed HUD Certification Label located at one end of each section of the house, approximately one foot up from the floor and one foot in from the roadside, or as near that location on a permanent part of the exterior of the house, as practicable. Etched on the HUD Certification Label is the certification label number, as referred to as the HUD label number. Label numbers are not required to be sequential on a multi-section house. Required Analysis and Reporting: The appraiser must report the HUD label number for all sections, or report that the HUD Certification Label is missing or that the appraiser was unable to locate it. If the HUD Certification is missing or appraiser cannot locate it, LSM requires an IBTS report.
Ineligible Features	The following are not allowed in relation to a manufactured home:

TOPIC	OVERLAY
	○ Located in a co-op or condo project ○ Located in a flood zone ○ Manufactured home with a leasehold ○ Manufactured home with an ADU or other dwelling structure ○ Single-wide manufactured homes ○ Graduated Payment Mortgage (GPM)
Manufactured Home Additions	● Any addition to the original structure (i.e. patio, deck, carport, rooms, etc.) requires a structural engineer report. ○ If the appraiser observes additions or structural changes to the original manufactured home, the appraiser must condition the appraisal upon inspection by the state or local jurisdiction administrative agency that inspects manufactured housing for compliance (or a licensed structural engineer may report on the structural integrity of the manufactured dwelling and the addition if the state does not employ inspectors).

TEMPORARY BUYDOWN GUIDE	
Product Eligibility	● AUS Approve/Accept recommendations only – not allowed on manually underwritten loans ● 30-Year Fixed Rate only ● Conforming and High-balance loan amounts ● Primary Residence only ● Purchase Transactions only ● Single Family (1-2 Units), PUD and Condo only ● Seller/Builder funded only
Term of Buydown	● 2/1 Buydown: ○ 24-month term ○ Initial interest rate temporarily reduced by no more than two percent below the note rate and increased by no more than one percent annually for no more than two years, with the non-reduced note rate applying for years three through 30 ● 1/0 Buydown: ○ 12-month term ○ Initial interest rate temporarily reduced by no more than one percent below the note rate, with the non-reduced note rate applying for years two through 30
Underwriting Criteria	● Borrowers qualified using note rate, not buydown rate ● Standard Interested Party Contribution guidelines apply ● Temporary Buydowns are not allowed on manually underwritten loans ● Seller/Builder funded only

VA IRRRL MANUAL UNDERWRITING MATRIX ²					
TRANSACTION	PROPERTY TYPE	OCCUPANCY	MAX LTV/CLTV ¹	MAX LOAN AMOUNT	MINIMUM FICO
VA IRRRL	1-4 UNITS	PRINCIPAL RESIDENCE	110%	≤ \$1.00 MM	580
			110%	> \$1.00 MM ≤ \$1.50 MM	640
		NON-OWNER ¹	100%	≤ \$1.00 MM	600

¹LTV is determined prior to adding the VA funding fee.
²Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)

PRODUCT OFFERINGS	
Fixed Rate Products	15, 20, 25, 30 year fixed - Nonstandard terms available

Loan Limits – Please reference [FHFA Conforming loan limits](#).

For guidance not covered in this document, please reference VA lender handbook https://www.benefits.va.gov/warms/pam26_7.asp.

LOAN TASK - NON-DELEGATED ONLY	RESPONSIBLE PARTY	FURTHER DETAILS
VA Case Assignment	Correspondent	Correspondent Lender is responsible for initial VA Case Assignment.
VA Appraisal Delivery	Correspondent	Correspondent Lender is responsible for uploading appraisals to the VA portal in order to receive the Notice of Value (NOV), as applicable
VA Loan Underwriting	LSM	LSM will complete the required underwriting review and approval of all VA loans.
VA Funding Fee (VAFF) Payment	Correspondent	Correspondent Lender is responsible for ensuring the VAFF is paid as applicable.
VA LGC Completion	LSM	LSM will complete the required tasks to obtain the Loan Guaranty Certificate (LGC).

TOPIC	OVERLAY
BASIC GUIDELINES	Overlays in this matrix apply to US Department of Veterans Affairs (VA) conforming guidelines . Refer to the VA lender handbook for additional guidance. Information in this matrix is subject to change without notice.
Application/URLA - Minimum Requirements	Non-Credit Qualifying: - Fully completed loan application including employment, but excluding the income section and asset section (unless funds are required) Credit Qualifying: - Fully completed loan application is required

TOPIC	OVERLAY
Appraisal /Property Valuation Requirements	No appraisal is required unless refinancing a Fixed Rate to an ARM and discount points are added to the principal balance of the loan
Cash Back at Closing	- Borrower should receive no cash back at closing - Cash back to borrower allowed for minor adjustments at closing, not to exceed \$500
Certificate of Eligibility	- Not required - If borrower is exempt from paying the VA funding fee, evidence of funding fee exemption is required - Screen print of funding fee status at the time the VA LIN is requested is acceptable
Condominiums	Condo approval issued by VA is not required
Credit Requirements	Non-Credit Qualifying - A Credit Report is required. The lowest decision score amongst borrowers is used. One of the following is acceptable: - Traditional Mortgage Only tri-merged credit report with minimum one credit score - Soft-Pull Mortgage Only tri-merged credit report with minimum one credit score 0 x30 mortgage payment history required in the last 6 months - Income/credit verification is not required when the following seven (7) conditions are met: - Current payment on the existing loan being refinanced is not 30 or more days past due - Proposed IRRRL principal balance (excluding fees and charges allowed by VA) is not more than the outstanding balance on the existing VA loan - Total points and fees do not exceed 3% of the total proposed loan amount - Interest rate on the proposed IRRRL is lower than the rate on the existing loan being refinanced unless the borrower is refinancing from an adjustable rate to a fixed rate - Propose IRRRL payment is subject to a fully amortized payment schedule - Terms of the proposed IRRRL do not require a balloon payment - Proposed IRRRL and existing VA loan adhere to all other VA requirements - IRRRLs that do not meet all seven (7) requirements are still eligible for credit qualifying IRRRL - If the P&I payment increases 20% or more (standard VA guideline) loan is ineligible for non-credit qualifying IRRRL and must follow credit qualifying requirements. Lender certification is also required. Credit Qualifying - Tri-merge full credit report with minimum of one credit score is required 0x30 mortgage payment history required in the last 12 months - Income and DTI to be verified in accordance with VA's manual underwriting requirements - DTI 41% maximum; or - DTI > 41% to 50% maximum if residual income is > 120% of VA residual income requirements - Loan must also meet safe harbor, seasoning and net tangible benefit requirements

TOPIC	OVERLAY
Electronic Signatures/eSigning	- eSigning is allowed for most documents. - eSigning is not allowed for items below: (or any Loans with POA) - Note - Note Rider(s) - Notice of Right to Cancel - Security Instrument - Security Instrument Rider(s) - COVID-19 Temporary Attestation
Escrow Account	Escrow Account required; no escrow waiver allowed.
Escrow Holdback	Not allowed
Income	- Follow the VA Lender Handbook guidelines - The following types of income are unacceptable: - Income that is not in accordance with all applicable federal, state and local laws, rules and regulations - Any income generated from the cannabis or hemp industry
Ineligible Programs	- Energy Efficient Mortgages (EEM) - Property with PACE Lien - Property with resale restrictions (age restrictions are acceptable) - Texas 50(a)6 transactions

TOPIC	OVERLAY
Ineligible Properties	• Commercial enterprises such as Assisted Living, Boarding House, Bed and Breakfast, etc. • Condominiums • Co-Ops • Geodesic Domes • Indian Leased Land • Land Trusts • Properties currently in litigation • Properties located in Lava Zone 1 and 2 • Resale type Deed Restrictions (age restrictions are acceptable) • Single-wide Manufactured Homes • Solar Panels that affect first lien position • Timeshares • Unimproved Land • Unique Properties • Working Farms or Ranches
Minimum Loan Amount	\$75,000
Maximum Loan Amount Calculation/Loan Term	• Maximum new loan amount is the existing VA loan balance plus the following: ○ Allowable fees and charges (including up to two discount points) ○ Any late fees ○ VA Funding Fee • New loan may not include delinquent payments due on the existing VA mortgage • Maximum loan term is the original term of the VA loan being refinanced plus 10 years, but not to exceed 30 years and 32 days. (For example, if the old loan was made with a 15-year term, the term of the new loan cannot exceed 25 years)
Mortgage Credit Certificate (MCC)	Not permitted

TOPIC	OVERLAY
Net Tangible Benefit (NTB)	All IRRRLs must evidence a net tangible benefit defined as follows: - The proposed interest rate must be lower than the existing interest rate: 0.5% rate reduction required for Fixed to Fixed 2.0% rate reduction required for Fixed to ARM - If discount points are utilized to reduce the interest rate, the LTV calculation is determined as follows: ≤ 1.000 discount point requires a ≤ 100% LTV > 1.000 discount points requires a ≤ 90% LTV - ARM to Fixed and ARM to ARM are exempt from rate reduction requirement - Fee recoupment must be ≤ 36 months after the date the loan closed - No more than 2.000 discount points can be charged - Recoupment is calculated by dividing all fees, expenses, and closing costs—whether included in the loan or paid outside the loan or paid outside of closing (i.e. an appraisal fee)—by the reduction of the monthly PI payment - Borrower can only be charged for one appraisal/valuation product - The VA funding fee, escrow, and prepaid expenses, such as insurance, taxes, special assessments, and homeowners' association (HOA) fees, are excluded from the fee recoupment calculation
Non-Occupant Co-Borrower	Ineligible
Non-Permanent Resident Aliens	These borrowers accepted under the following conditions: - Acceptable visa evidence provided - Borrower eligible to work in the U.S., as evidenced by EAD issued by the USCIS - Borrower has valid Social Security Number (SSN) - Borrower satisfies the same requirements, terms, and conditions as those for U.S. citizen - DACA: Category C33 work status under deferred action, DACA borrowers allowed with proper documentation. - EAD must be current; if expiring within 1 year, evidence of history of renewals - Income source must be stable with two-year work history - Diplomatic Immunity: Borrowers with Diplomatic Immunity are ineligible
Occupancy	- Owner Occupied - Utility bill required on non-credit qualifying loans to evidence occupancy - Investment - Borrower must evidence subject property was previously occupied the property as a primary residence
Power of Attorney (POA)	- A POA may not be eSigned and must be specific to the transaction - In addition, all the following is required: - Alive and Well Statement from commanding officer (if active duty) - Underwriter must be able to validate the Veteran applied for the mortgage (lender certification is required) - Specific POA is required; a Military POA may be used in cases where borrower is actively deployed

TOPIC	OVERLAY
Recently Listed Properties	Property must be off the market at least one day prior to mortgage application date.
Reserve Requirements	Reserves are not required
Seasoning Requirements	Seasoning requirements are applicable to all VA IRRRL refinances regardless of the type of loan paid. - The new note date must be: 210 days or more past the due date of the first monthly payment of the mortgage being refinanced, and - After the date on which six (6) consecutive monthly payments have been made on the mortgage being refinanced - For modified loans, the note date of the new loan must 210 days or more past the due date of the first modified monthly payment of the mortgage being refinanced, and - After the date on which six (6) consecutive modified monthly payments have been made on the mortgage being refinanced - The following documents must be provided to evidence seasoning requirement are met: - Existing Note confirming the first payment due date for the mortgage being refinanced - Credit report, credit report supplement or payment history verifying all payments were made in the required time period NOTE: Mortgage payments cannot be made in advance to meet the six consecutive payment requirements.
Social Security Number (SSN)	All borrowers must have a valid SSN.
Subordinate Financing	- Existing subordinate financing must be re-subordinated to the VA IRRRL - New subordinate financing is not allowed - No liens other than the existing VA loan may be paid off with proceeds of the IRRRL
Tax Transcripts	- Required when tax returns are used to qualify borrower income - Not required for non-credit qualifying IRRRL transactions
Temporary Buydowns	Ineligible
Underwriting Requirements	- The following documents must be provided to evidence seasoning requirements and current interest rate: - Existing Note (confirming both the rate and the first payment due date for the mortgage being refinanced) - Credit report, credit report supplement or payment history verifying all payments were made in the required time period
VA Funding Fee	Funding Fee percentage (%) for first time and subsequent use is 0.50
Vesting	- Joint loans are allowed, and borrowers may be removed in accordance with VA guidelines - Only the Veteran and spouse, if applicable, can take title to the subject property. No other individuals are allowed to be added to title.

TOPIC	OVERLAY
	Unless otherwise outlined in the VA Lenders Handbook Chapter Six, parties obligated on the original loan must be the same on the new loan (and the veteran must still own the property)
Verbal Verification of Employment (VVOE) Requirements	Verbal verification of employment is required on all loans whether or not income is required to be documented

TOPIC	OVERLAY
MANUFACTURED HOME GUIDELINES	Overlays in this matrix apply to US Department of Veterans Affairs (VA) conforming guidelines . Refer to the VA lender handbook for additional guidance. Information in this matrix is subject to change without notice.
Standards (09/14/2015)	Appraiser must notify mortgagee and report any deficiency of MPR or MPS if a manufactured home does not comply with the following: - Floor area must be ≥ 400 sq ft - Constructed on or after June 15, 1976, in conformance with the federal MHCSS, as evidenced by an affixed HUD Certification Label in accordance with 24 CFR §3280.11 (Manufactured Homes produced prior to June 15, 1976 are ineligible for insured financing.) - Manufactured home and site exist together as a real estate entity in accordance with state law (but need not be treated as real estate for taxation purposes) - Manufactured home was moved from the factory or dealer directly to the site - Manufactured home was designed to be used as a dwelling with a permanent foundation built to comply with PFGMH - Finished grade elevation beneath the manufactured home (or, if basement used, the grade beneath the basement floor) is at or above the 100-year return frequency flood elevation - Structure is designed for occupancy as a principal residence by a single family
Flood Zone	Manufactured homes in a flood zone are ineligible

TOPIC	OVERLAY
Foundation: Existing Construction	- Existing construction allowed, new construction is ineligible Definition: Existing construction for manufactured housing refers to a manufactured home that has been permanently installed on a site for one year or more prior to the case number assignment date. - Preliminary title report must evidence subject is permanently affixed Standard: If the perimeter enclosure is non-load-bearing skirting comprised of lightweight material, the entire surface area of the skirting must be permanently attached to backing made of concrete, masonry, treated wood, or a product with similar strength and durability. Skirting: Skirting refers to a non-structural enclosure of a foundation crawl space that is typically, but not always, a lightweight material such as vinyl or metal attached to the side of the structure and extending to the ground (generally not installed below frost depth). Perimeter Enclosure (MPR/MPS Item): The space beneath the manufactured home must be properly enclosed; the perimeter enclosure must be a continuous wall that is adequately secured to the perimeter of the unit and allows for proper ventilation of the crawl space. Required Analysis and Reporting: If the manufactured home foundation does not meet the requirements for Existing Construction, the appraiser must notify the mortgagee and report the deficiency in the MPR or MMPS.
HUD Data Plate	Standard HUD Data Plate Requirements: Manufactured homes have a data plate affixed in a permanent manner, typically adjacent to the electric service panel, the utility room, or within a cabinet in the kitchen. Required Analysis and Reporting: The appraiser must report the information on the data plate within the appraisal, including the manufacturer name, serial number, model, and date of manufacture, as well as wind, roof load, and thermal zone maps. Missing Data Plate (or Appraiser Cannot Locate): If the data plate is missing or the appraiser is unable to locate it, the appraiser must report this in the appraisal and is not required to secure the data plate information from another source. If the data plate is missing or appraiser cannot locate it, LSM requires an IBTS report.
IBTS Report/HUD Certification FHA	HUD Certification Label Standard: The manufactured home must have an affixed HUD Certification Label located at one end of each section of the house, approximately one foot up from the floor and one foot in from the roadside, or as near that location on a permanent part of the exterior of the house, as practicable. Etched on the HUD Certification Label is the certification label number, as referred to as the HUD label number. Label numbers are not required to be sequential on a multi-section house. Required Analysis and Reporting: The appraiser must report the HUD label number for all sections, or report that the HUD Certification Label is missing or that the appraiser was unable to locate it. If the Certification Label is missing or appraiser cannot locate it, LSM requires an IBTS report.

TOPIC	OVERLAY
Ineligible Features	• The following are not allowed in relation to a manufactured home: ○ Located in a co-op or condo project ○ Located in a flood zone ○ Manufactured home with a leasehold ○ Manufactured home with an ADU or other dwelling structure ○ New construction ○ Single-wide manufactured homes ○ Graduated Payment Mortgage (GPM)
Manufactured Home Additions	• Any addition to the original structure (i.e. patio, deck, carport, rooms, etc.) requires a structural engineer report. ○ If the appraiser observes additions or structural changes to the original manufactured home, the appraiser must condition the appraisal upon inspection by the state or local jurisdiction administrative agency that inspects manufactured housing for compliance (or a licensed structural engineer may report on the structural integrity of the manufactured dwelling and the addition if the state does not employ inspectors).

VA AUS UNDERWRITING MATRIX ¹					
TRANSACTION	PROPERTY TYPE	OCCUPANCY	MAX LTV/CLTV	MAX LOAN AMOUNT	MINIMUM FICO
PURCHASE	1-4 UNITS	PRINCIPAL RESIDENCE	100%	≤ \$1.00 MM	580
			100%	> \$1.00 MM ≤ \$1.50 MM	640
			90%	> \$1.00 MM ≤ \$1.50 MM	580
CASH-OUT REFINANCE	1-4 UNITS	PRINCIPAL RESIDENCE	90%	≤ \$1.00 MM	580
			100%	≤ \$1.00 MM	600
			100%	> \$1.00 MM	640

¹Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)

VA IRRRLs are eligible – see the VA IRRRL Guidelines with Overlays Matrix for program details

VA MANUAL UNDERWRITING MATRIX					
TRANSACTION	PROPERTY TYPE	OCCUPANCY	MAX LTV/CLTV	MAX LOAN AMOUNT	MINIMUM FICO
PURCHASE	1-4 UNITS	PRINCIPAL RESIDENCE	100%	≤ \$1.00 MM	580
	SFR	PRINCIPAL RESIDENCE	100%	\$500,000	No FICO
			95%	> \$500K ≤ \$1.00 MM	No FICO
CASH-OUT REFINANCE	1-4 UNITS	PRINCIPAL RESIDENCE	90%	≤ \$1.00 MM	580

PRODUCT OFFERINGS	
Fixed Rate Products	15, 20, 25, 30 year fixed, Nonstandard terms available

Loan Limits – Please reference [FHFA Conforming loan limits](#).

For guidance not covered in this document, please reference VA lender handbook https://www.benefits.va.gov/warms/pam26_7.asp.

LOAN TASK	RESPONSIBLE PARTY	FURTHER DETAILS
VA Case Assignment	Correspondent	Correspondent Lender is responsible for initial VA Case Assignment.
VA Appraisal Delivery	Correspondent	Correspondent Lender is responsible for uploading appraisals to the VA portal in order to receive the Notice of Value (NOV).
VA Loan Underwriting	LSM	LSM will complete the required underwriting review and approval of all VA loans.
VA Funding Fee (VAFF) Payment	Correspondent	Correspondent Lender is responsible for ensuring the VAFF is paid as applicable.
VA LGC Completion	LSM	LSM will complete the required tasks to obtain the Loan Guaranty Certificate (LGC).

TOPIC	OVERLAY
BASIC GUIDELINES	Overlays in this matrix apply to US Department of Veterans Affairs (VA) conforming guidelines . Refer to the VA lender handbook for additional guidance. Information in this matrix is subject to change without notice.
Amended Tax Returns	Accepted for the following amendment reasons: • Amended for clerical items only (i.e. modifying a prior ITIN number to a newly issued SSN) • Amended for income-related items, under the following conditions: ○ Amended at least sixty (60) days before mortgage application taken ○ Amendment shows on transcripts (stamped returns not acceptable) ○ Documentation supplied to support the increase, including but not limited to: ▪ 1099 or W2 showing missed/updated income ▪ Canceled Checks or Bank Statements showing missed/updated rental income
Assets	• Assets must be documented as determined by AUS, as applicable, and in accordance with VA guidelines • Internet Statements, obtained from financial institution's website, must contain the same information found on a standard bank statement. • VOD as stand-alone document not permitted unless obtained from a Third-Party Vendor.
Cash-Out - Type I	• Seasoning requirements (see Seasoning Requirements section below) must be met • The proposed interest rate must be lower than the existing interest rate: ○ 0.5% rate reduction required for Fixed to Fixed ○ 2.0% rate reduction required for Fixed to ARM ▪ If discount points are utilized to reduce the interest rate, the LTV calculation is determined as follows: • ≤ 1.000 discount point requires a ≤ 100% LTV • > 1.000 discount points requires a ≤ 90% LTV ○ ARM to Fixed and ARM to ARM are exempt from rate reduction requirement • Net Tangible benefit must be met as indicated on the Loan Comparison • Fee recoupment must be ≤ 36 months after the date the loan closed ○ No more than 2.000 discount points can be charged ○ Recoupment is calculated by dividing all fees, expenses, and closing costs—whether included in the loan or paid outside the loan or paid outside of closing (i.e. an appraisal fee)—by the reduction of the monthly PI payment ▪ Borrower can only be charged for one appraisal/valuation product ▪ The VA funding fee, escrow, and prepaid expenses, such as insurance, taxes, special assessments, and homeowners' association (HOA) fees, are excluded from the fee recoupment calculation
Cash-Out - Type II	• Seasoning requirements (see Seasoning Requirements section below) must be met • Net Tangible benefit must be met as indicated on the Loan Comparison ○ Cash in hand at closing does not satisfy this requirement

TOPIC	OVERLAY
Credit – Borrower with No FICO	Non-traditional Credit Requirements - Absence of Credit History For borrower(s) with no established credit history, base the determination on the borrower's payment record on alternative or nontraditional credit directly from the borrower or creditor in which a payment history can be verified. Absence of a credit history is not generally considered an adverse factor. It may result when: - Borrower has not yet developed a credit history - Borrower has routinely used cash rather than credit, and/or - Borrower has not used since some disruptive credit event, such as bankruptcy or debt pro-ration through consumer credit counseling - LSM requires Manual Underwriting with no FICO with all of the following conditions met: 12-24 month housing payment history, no late payments; borrowers without housing payment history will not be considered for manual underwriting - A minimum of three non-traditional credit sources - Maximum payment shock of 100% - Limited credit history cannot be used to overcome poor credit history; RMCR must be ordered to confirm limited/no credit 120% residual income required for DTI > 41% 45% maximum DTI for transaction with no FICO
Debt-to-Income Ratio (DTI)	Maximum DTI - AUS Approve/Accept: 65% (> 65% requires Credit Policy 2nd-level review) - Manual Underwrite: 600 FICO, 50% - Manual Underwrite: No FICO, 45%
Electronic Signatures/eSigning	- eSigning is allowed for most documents. - eSigning is not allowed for items below: (or any Loans with POA) - Note - Note Rider(s) - Notice of Right to Cancel - Security Instrument - Security Instrument Rider(s) - COVID-19 Temporary Attestation
Employment Verification	Direct electronic verification of employment by third-party vendors is not permitted.
Escrow Account	Escrow Account required; no escrow waiver allowed.
Escrow Holdback	Not allowed

TOPIC	OVERLAY
Family-Owned Business	Two years tax returns are required regardless of AUS recommendation.
Income	- Follow the VA Lender Handbook guidelines - The following types of income are unacceptable: - Income that is not in accordance with all applicable federal, state and local laws, rules and regulations - Any income generated from the cannabis or hemp industry
Ineligible Programs	- Construction to Permanent – One Closing Vehicle (Single-Closing) - Energy Efficient Mortgages (EEM) - Joint Loans - Native American Direct Loan - Property with PACE Lien (unless paying off through the transaction) - Property with resale restrictions (age restrictions are acceptable) - Texas 50(a)6 transactions - TPO Originated Loans
Ineligible Properties	- Co-Ops - Indian Leased Land - Single-wide Manufactured Home - Solar Panels that affect first lien position
Minimum Loan Amount	\$75,000
Mortgage Credit Certificate (MCC)	Not permitted
Non-Occupant Co-Borrower	Not eligible
Non-Permanent Resident Aliens	These borrowers accepted under the following conditions: - Acceptable Visa evidence provided - Borrower eligible to work in the U.S., as evidenced by EAD issued by the USCIS - Borrower has valid Social Security Number (SSN) - Borrower satisfies the same requirements, terms, and conditions as those for U.S. citizen - DACA: Category C33 work status under deferred action, DACA borrowers allowed with proper documentation. - EAD must be current; if expiring within 1 year, evidence of history of renewals - Income source must be stable with two-year work history - Diplomatic Immunity: Borrowers with Diplomatic Immunity are ineligible

TOPIC	OVERLAY
Payment History	0x30 lates in the last 12 months for all manual underwrites - Follow VA guidelines for all AUS Approve/Accept loans
Power of Attorney (POA)	- A POA may not be eSigned and must be specific to the transaction. - LSM requires all of the following: - Alive and Well Statement from commanding officer (if active duty) - Underwriter must be able to validate the Veteran applied for the mortgage (lender certification is required) - Specific POA is required; a Military POA may be used in cases where borrower is actively deployed
Recently Listed Properties	Property must be off the market at least one day prior to mortgage application date.
Renegotiated Purchase Contract	- Not allowed; however, minor adjustments due to condition or other relevant factors are permitted. - Increase of sales price after appraisal completed is not permitted.
Rental Income	Departing Residence: Obtain the Lease Agreement AND the loan can qualify using gross rents (non-family member) to offset the payment (cannot use as effective income); justification of the market and reasonableness is required Rental Income as Effective Income: 3 months reserves and 2 years tax returns (or transcripts) to support income on each property owned 2-4 Units: borrower must have a history as a landlord or use of property management company AND 6 months reserves AND 75% of the amount indicated on the appraisal opinion of the property's fair monthly rental AND evidence of which unit number the borrower will occupy is required
Reserve Requirements	6 months PITIA is required if subject is 2-4 units and rental income is being used for qualifying purposes 3 months PITIA is required if rental income is being used from other properties
Seasoning Requirements	Seasoning requirements are applicable to all VA refinances regardless of the type of loan paid off through the transaction. - The new note date must be on or after: - The date that is 210 days or more after the date on which the first monthly payment was due on the mortgage being refinanced, and - The date on which six (6) consecutive monthly payments have been made on the mortgage being refinanced - For modified loans, the note date of the new loan must be on or after: - The date that is 210 days or more after the date on which the first modified monthly payment was due on the mortgage being refinanced, and - The date on which six (6) consecutive modified monthly payments have been made on the mortgage being refinanced NOTE: Mortgage payments cannot be made in advance to meet the six consecutive payment requirements

TOPIC	OVERLAY
Social Security Number (SSN)	All borrowers must have a valid SSN.
Tax Transcripts	- Transcripts are required when tax returns are used to qualify borrower income; this includes both personal and business returns, where applicable - If the most recent year's tax returns have been filed, but not processed by the IRS, the following alternative documentation is allowed: - Copy of eFiled tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower - Letter from CPA who filed taxes stating the Adjusted Gross Income and copy of tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower - IRS stamped tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower - Borrower's copy of transcripts pulled directly from the IRS website Note: A copy of the "Where's My Refund" screen from IRS site can be provided in lieu of proof of deposit for tax refund
Temporary Buydowns	Allowed with Limitations – see ' Temporary Buydown Guide ' below for specific terms and conditions
Unpaid Federal Tax Debt	- Delinquent tax debt that has not become a lien and does not impact title (open liens reflected on credit report will impact title and must be paid off) may remain open provided they are in an IRS approved payment plan with timely payments made, if applicable - Delinquent tax debt that has become a lien or does not meet the above requirements is ineligible NOTE: Record of Account can be used in lieu of canceled check or proof of electronic payment.
VA IRRRL	VA IRRRLs are eligible – see VA IRRRL Guidelines with Overlays Matrix for more details

TOPIC	OVERLAY
MANUFACTURED HOME GUIDELINES	Overlays in this matrix apply to US Department of Veterans Affairs (VA) conforming guidelines . Refer to the VA lender handbook for additional guidance. Information in this matrix is subject to change without notice.
Standards (09/14/2015)	Appraiser must notify mortgagee and report any deficiency of MPR or MPS if a manufactured home does not comply with the following: - Floor area must be ≥ 400 sq ft - Constructed on or after June 15, 1976, in conformance with the federal MHCSS, as evidenced by an affixed HUD Certification Label in accordance with 24 CFR §3280.11 (Manufactured Homes produced prior to June 15, 1976 are ineligible for insured financing.) - Manufactured home and site exist together as a real estate entity in accordance with state law (but need not be treated as real estate for taxation purposes) - Manufactured home was moved from the factory or dealer directly to the site - Manufactured home was designed to be used as a dwelling with a permanent foundation built to comply with PFGMH

TOPIC	OVERLAY
	- Finished grade elevation beneath the manufactured home (or, if basement used, the grade beneath the basement floor) is at or above the 100-year return frequency flood elevation - Structure is designed for occupancy as a principal residence by a single family
Flood Zone	LSM does not allow manufactured homes in a flood zone.
Foundation: Existing Construction	Definition: Existing construction for manufactured housing refers to a manufactured home that has been permanently installed on a site for one year or more prior to the case number assignment date. Standard: If the perimeter enclosure is non-load-bearing skirting comprised of lightweight material, the entire surface area of the skirting must be permanently attached to backing made of concrete, masonry, treated wood, or a product with similar strength and durability. Skirting: Skirting refers to a non-structural enclosure of a foundation crawl space that is typically, but not always, a lightweight material such as vinyl or metal attached to the side of the structure and extending to the ground (generally not installed below frost depth). Perimeter Enclosure (MPR/MPS Item): The space beneath the manufactured home must be properly enclosed; the perimeter enclosure must be a continuous wall that is adequately secured to the perimeter of the unit and allows for proper ventilation of the crawl space. Required Analysis and Reporting: If the manufactured home foundation does not meet the requirements for Existing Construction, the appraiser must notify the mortgagee and report the deficiency in the MPR or MMPS.
HUD Data Plate	Standard HUD Data Plate Requirements: Manufactured homes have a data plate affixed in a permanent manner, typically adjacent to the electric service panel, the utility room, or within a cabinet in the kitchen. Required Analysis and Reporting: The appraiser must report the information on the data plate within the appraisal, including the manufacturer name, serial number, model, and date of manufacture, as well as wind, roof load, and thermal zone maps. Missing Data Plate (of Appraiser Cannot Locate): If the data plate is missing or the appraiser is unable to locate it, the appraiser must report this in the appraisal and is not required to secure the data plate information from another source. If the data plate is missing or appraiser cannot locate it, LSM requires an IBTS report.
IBTS Report/HUD Certification FHA	HUD Certification Label Standard: The manufactured home must have an affixed HUD Certification Label located at one end of each section of the house, approximately one foot up from the floor and one foot in from the roadside, or as near that location on a permanent part of the exterior of the house, as practicable. Etched on the HUD Certification Label is the certification label number, as referred to as the HUD label number. Label numbers are not required to be sequential on a multi-section house. Required Analysis and Reporting: The appraiser must report the HUD label number for all sections, or report that the HUD Certification Label is missing or that the appraiser was unable to locate it. If the HUD Certification is missing or appraiser cannot locate it, LSM requires an IBTS report.

TOPIC	OVERLAY
Ineligible Features	- The following are not allowed in relation to a manufactured home: - Located in a co-op or condo project - Located in a flood zone - Manufactured home with a leasehold - Manufactured home with an ADU or other dwelling structure - Single-wide manufactured homes - Graduated Payment Mortgage (GPM)
Manufactured Home Additions	- Any addition to the original structure (i.e. patio, deck, carport, rooms, etc.) requires a structural engineer report. - If the appraiser observes additions or structural changes to the original manufactured home, the appraiser must condition the appraisal upon inspection by the state or local jurisdiction administrative agency that inspects manufactured housing for compliance (or a licensed structural engineer may report on the structural integrity of the manufactured dwelling and the addition if the state does not employ inspectors).

TEMPORARY BUYDOWN GUIDE	
Product Eligibility	- AUS Approve/Accept recommendations only – not allowed on manually underwritten loans 30-Year Fixed Rate only - Conforming and High-balance loan amounts - Primary Residence only - Purchase Transactions only - Single Family (1-2 Units), PUD and Condo only - Seller/Builder funded only
Term of Buydown	2/1 Buydown: 24-month term - Initial interest rate temporarily reduced by no more than two percent below the note rate and increased by no more than one percent annually for no more than two years, with the non-reduced note rate applying for years three through 30 1/0 Buydown: 12-month term - Initial interest rate temporarily reduced by no more than one percent below the note rate, with the non-reduced note rate applying for years two through 30
Underwriting Criteria	- Borrowers qualified using note rate, not buydown rate - Standard Interested Party Contribution guidelines apply - Temporary Buydowns are not allowed on manually underwritten loans - Seller/Builder funded only

USDA SINGLE FAMILY HOUSING GUARANTEED LOAN PROGRAM (SFHGLP) PRODUCTS OWNER-OCCUPIED, PRINCIPAL RESIDENCE, SINGLE UNIT ONLY¹

LOAN PURPOSE	MAX LTV/CLTV %	MIN CREDIT SCORE	MIN LOAN AMT	MAX LOAN AMT	HIGH BALANCE MIN	HIGH BALANCE MAX
PURCHASE	100/100	600	\$50,000	FNMA LIMITS	FNMA LIMIT +\$1	USDA HAS NO PUBLISHED MAX LOAN AMOUNT*
RATE/TERM REFI	100/100	600				
STREAMLINE REFI	105/105	620				

* Maximum loan amount is constrained by market value, maximum allowable annual income at product max DTI, and transaction type ([7 CFR 3555.103](#))

¹Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)

PROGRAMS	USDA MATRIX NOTES
30 YEAR FIXED	- Calculate LTV/CLTV using the base loan amount (excluding upfront guarantee fee). - LTV may exceed 100% of appraised value only to include the upfront guarantee fee. - LTV/CLTV max of 90% or identity of interest and non-arm's length transactions. - An appraisal product is required on Streamline Refinance transactions.
30 YR STREAMLINE	

USDA SFHGLP PROGRAM OVERVIEW

All loans must be eligible for and guaranteed under the USDA SFHGLP. USDA requires that to be eligible for this income and property restricted program, borrowers must:

- Be U.S. Citizens
- Occupy subject property as primary residence
- Purchase a property that meets [USDA Section 502](#) criteria
- Not exceed the adjusted annual household income threshold for the state and county where the dwelling is located (*HB-1-3555 CH 9.2*)
- Not have been suspended or debarred from federal program participation (SAM)
- Not qualify for conventional credit per *Section 3555 151(e)(4) and (j)*, and *HB-1-3555 CH 8.2B. Obtaining Credit*. (see [General Eligibility Requirements](#))
- For any guideline not addressed in this product description, please refer to HB-1-3555, including all Appendix

USDA and GNMA seasoning requirements apply for Streamlined Refinance transactions. (see [Loan Purpose – Streamlined Refinance](#))

Seller Eligibility: To be eligible to deliver USDA loans to LoanStream, Sellers must be prior approved by USDA and LoanStream.

PRODUCT OFFERINGS

Fixed Rate Products	15, 20, 25, 30 year fixed - Nonstandard terms available

2025 CONFORMING LOAN LIMITS [Loan Limits | Fannie Mae](#)

UNITS	GENERAL LIMITS	HIGH COST LIMITS	ALASKA & HAWAII
1	\$806,500	\$1,209,750	\$1,209,750

TOPIC	BASIC GUIDELINES/OVERLAYS
BASIC GUIDELINES	Overlays in this matrix apply to USDA loans and are in addition to and override USDA Rural Development (RD) Guaranteed Rural Housing (GRH) requirements, where applicable. Where this matrix is silent, defer to HB-1-3555 SFH Guaranteed Loan Program Technical Handbook and applicable local USDA RD Office policies, accompanying notices, and announcements. Information in this matrix is subject to change without notice.
Amended Tax Returns	Accepted for the following amendment reasons: • Amended for clerical items only (i.e., modifying a prior ITIN number to a newly issued SSN) • Amended for income-related items, under the following conditions: ○ Amended at least sixty (60) days before mortgage application taken ○ Amendment shows on transcripts (stamped returns not acceptable) ○ Documentation supplied to support the increase, including but not limited to: ▪ 1099 or W2 showing missed/updated income Canceled Checks or Bank Statements showing missed/updated rental income
Credit	All borrowers must have at least one (1) valid credit score to be eligible for an 'Accept' recommendation (LPA). Extenuating circumstances are not allowed for Bankruptcy or Foreclosure.
Electronic Signatures/eSigning	• eSigning is allowed for most documents. • eSigning is <u>not</u> allowed for: ○ Note/Note Rider(s) ○ Notice of Right to Cancel ○ Security Instrument/Security Instrument Rider(s) ○ COVID-19 Temporary Attestation
Escrow/Impounds	Escrow account required; no escrow waiver allowed
Escrow Holdback	Not allowed.
Ineligible Transactions	• Land loans • Native American Lands • Single-Close Construction to Permanent • Temporary buydowns • Texas 50(a)(6) transactions

TOPIC	BASIC GUIDELINES/OVERLAYS
Ineligible Properties	• Assisted living or board and care facility • Bed and breakfast • Boarding house • Commercial enterprise • Condotel • Cooperative (Co-op) • Exotic or non-traditional structure, such as dome or log home • Hawaii lava zones 1 and 2 • Houseboat • Income-producing property (unless HB-1-3555 CH 12 requirements are met) • Native American Trust, Tribal Land Loan • Property rating of C5, C6, or Q6 (indicated on appraisal) • Vacant or unimproved land • Working farm or ranch
Power of Attorney (POA)	Electronic signatures/eSigning is not allowed on a POA
Social Security Number	All borrowers must have a valid SSN
Tax Transcripts	• Transcripts are required for all tax returns used in the underwriting decision; this includes both personal and business returns, where applicable ○ Note: Transcripts will not be required for loans with W2 only income, 1099 only income, or other income not documented with tax returns, unless otherwise required by applicable program requirements. • If the most recent year's tax returns have been filed, but not processed by the IRS, the following alternative documentation is allowed: ○ Copy of eFiled tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ Letter from CPA who filed taxes stating the Adjusted Gross Income and copy of tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ IRS stamped tax returns with proof of payment for taxes owed or proof of deposit for refunds due to borrower ○ Borrower's copy of transcripts pulled directly from the IRS website ○ Note: A copy of the "Where's My Refund" screen from IRS site can be provided in lieu of proof of deposit for tax refund.
Temporary Buydown	Not Allowed

TOPIC	MANUFACTURED HOME OVERLAYS
MANUFACTURED HOME GUIDELINES	Overlays in this matrix apply to USDA loans and are in addition to and override USDA Rural Development (RD) Guaranteed Rural Housing (GRH) requirements, where applicable. Information in this matrix is subject to change without notice.
Standards (09/14/2015)	Appraiser must notify mortgagee and report any deficiency of Minimum Property Requirements (MPR) or Minimum Property Standards (MPS) if a manufactured home does not comply with the following standards: • Floor area must be ≥ 400 sq ft • Constructed on or after June 15, 1976, in conformance with the federal MHCSS, as evidenced by an affixed HUD Certification Label in accordance with 24 CFR §3280.11 (Manufactured Homes produced prior to June 15, 1976 are ineligible for insured financing.) • Manufactured home and site exist together as a real estate entity in accordance with state law (but need o be treated as real estate for taxation purposes) • Manufactured home was moved from the factory or dealer directly to the site • Manufactured home was designed to be used as a dwelling with a permanent foundation built to comply with PFGMH • Finished grade elevation beneath the manufactured home (or, if basement used, the grade beneath the basement floor) is at or above the 100-year return frequency flood elevation • Structure is designed for occupancy as a principal residence by a single family • Lease, if applicable, meets the requirement s of Valuation of Leasehold Interest
Foundation: Existing Construction	• Definition: Existing construction for manufactured housing refers to a manufactured home that has been permanently installed on a site for one year or more prior to the case number assignment date. • Standard: If the perimeter enclosure is non-load-bearing skirting comprised of lightweight material, the entire surface area of the skirting must be permanently attached to backing made of concrete, masonry, treated wood, or a product with similar strength and durability. ○ Skirting: Skirting refers to a non-structural enclosure of a foundation crawl space that is typically, but not always, a lightweight material such as vinyl or metal attached to the side of the structure and extending to the ground (generally not installed below frost depth). ○ Perimeter Enclosure (MPR/MPS Item): The space beneath the manufactured home must be properly enclosed; the perimeter enclosure must be a continuous wall that is adequately secured to the perimeter of the unit and allows for proper ventilation of the crawl space. • Required Analysis and Reporting: If the manufactured home foundation does not meet the requirements for Existing Construction, the appraiser must notify the mortgagee and report the deficiency in the MPR or MMPS.

TOPIC	MANUFACTURED HOME OVERLAYS
Foundation: New Construction	• Definition: New construction for manufactured housing refers to a manufactured home that has been permanently erected on a site for less than one year prior to the case number assignment date. • Standard: The space beneath the house must be enclosed by a continuous foundation type construction designed to resist all forces to which it is subject without transmitting forces to the building superstructure; the enclosure must be adequately secured to the perimeter of the house and be constructed of materials that conform, accordingly, to HUD MPS (such as concrete, masonry or treated wood) and the PFGMH for foundations. • Required Analysis and Reporting: If the manufactured home foundation does not meet the requirements for New Construction, appraiser must notify the mortgagee and report the deficiency of the MPR or MPS.
HUD Data Plate	• Standard HUD Data Plate Requirements: Manufactured homes have a data plate affixed in a permanent manner, typically adjacent to the electric service panel, the utility room, or within a cabinet in the kitchen. • Required Analysis and Reporting: The appraiser must report the information on the data plate within the appraisal, including the manufacturer name, serial number, model, and date of manufacture, as well as wind, roof load, and thermal zone maps. • Missing Data Plate (of Appraiser Cannot Locate): If the data plate is missing or the appraiser is unable to locate it, the appraiser must report this in the appraisal and is not required to secure the data plate information from another source. ○ If the data plate is missing or appraiser cannot locate it, LSM requires an IBTS report.
IBTS Report/HUD Certification	• HUD Certification Label Standard: The manufactured home must have an affixed HUD Certification Label located at one end of each section of the house, approximately one foot up from the floor and one foot in from the roadside, or as near that location on a permanent part of the exterior of the house, as practicable. Etched on the HUD Certification Label is the certification label number, as referred to as the HUD label number. Label numbers are not required to be sequential on a multi-section house. • Required Analysis and Reporting: The appraiser must report the HUD label number for all sections, or report that the HUD Certification Label is missing or that the appraiser was unable to locate it.
Ineligible Features	• The following are not allowed in relation to a manufactured home: ○ Located in a co-op, condo, or PUD project ○ Located in a flood zone ○ Manufactured home with a leasehold ○ Manufactured home with an ADU or other structure ○ EEMs are not allowed for manufactured homes
Manufactured Home Additions	• Any addition to the original structure (i.e. patio, deck, carport, rooms, etc.) requires a structural engineer report. ○ If the appraiser observes additions or structural changes to the original manufactured home, the appraiser must condition the appraisal upon inspection by the state or local jurisdiction administrative agency that inspects manufactured housing for compliance (or a licensed structural engineer may report on the structural integrity of the manufactured dwelling and the addition if the state does not employ inspectors).



Correspondent Jumbo Product Comparison Matrix

Information deemed reliable but not guaranteed. Restrictions may apply, see "Product Guidelines" for complete requirements.

Eff. 06.25.25 | Rev.06.25.25

Features	Jumbo ONE	Jumbo ONE Advantage	Jumbo ONE Premier	Jumbo ONE Select
Loan Type	Purchase, Rate/Term Refi, & Cash-out Refi	Purchase, Rate/Term Refi, & Cash-out Refi	Purchase, Rate/Term Refi, & Cash-out Refi	Purchase, Rate/Term Refi, & Cash-out Refi
Loan Terms	30 year fixed, 10/6 ARM	15, 30 year fixed, 10/6 ARM 30 year fixed Interest Only	15, 30 year fixed, 10/6 ARM 30 year 2:1 or 1:0 Temporary Buydown	15, 30 year fixed, nonstandard terms available 30 year 2:1 or 1:0 Temporary Buydown
Max LTV with Loan Amount - Purchase Rate & Term	90% up to \$1,500,000 (Purchase) 85% up to \$2,000,000 (Rate/Term Refi)	89.99% up to \$2,000,000	80% up to \$3,000,000	85% up to \$2,000,000
Max LTV with Loan Amount - Cash-out Refi	80% up to \$1,000,000	80% up to \$3,000,000	80% up to \$2,000,000	75% up to \$2,500,000
Max Loan Amount	\$3,500,000 - Primary \$2,000,000 - Second & Investment	\$3,000,000 - Primary & Second \$2,000,000 Investment	\$3,000,000 Primary & Second \$1,500,000 Investment	\$3,000,000 Primary, Second & Investment
Min Credit Score	660 min FICO – Purchase & Rate/Term Refi 680 min FICO – Cash-out Refi	660 min FICO – Purchase & Rate/Term Refi 680 min FICO – Cash-out Refi	660 min FICO – Purchase & Rate/Term Refi 660 min FICO – Cash-out Refi	680 min FICO – Purchase, Rate/Term Refi & Cash-out Refi
DTI	Determined by AUS, max 50% max	Fixed & ARM: Determined by AUS, max 45%Interest Only: Determined by AUS, max 43%	Determined by AUS, 49.99% max	45% max
Cash Out Proceeds	No max cash-out limits	No max cash-out limits	≤ \$1,500,000 loan amount: \$350,000 > \$1,500,000 loan amount: \$500,000	• ≤ 70% LTV & ≥ 700 FICO: \$1.5M • ≤ 65% LTV & < 700 FICO: \$1.0M • > 65% - ≤ 70% LTV & < 700 FICO: \$500k • > 70% LTV: \$500k (Free & Clear ineligible) • Vacant Properties: \$750K
Minimum Loan Amount	\$1 above conforming loan limit	\$1 above conforming loan limit	\$1 above conforming loan limit	\$1 above conforming loan limit
Interest Only Restrictions	Ineligible	Primary Residence only > 80 LTV/CLTV ineligible	Ineligible	Ineligible
Property Types	SFR PUD Condo (warrantable) 2-4 Unit (Primary & Investment only)	SFR 2-4 Unit PUD Condo (warrantable)	SFR PUD Condo (warrantable & non-warrantable) 2-4 Unit (Primary & Investment only)	SFR PUD 2-4 Unit Condo (warrantable)
Reserves	Greater of AUS or: ≤ \$1,000,000: Follow AUS > \$1,000,000 - ≤ \$2,000,000: 3 mos > \$2,000,000 - ≤ \$3,000,000: 6 mos > \$3,000,000: 12 mos LTV/CLTV > 80%: 6 mos *Cash out proceeds ineligible*	Greater of AUS or: ≤ \$2,000,000: Follow AUS Primary & Second Home Purchase & Rate/Term Refi: > \$2,000,000 - ≤ \$2,500,000: 12 mos > \$2,500,000 - ≤ \$3,000,000: 18 mos Primary & Second Home Cash-out Refi > \$2,000,000: 18 mos Investment Properties > \$2,000,000: 12 mos Interest Only: > \$2,000,000: 24 mos *Business funds and gift funds ineligible*	Greater of DU or: Primary: ≤ \$1,000,000 - 6 mos > \$1,000,000 - ≤ \$2,000,000 - 9 mos > \$2,000,000 - 12 mos 2 units - 12 mos Second Home: ≤ \$2,000,000 - 9 mos > \$2,000,000 - 12 mos Investment: 12 mos *Cash out proceeds & gift funds ineligible*	6 mos *Cash out proceeds & gift funds ineligible*
Eligible Borrowers	US Citizen Permanent Res Non-Permanent Res	US Citizen Permanent Res Non-Permanent Res	US Citizen Permanent Res Non-Permanent Res	US Citizen Permanent Res Non-Permanent Res
First Time Homebuyer	Follow Agency	Follow Agency	Primary and Second home only, \$1.5MM max, if living rent free must meet addtn'l tradeline requirements	Primary and Investment only Investment: 80% max LTV, \$1.5M Max, Full Doc only, 300% max payment shock
Geo Limitations	US Territories & Texas 50 (a)(6) ineligible	US Territories and Texas 50(a)(6) and (f)(2) Transactions ineligible	US Territories & Texas 50 (a)(6) ineligible	US Territories & Texas 50 (a)(6) ineligible
Interested Party Contributions	Follow Agency	Follow Agency	Follow FNMA	• ≤ 80% LTV = 6% Max • > 80% LTV = 4% Max
Number of Financed Properties	Follow Agency	Follow Agency	Follow DU findings	• Primary and Second Home - Max 20 financed properties including subject • Investment - No limit
Temporary Buydown	Ineligible	Ineligible	2-1 and 1-0 permitted, Fixed rate & Purchase transactions only, Investment ineligible	2-1 and 1-0 permitted, 30 yr fixed rate & Purchase transactions only, Investment ineligible
QM	Must be QM eligible: Safe Harbor and Rebuttable Presumption	Must be QM eligible: Safe Harbor and Rebuttable Presumption	Must be QM eligible: Safe Harbor and Rebuttable Presumption	Must be QM eligible: Safe Harbor and Rebuttable Presumption
Underwriting	DU or LPA Approve/Accept finding	DU or LPA Approve/Accept finding	DU Approve finding, LPA ineligible	Manual underwrite
PROPERTY				
Appraisal	≤ \$1,500,000: 1 appsl & secondary valuation > \$1,500,000: 2 appsls	≤ \$1,500,000: 1 appsl > \$1,500,000: 2 appsls	≤ \$1,500,000: 1 appsl & secondary valuation > \$1,500,000: 2 appsls	• > \$2,000,000 = 2 appsls • ≤ \$2,000,000 LA & CU ≤ 2.5 = No Add'l Requirements • ≤ \$2,000,000 LA & CU > 2.5 = ARR, CDA or CCA Required, 10% variance allowed
Secondary Valuation Options	Secondary Valuation: CU ≤ 2.5, no secondary valuation required CU > 2.5 or indeterminate: ARR/CCA/CDA within -10% or 2nd full appsl	NA	Secondary Valuation: CU ≤ 2.5, no secondary valuation required CU > 2.5 or indeterminate: ARR/CCA/CDA within -10% or field review, 2nd full appsl	Secondary Valuation: CU ≤ 2.5, no secondary valuation required CU > 2.5 or indeterminate: ARR/CCA/CDA or field review, drive-by appsl or 2nd full appsl
Condo Approval	Follow Agency	Follow Agency	Warrantable and Non-Warrantable NW 10% LTV reduction, 30 fixed only, Investment ineligible NW Features (only 1 NW feature permitted): Commercial Space - > 35% - ≤ 50% Presale - ≥ 30% sold or under contract Budget - < 10% reserves allowed with conditions One Entity Ownership - up to 25% for projects w/ 10+ units	Warrantable
Declining Market	No limitations	No limitations	LTV/CLTV reduced by 10%	5% LTV/CLTV reduction with > 70% LTV
Acreage	25 acres max	25 acres max	25 acres max Rural > 10 acres must have 3 comps w/similar acreage	25 acres max
CREDIT				
Scores	At least 1 score required Lowest middle is decision score	2 scores required Lowest middle is decision score	2 scores required Lowest middle is decision score Rapid rescore not allowed	2 scores required Lowest middle is decision score
Tradelines	Follow AUS	Follow AUS	Follow DU findings	One of the following: • 3 trades reporting for min 12 mos w/activity in last 12, or • 2 trades reporting for min 24 mos w/activity in last 12, or • 1 revolving trade for min 60 mos w/activity in last 12, or • 1 installment trade for min 36 mos w/activity in last 12 If primary wage earner has 3 reported credit scores, tradeline requirement is met
Housing History	Follow AUS	Mortgage/Rent: 0x30x12	Mortgage: 0x30x12, 0x60x24 Rent: 0x30x12	• 0x30x24 • Living rent free not allowed



Correspondent Jumbo Product Comparison Matrix

Information deemed reliable but not guaranteed. Restrictions may apply, see "Product Guidelines" for complete requirements.

Eff. 06.25.25 | Rev.06.25.25

Features	Jumbo ONE	Jumbo ONE Advantage	Jumbo ONE Premier	Jumbo ONE Select
Collections	Follow Agency	Follow Agency	Follow FNMA	• Collections/Charge-offs with aggregate> \$5,000 must be paid • Medical charge-offs/collections may remain open
Derog Credit Seasoning (BK,SS,FC,DIL)	Follow AUS	7 yrs seasoning	Follow DU, extenuating circumstances prohibited Credit events seasoned < 7 years require 0x30x24 and no mortgage lates since credit event Multiple credit events not permitted	• 4 yrs seasoning (BK,SS,PFC,FC,DIL,FB,MCO,MOD) • Multiple credit events not permitted
Forbearance	Follow AUS	Must have exited, not in a repayment plan, current and made 6 timely payments	6 mos seasoning, no skipped payments during forbearance period Applies to all current and previously owned properties	4 yrs seasoning
INCOME				
Employment and Income Documentation	Full Doc only, Follow Agency	Full Doc only, Follow Agency	Full Doc only, Follow DU findings	Full Doc: 1-2 years (Wage Earner & Self-Employed) Alt Doc: 12/24 Bank Statement, Asset Utilization
Tax Transcripts	Required for all borrowers whose income is used to qualify	Required for all borrowers whose income is used to qualify	Required for all borrowers whose income is used to qualify	Required at underwriters discretion
Self Employed	Follow Agency	Follow Agency	Follow DU findings P&L through most recent quarter required	Full Doc and Alt Doc options
Other Income	Follow Agency	Follow Agency	Follow FNMA	Follow FNMA w carve-outs
Employment Gap	Follow Agency	Follow Agency	Follow FNMA	Follow FNMA
Conversion of Departing Residence	Follow Agency	Follow Agency	Follow FNMA	• 75% of the market rents used to offset the PITIA/TIA, or • 100% of the actual rents used to offset the PITIA or TIA
ASSETS				
Borrower Funds	Follow Agency	Follow Agency	Follow DU	Follow FNMA
Business Assets	Follow Agency	Not permitted as reserves	Allowed	Allowed
Gift Funds	Follow Agency	Follow Agency	Allowed w/5% min contribution, not permitted as reserves	Allowed w/5% min contribution, not permitted as reserves
Gifts of Equity	Follow Agency	Ineligible	Follows Agency	Ineligible

Eligibility Matrix ⁴												
Occupancy	Property	Loan Amount	Purchase, Rate/Term Refi					Cash-out Refi				
			Max LTV/CLTV to FICO					Max LTV/CLTV to FICO				
			740+	720+	700+	680+	660+	740+	720+	700+	680+	660+
Primary Residence	SFR/ 2-4 Unit/PUD/Condo	\$ 1,500,000	90% ¹	90% ¹	90% ¹			80%	80%	80%	80%	
		\$ 1,000,000	85%	85%	85%	85%	80%	75%	75%	75%		
		\$ 1,500,000	85%	85%	85%	85%	80%	70%	70%	70%		
		\$ 2,000,000	85%	85%	85%							
		\$ 2,500,000	80%	80%								
		\$ 3,000,000	75%									
Second Home	SFR/PUD/Condo	\$ 1,000,000	80%	80%	80%	80%		75% ²	75% ²	75% ²		
		\$ 1,500,000	80%	80%	80%	80%		70% ²	70% ²			
		\$ 2,000,000	75%	75%	75%							
Investment	SFR/2-4 Unit/PUD/Condo	\$ 1,500,000	75%	75%	75%		60%	60%	60% ³			
		\$ 2,000,000	70%	70%	70%							
¹ Purchase transaction only, rate/term refi ineligible ² Condos restricted to 720 min FICO and 65% LTV/CLTV on Second Home cash-refis ³ Condos restricted to 720 min FICO on Investment Property cash-out refis ⁴ Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)												
Details												
Appraisal		≤ \$1.5MM: 1 appsl & secondary valuation > \$1.5MM: 2 appsls Secondary Valuation: CU ≤ 2.5, no secondary valuation required CU > 2.5 or indeterminate: CCA/CDA/CCA within -10% or field review, 2nd full appsl										
Cash out Proceeds		No max cash out limitations										
Compliance		• Must be QM, Safe Harbor and Rebuttable Presumption permitted • Higher Priced Mortgage Loans (HPML) allowed, must comply with all applicable regulatory requirements • State and Federal High-Cost loans ineligible										
Credit Event (BK,SS,FC,DIL)		Follow AUS										
Credit Event (Forbearance)		Follow AUS										
Credit Scores		• At least 1 score required • Lowest middle is decision score										
Credit Tradelines		Follow AUS										
DTI		Determined by AUS up to 50% max										
Eligible Borrowers		US Citizens Permanent Resident Aliens Non-Permanent Resident Aliens First time Homebuyers Non-occ co-borrowers Refer to guidelines for eligibility requirements										
First Time Homebuyer		Follow AUS										
Geographic Restrictions		US Territories and Texas 50(a)(6) Transactions ineligible										
Housing History		Follow AUS										
Income and Employment		• Follow AUS, additional documentation may be required • Tax transcripts required • Other income: Follow AUS										
Interested Party Contributions		Follow AUS										
Max Financed Properties		Follow AUS										
Minimum Loan Amount		\$1 above conforming loan limit										
Property Type		SFR, 2-4 Units, PUD, Condo										
Recently Listed Properties		Properties listed for sale ≤ 6 mos ineligible										
Refinance - Cash-out		Follow AUS										
Refinance - Delayed Financing		Follow respective Agency requirements										
Refinance - Rate/Term		Follow AUS										
Reserves		≤ \$1.0MM follow AUS > \$1.0MM - ≤ \$2.0MM: > 3 mos or AUS > \$2.0MM - ≤ \$3.0MM: > 6 mos or AUS > \$3.0MM: > 12 mos or AUS LTV/CLTV > 80%: > 6 mos or AUS *Cash out proceeds ineligible*										
Secondary Financing		Follow AUS										
Temporary Buydowns		Ineligible										
Underwriting		• DU Approve or LPA Accept recommendation required • Must meet all requirements of DU/LPA approval & applicable FNMA/FHLMC underwriting guidelines, only one guideline series allowed • Where silent, defer respective Agency guidelines for requirements										

Loan Programs		
Fixed Fully Amortized	• 30-Year Fixed (360 Months) • 10/6 ARM (360 Months)	
	ARM Information	
Fixed Rate Period	10 years	
Index	30 day average SOFR	
Lookback Period	45 days	
Floor	Subject to minimum margin and caps	
Margin	2.75%	
Caps	5%: Initial Cap (max increase or decrease) 1%: Subsequent Cap (max periodic increase or decrease) 5%: Lifetime Cap (max increase in interest rate over the life of loan)	
Fully Indexed Rate	Sum of the index & margin rounded to the nearest (.125)	
Qualifying Rate	Greater of fully indexed rate or Note rate	
Product Restrictions (Not Permitted)		
Borrowers		
• Blind Trusts	• Land Trusts	• Party to a lawsuit
• DACA borrower w/out Category 33 status	• Less than 18 years old	• Qualified Personal Trusts
• Foreign Nationals	• LLCs, LLPs, Corporations	• Real Estate Trusts
• Guardianships	• Life estates	• With diplomatic immunity
• Irrevocable Trusts		• Without a social security number
• ITIN		
Transactions		
• Attorney Title Opinion Letters	• Income produced, or in relation to, adult entertainment industry	• Reverse 1031 exchange
• Bridge loans		• Section 32/High-Cost loan
• Builder/Seller bailouts		
• Escrow holdbacks	• Model home leaseback	• Single closing construction to perm financing
• Foreclosure bailout		
• Illinois Land Trusts	• Multiple property payment skimming	• Straw borrowers
• Interest only loans	• Non-QM loans	• Temp buydowns
• Income produced, or in relation to, cannabis, hemp	• Refi of a subsidized loan	
Property Types		
• Assisted living facilities	• Houseboats	• Properties > 25 acres
• Bed and Breakfast	• Hobby farms, ranches and orchards	• Property not accessible by roads
• Boarding houses		
• Container homes	• Income producing properties	• Properties not suitable for year-round occupancy
• Commercial	• Leasehold properties	• Properties with UCC filings
• Condo hotels and condotels	• Log homes	• Properties with PACE obligations
• Condos conversions	• Manufactured or mobile homes	• Properties with resale restrictions
• Co-Ops	• Mixed use	
• Domes or geodesic domes	• Non-warrantable Condos	• Unique properties
• Dwelling w/more than 4 units		• Vacant land or land development properties
• Earth/Berm homes	• Projects that offer unit rentals daily, weekly or monthly	
• Hawaii properties in lava zones 1 or 2		
• Homes on Native American lands		
• Hotel/motel conversions		

Loan Programs		
Fixed Fully Amortized	• 30-Year Fixed (360 Months) • 10/6 ARM (360 Months)	
ARM Information		
Fixed Rate Period	10 years	
Index	30 day average SOFR	
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Floor	Subject to minimum margin and caps	
Margin	2.75%	
Caps	5%: Initial Cap (max increase or decrease) 1%: Subsequent Cap (max periodic increase or decrease) 5%: Lifetime Cap (max increase in interest rate over the life of loan)	
Fully Indexed Rate	Sum of the index & margin rounded to the nearest (.125)	
Qualifying Rate	Greater of fully indexed rate or Note rate	
Product Restrictions (Not Permitted)		
Borrowers		
• Blind Trusts • DACA borrower w/out Category 33 status • Foreign Nationals • Guardianships • Irrevocable Trusts • ITIN	• Land Trusts • Less than 18 years old • LLCs, LLPs, Corporations • Life estates	• Party to a lawsuit • Qualified Personal Trusts • Real Estate Trusts • With diplomatic immunity • Without a social security number
Transactions		
• Attorney Title Opinion Letters • Bridge loans • Builder/Seller bailouts • Escrow holdbacks • Foreclosure bailout • Illinois Land Trusts • Interest only loans • Income produced, or in relation to, cannabis, hemp	• Income produced, or in relation to, adult entertainment industry • Model home leaseback • Multiple property payment skimming • Non-QM loans • Refi of a subsidized loan	• Reverse 1031 exchange • Section 32/High-Cost loan • Single closing construction to perm financing • Straw borrowers • Temp buydowns
Property Types		
• Assisted living facilities • Bed and Breakfast • Boarding houses • Container homes • Commercial • Condo hotels and condotels • Condos conversions • Co-Ops • Domes or geodesic domes • Dwelling w/more than 4 units • Earth/Berm homes • Hawaii properties in lava zones 1 or 2 • Homes on Native American lands • Hotel/motel conversions	• Houseboats • Hobby farms, ranches and orchards • Income producing properties • Leasehold properties • Log homes • Manufactured or mobile homes • Mixed use • Non-warrantable Condos • Projects that offer unit rentals daily, weekly or monthly	• Properties > 25 acres • Property not accessible by roads • Properties not suitable for year-round occupancy • Properties with UCC filings • Properties with PACE obligations • Properties with resale restrictions • Unique properties • Vacant land or land development properties



CORRESPONDENT JUMBO ONE PROGRAM GUIDELINES

ELIGIBILITY MATRIX

Occupancy	Property	Loan Amount	Purchase, Rate/Term Refi					Cash-out Refi				
			Max LTV/CLTV to FICO					Max LTV/CLTV to FICO				
			740+	720+	700+	680+	660+	740+	720+	700+	680+	660+
Primary Residence	SFR/2-4 Unit/ PUD/Condo	\$1,500,000 ¹	90%	90%	90%							
		\$1,000,000	85%	85%	85%	85%	80%	80%	80%	80%	80%	
		\$1,500,000	85%	85%	85%	85%	80%	75%	75%	75%		
		\$2,000,000	85%	85%	85%			70%	70%	70%		
		\$2,500,000	80%	80%								
		\$3,000,000	75%									
Second Home	SFR/PUD/ Condo	\$1,000,000	80%	80%	80%	80%		75% ²	75% ²	75% ²		
		\$1,500,000	80%	80%	80%	80%		70% ²	70% ²			
		\$2,000,000	75%	75%	75%							
Investment	SFR/2-4 Unit/ PUD/Condo	\$1,500,000	75%	75%	75%			60%	60%	60% ³		
		\$2,000,000	70%	70%	70%							

¹Purchase transaction only, rate/term refi ineligible

²Condos restricted to 720 min FICO and 65% max LTV/CLTV on Second Home cash-out refi

³Condos restricted to 720 min FICO on Investment Property cash-out refi

PRODUCT OFFERINGS

Fixed Rate Products	30 years
Adjustable Rate Products	10/6 ARM, 30 year amortization

ARM INFORMATION

CATEGORY	VALUES
Fixed Rate Period	10 years
Index	30-day average SOFR
Lookback Period	45 days
Floor	Subject to minimum margin and caps
Margin	2.75%
Caps	5%: Initial Cap (max increase or decrease) 1%: Subsequent Cap (max periodic increase or decrease) 5%: Lifetime Cap (max increase in interest rate over the life of loan)
Fully Indexed Rate	Sum of the index and margin rounded to the nearest one-eighth (.125) of 1 percentage point
Qualifying Rate	Greater of fully indexed rate or Note rate

KEY PROGRAM PARAMETERS

Approve or Accept AUS recommendation (DU or LPA) is required. Ineligible recommendation allowed for loan structure only, such as loan amount, LTV/CLTV, etc.

All loans must be underwritten to the more restrictive of the product guidelines or DU or LPA findings report. Where both are silent, refer to the respective Agency guidelines, Fannie Mae Single Selling Guide for DU and Freddie Mac Single-Family Seller/Service Guide for LPA. Loans must be fully underwritten to either Fannie Mae or Freddie Mac guidelines and may not be combined.

Fannie Mae-approved DU Validation Services are not allowed. Qualifying criteria are subject to change without notice.

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS						
Appraisal Requirements	- Appraisal must meet all requirements of respective AUS and comply with all applicable regulations and standards including but not limited to USPAP, FIRREA, AIR and HVCC compliance - Condition ratings must be C1 through C4, - C5 and C6 condition ratings are ineligible <table border="1"> <thead> <tr> <th>First Loan Amount</th><th>Appraisal Requirements</th></tr> </thead> <tbody> <tr> <td>≤ \$1,500,000</td><td>1 Full Appraisal & Secondary Valuation</td></tr> <tr> <td>> \$1,500,000</td><td>2 Full Appraisals</td></tr> </tbody> </table> Secondary valuation is required when 1 appraisal is required. The secondary valuation waterfall is as follows: - CU/LCA with a score ≤ 2.5. If both the CU and LCA are in file both must be ≤ 2.5, OR - If CU/LCA score is > 2.5, “no score” or “indeterminate”, an enhanced desk review, or 2nd appraisal is required - Enhanced desk review, Consolidated Collateral Analysis (CCA) from Consolidated Analytics, an Appraisal Risk Review (ARR) from Stewart/ProTeck or a Collateral Desktop Analysis report (CDA) from Clear Capital with a variance that is no more than 10% below appraised value, OR - If variance is greater than 10%, a 2nd full appraisal required 2nd full appraisal Second appraisals - LTV determined by the lower value of 2 appraisals or sales price, whichever is lower - Enhanced desk review is not required with 2 appraisals, unless required by the underwriter Appraisal waivers (PIW, Value acceptance w/PDR, PDR, ACE, ACE + PDR) are not allowed even if present on DU or LPA Transferred appraisals permitted, refer to Seller Guide “Transfer Appraisals for Conventional, USDA, and NanQ Loans” for requirements	First Loan Amount	Appraisal Requirements	≤ \$1,500,000	1 Full Appraisal & Secondary Valuation	> \$1,500,000	2 Full Appraisals
First Loan Amount	Appraisal Requirements						
≤ \$1,500,000	1 Full Appraisal & Secondary Valuation						
> \$1,500,000	2 Full Appraisals						
Asset Requirements	- Follow respective AUS - Virtual currency/cryptocurrency is not allowed as a source of funds or reserves unless it is liquidated into US currency and seasoned for at least 60 days						
Compliance Requirements	- All loans must adhere to the General QM Final Rule (price-based). Loans must be designated as Qualified loans. The allowable points and fees threshold is the more restrictive of state law, as applicable or 3.00% Loans that fall under safe harbor, rebuttable presumption and general ATR are permitted. Loans are subject to general ability-to-repay (ATR) standards (12 C.F.R 1023.43(c)) and require the lender to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan. The following eight underwriting factors are considered when making this determination: - Current or reasonably expected income or assets - Current employment status - The monthly payment on the covered transaction - The monthly payment on any simultaneous loan - The monthly payment for mortgage-related obligations						

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	VI. Current debt obligations, alimony and child support VII. The monthly debt-to-income ratio or residual income VIII. Credit history • State and Federal High-Cost loans are not allowed
Credit	• General Requirements: ○ All borrowers must have at least one credit score ○ Lowest middle decision credit score is used to determine eligibility ○ All credit inquiries made in the last 120 days require a letter of explanation, ▪ Any new debt must be included as a liability for qualifying • Tradeline Requirements: ○ Follow respective AUS/Agency's requirements • Derogatory Credit: ○ Follow respective AUS/Agency's requirements • Housing History: ○ Follow respective AUS/Agency's requirements
Debt-to-Income (DTI)	• Max DTI determined by AUS up to a max 50%
Eligible Borrowers	• Follow respective AUS/Agency's requirements ○ First time homebuyers ○ Inter vivos revocable trusts ○ Non-occupying co-borrowers ○ Non-Permanent Resident Aliens ▪ Acceptable VISA evidence required ▪ Must be eligible to work in the US as evidenced by EAD issued by the USCIS ▪ DACA with Category C33 work status under deferred action ▪ Borrower satisfies the same requirements, terms and conditions as those for US citizens ○ Permanent Resident Aliens ○ US Citizens
Eligible Properties	• Single family residence • Warrantable Condominium (attached or detached) • Planned unit development (PUD; attached or detached) • 2-4 Unit • Rural Properties ○ Primary use must be residential and used in highest and best capacity ○ Must not be agricultural or otherwise provide a source of income to the borrower ○ Lot size must be typical for the area ○ Maximum 25 acres, including road frontage and subject property
General Property Requirements	• SFR: Minimum 600 square feet of gross living area • Condo: Minimum 500 square feet of gross living area • 2-4 Unit: Minimum 400 square feet of gross living area per individual unit • Maximum 25 acres
Geographic Restrictions	• Loan originated in the US Territories and Texas 50(a)(6) transactions are ineligible • Please refer to the LSM Correspondent licensing page for any additional state restrictions

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
Income/Employment	• Follow respective AUS/Agency's requirements • Income or employment validation via asset verification is not allowed • Verbal verification of employment (VVOE) for each borrower using employment or self-employment income to qualify is required and must be completed with ten (10) business days prior to the Note date and two (2) business days prior to funding
Ineligible Borrowers	• Blind trust • Borrowers less than 18 years old • Borrowers with diplomatic immunity • Borrowers without a social security number • Borrowers party to a lawsuit • Corporations, Limited Partnerships, and LLCs • DACA borrowers without Category 33 work status • Foreign Nationals • Guardianships • Irrevocable Trusts • ITIN • Land Trusts • Life Estates • Qualified Personal Residence trusts • Real Estate trusts
Ineligible Property Types	• Agricultural properties, including hobby farms, ranches and orchards • Assisted living facilities with medical services or other types of assisted care facilities • Bed and breakfast • Boarding house • Container homes • Commercial and mixed use properties • Condo-hotels, including projects with registrations services that offer rental units on a daily, weekly or monthly basis • Condominium conversion • Co-ops, including Co-op timeshares • Domes or geodesic domes • Dwellings with > 4 units • Earth Home, Berm Home or Basement Home • Factory Built Housing • Hawaii properties located in lava zones 1 or 2 • Homes on Native American lands • Hotel or motel conversion • Houseboats • Income producing properties • Leasehold properties • Log homes • Manufactured homes • Mobile homes • Non-warrantable condos • Properties exceeding 25 acres • Properties not readily accessible by roads that meet local standards

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	• Properties not suitable for year round occupancy, regardless of location • Properties with PACE liens • Properties with resale restrictions • Properties with UCC filings • Unique properties • Vacant land or land developed properties
Ineligible Transactions	• Attorney Title Opinion Letters • Bridge loan, defined as a loan that excludes the contingent liability from the DTI • Builder/Seller bailout • Escrow holdback or escrow for work completion • Foreclosure bailout • Illinois Land Trust • Income produced, or in relation to, cannabis, hemp • Income produced, or in relation to, the adult entertainment industry • Interest only loan • Model home leaseback • Multiple property payment skimming • Non-QM loan • Property listed for sale within the last 6 months, measured from listing expiration date to new loan application date • Refinancing of a subsidized loan • Reverse 1031 exchange • Section 32 and/or High-Cost Loan • Shared Appreciation second liens • Single Closing Construction-to-Permanent refinance • Straw borrower or straw buyer • Temporary buydown • Texas refinance 50(a)(6) transaction
Interested Party Contributions (IPCs)	• Follow respective AUS/Agency's requirements
LTV/CLTV/HCTLV	• Purchase ○ LTV/CLTV is based upon the lessor of the sales price or appraised value • Rate and Term Refinance ○ LTV/CLTV is based upon the current appraised value • Cash-out Refinance ○ Twelve (12) months since the most recent mortgage transaction (timeframe is Note date of previous transaction to Note date of current transaction) is required ○ LTV/CLTV is based upon the current appraised value
Minimum Loan Amount	• One dollar (\$1) above conforming loan limits for one-unit properties as published by the Federal Housing Financing Agency (FHFA)
Mortgage Insurance/PMI	• Private Mortgage Insurance (PMI) is not allowed
Multiple Financed Properties	• Follow respective AUS/Agency's published requirements • OCMBC's exposure to a single borrower shall not exceed \$5,000,000 (not to exceed \$10,000,000 in high-cost areas) in current unpaid principal balance or six (6) properties

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS	
Non-Arm's-Length Transaction	- Follow respective AUS/Agency's requirements - Loans made to principals or employees of OCMBC or the service provider cannot provide services on their own transactions (closing agent, title agent, appraiser, etc.) - Purchase transactions where the seller is a corporation, partnership, or any other business entity, OCMBC must ensure that the borrower is not one of the owners of the business entity selling the subject property	
Refinance Transactions	Eligibility determined by the respective AUS/Agency's requirements	
Reserves Requirements	Loan Amount & LTV/CLTV > 80%	Greater of AUS or requirement below:
	≤ \$1,000,000	Follow AUS
	> \$1,000,000 - ≤ \$2,000,000	3 months
	> \$2,000,000 - ≤ \$3,000,000	6 months
	> \$3,000,000	12 months
	LTV/CLTV > 80%	6 months
	Multiple Financed Properties – Additional reserves are required for each additional financed property. Follow respective AUS/Agency published requirements to determine additional required reserves - Reserves are represented as a number equal to PITIA for the relevant property; PITIA is the monthly payment obligation for all the following: - Principal - Interest - Taxes – real estate taxes - Insurance – hazard, flood, mortgage insurance (as applicable) - Assessments/Association Dues (including ground rent, HOA Dues, special assessments, etc.) - Plus any subordinate financing payments on mortgages secured by the subject property Unacceptable Reserves: - Assets that are not vested (such as non-vested stock options and non-vested restricted stock) - Cash on hand - Cash-out proceeds - Non-vested funds - Stock held in an unlisted corporation - UGMA or UTMA accounts - Unsecured loans	
Solar	Follow respective AUS/Agency's requirements	
Subordinate Financing	- Shared Appreciation second liens are not allowed - Must meet all other respective AUS/Agency's requirements	
Tax Transcripts	Required when tax returns are used to determine borrower qualifying income	

Eligibility Matrix ²												
Occupancy	Property	Loan Amount	Purchase, Rate/Term Refi					Cash-out Refi				
			Max LTV/CLTV to FICO					Max LTV/CLTV to FICO				
			740+	720+	700+	680+	660+	740+	720+	700+	680+	660+
Primary Residence	SFR/2-4 Unit/PUD/Condo	\$ 2,000,000	89.99% ¹	89.99% ¹	89.99% ¹	89.99% ¹	80%	80%	80%	80%		
		\$ 2,500,000	80%	80%				80%				
		\$ 3,000,000	80%					80%				
Second Home	SFR/2-4 Unit/PUD/Condo	\$ 2,000,000	89.99% ¹	89.99% ¹	89.99% ¹	89.99% ¹	80%	75%	75%			
		\$ 2,500,000	80%	80%				75%				
		\$ 3,000,000	80%					75%				
Investment	SFR/2-4 Unit/PUD/Condo	\$ 1,000,000	80%	80%	80%	80%	70%	75%	75%	75%	75%	
		\$ 2,000,000	80%	80%	80%	80%	70%	75%	75%	70%	70%	
		\$ 2,500,000	75%	75%								
			Interest Only (Fixed Rate)									
			760+	740+	720+	700+	680+					
Primary Residence/ Second Home	SFR/2-4 Unit/PUD/Condo	\$ 1,000,000	80%	80%	75%	75%						
		\$ 2,000,000	75%	75%	75%							
		\$ 3,000,000	75%									

10/6 ARM ineligible

2Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)

Details	
Appraisal	≤ \$1.5MM: 1 appsl > \$1.5MM: 2 appsls
Cash out Proceeds	No max cash out limits
Compliance	- Must be QM, Safe Harbor and Rebuttable Presumption permitted - Higher Priced Mortgage Loans (HPML) allowed, must comply with all applicable regulatory requirements - State and Federal High-Cost loans ineligible
Credit Event (BK,SS,FC,DIL)	7 yrs seasoning required - Multiple events not allowed
Credit Event (Forbearance)	•Must have exited, not in a repayment plan, current and made 6 timely payments
Credit Scores	2 scores required - Lowest middle is decision score
Credit Tradelines	Follow AUS
DTI	- Fixed & ARM: Determined by AUS up to max 45% - Interest Only: Determined by AUS up to max 43%
Eligible Borrowers	US Citizens Permanent Resident Aliens Non-Permanent Resident Aliens First time Homebuyers Non-occ co-borrowers Refer to guidelines for eligibility requirements
First Time Homebuyer	Follow AUS
Geographic Restrictions	US Territories and Texas 50(a)(6) and (f)(2) Transactions ineligible
Housing History	Mortgage/Rent: 0x30x12
Income and Employment	- Follow respective AUS, additional documentation may be required - Tax transcripts required - Other income: Follow respective AUS
Interested Party Contributions	Follow AUS
Max Financed Properties	Follow AUS
Minimum Loan Amount	\$1 above conforming loan limit
Property Type	SFR, 1-4 Units, PUD, Condo
Seasoning	Follow AUS
Refinance - Cash-out	Follow AUS
Refinance - Delayed Financing	Eligible, property must have been purchased for cash within 180 days of application date
Refinance - Rate/Term	Follow AUS
Reserves	Up to \$2.0MM follow AUS Primary & 2nd Home Purch and R&T refi - > \$2.0MM - ≤ \$2.5MM: > 12 mos or AUS > \$2.5MM - ≤ \$3.0MM: > 18 mos or AUS Primary & 2nd Home Cash-out refi - > \$2.0MM: > 18 mos or AUS Investment Properties - >\$2.0MM: > 12 mos or AUS Interest Only - > \$2.0MM: > 24 mos or AUS *Business funds & gift funds ineligible*
Secondary Financing	Permitted up to max LTV/CLTV
Temporary Buydowns	Ineligible
Underwriting	- DU Approve or LPA Accept recommendation required - Must meet all requirements of DU/LPA approval & applicable FNMA/FHLMC underwriting guidelines, only one guideline series allowed - Where silent, defer respective Agency guidelines for requirements

Loan Programs		
Fixed Fully Amortized		15-Year Fixed (180 Months) 30-Year Fixed (360 Months) 30-Year Fixed Interest Only (10 yr IO, 20 yr amort) 10/6 ARM (360 Months)
	ARM Information	
	Fixed Rate Period Index Lookback Period Floor Margin Caps Fully Indexed Rate Qualifying Rate	10 years 30 day average SOFR 45 days Subject to minimum margin and caps 2.75% 5%: Initial Cap (max increase or decrease) 1%: Subsequent Cap (max periodic increase or decrease) 5%: Lifetime Cap (max increase in interest rate over the life of loan) Sum of the index & margin rounded to the nearest (.125) Greater of fully indexed rate or Note rate
Product Restrictions (Not Permitted)		
	Borrowers	
- Blind Trusts - Foreign Nationals - Guardianships - Irrevocable Trusts - ITIN - Land Trusts	- Less than 18 years old - LLCs, LLPs, Corporations - Life estates - Party to a lawsuit	- Real Estate Trusts - Qualified Personal Residence Trusts - With diplomatic immunity - Without a social security number
	Transactions	
1031 exchange on owner occupied 2-4 unit property - Bridge loans - Builder/Seller bailout - Escrow holdbacks - Foreclosure bailout - Illinois Land Trust	- Income produced, or in relation to, cannabis, hemp - Model home leaseback - Multiple property payment skimming - Non-QM loans	- Refinancing of a subsidized loan - Reverse 1031 exchange - Section 32 or High Cost loan - Single closing construction to perm financing - Straw borrowers - Temporary Buydowns
	Property Types	
- Agricultural zoned properties - Assisted living facilities - Bed and Breakfast - Boarding house - Container homes - Commercial - Condo hotels and condotels - Condominium conversions - Co-Ops - Domes or geodesic domes - Dwelling w/more than 4 units - Earth or Berm homes - Factory built housing - Hawaii properties in lava zones 1 or 2 - Homes on Native American lands	- Hotel or motel conversions - Houseboats - Hobby farms, ranches or orchards - Illinois Land Trust - Income producing properties - Leasehold properties - Log homes - Manufactured or mobile homes - Mixed use - Non-warrantable Condos - Projects that offer unit rentals daily, weekly or monthly	- Properties > 25 acres - Property not accessible by roads - Properties not suitable for year-round occupancy - Properties with deed or resale restrictions - Properties with PACE obligations - Properties with UCC filings - Rural properties - Unique properties - Vacant land or land development properties



Correspondent JUMBO ONE ADVANTAGE PROGRAM GUIDELINES

ELIGIBILITY MATRIX

Occupancy	Property	Loan Amount	Purchase, Rate/Term Refi					Cash-out Refi			
			Max LTV/CLTV to FICO					Max LTV/CLTV to FICO			
			740+	720+	700+	680+	660+	740+	720+	700+	680+
Primary Residence	SFR/ 2-4 Unit/ PUD/Condo	\$2,000,000	89.99% ¹	89.99% ¹	89.99% ¹	89.99% ¹	80%	80%	80%	80%	80%
		\$2,500,000	80%	80%				80%			
		\$3,000,000	80%						80%		
Second Home		\$2,000,000	89.99% ¹	89.99% ¹	89.99% ¹	89.99% ¹	80%	75%	75%	75%	
		\$2,500,000	80%	80%				75%			
		\$3,000,000	80%						75%		
Investment		\$1,000,000	80%	80%	80%	80%	70%	75%	75%	75%	75%
		\$2,000,000	80%	80%	80%	80%	70%	75%	75%	70%	70%
		\$2,500,000	75%	75%							
			Interest Only (Fixed Rate)								
			760+	740+	720+	700+	680+				
Primary Residence/ Second Home	SFR/ 2-4 Unit/ PUD/Condo	\$1,000,000	80%	80%	75%	75%					
		\$2,000,000	75%	75%	75%						
		\$3,000,000	75%								
¹ 10/6 ARM ineligible											

¹10/6 ARM ineligible

PRODUCT OFFERINGS

Full Amortizing Fixed Rate	15, 30 years
Full Amortizing Adjustable Rate	10/6 ARM, 30 year amortization
Interest Only Fixed Rate	10 year IO, 20 year amortization

ARM INFORMATION

CATEGORY	VALUES
Fixed Rate Period	10 years
Index	30 day average SOFR
Lookback Period	45 days
Adjustment Period	6 months
Floor	Subject to minimum margin and caps
Margin	2.75%
Caps	5%: Initial Cap (max increase or decrease) 1%: Subsequent Cap (max periodic increase or decrease) 5%: Lifetime Cap (max increase in interest rate over the life of loan)
Fully Indexed Rate	Sum of the index and margin rounded to the nearest one-eighth (.125) of 1 percentage point
Qualifying Rate	Greater of fully indexed rate or Note rate

INTEREST ONLY INFORMATION

CATEGORY	VALUES
Interest Only Period	10 years
Fixed Rate Period	20 years - fully amortized
Qualifying Rate	Fully Amortized P&I payment based on 20-year amortization term at the note rate



Correspondent JUMBO ONE ADVANTAGE PROGRAM GUIDELINES

KEY PROGRAM PARAMETERS

Approve or Accept AUS recommendation (DU or LPA) is required. Ineligible recommendation is allowed for loan amount only.

All loans must be underwritten to the more restrictive of the product guidelines or DU or LPA findings report. Where both are silent, refer to the respective Agency guidelines, Fannie Mae Single Selling Guide for DU and Freddie Mac Single-Family Seller/Service Guide for LPA. Loans must be fully underwritten to either Fannie Mae or Freddie Mac guidelines and may not be combined.

Loans must be fully underwritten to either Fannie Mae or Freddie Mac guidelines and may not be combined.

Fannie Mae-approved DU Validation Services are not allowed.

Qualifying criteria are subject to change without notice.

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS						
Appraisal Requirements	- Appraisal must meet all requirements of respective AUS and comply with all applicable regulations and standards including but not limited to USPAP, FIRREA, AIR and HVCC compliance - Condition ratings must be C1 through C4, - C5 and C6 condition ratings are ineligible <table border="1"> <thead> <tr> <th>First Loan Amount</th><th>Appraisal Requirements</th></tr> </thead> <tbody> <tr> <td>≤ \$1,500,000</td><td>1 Full Appraisal</td></tr> <tr> <td>> \$1,500,000</td><td>2 Full Appraisals</td></tr> </tbody> </table> Second appraisals - LTV determined by the lower value of 2 appraisals or sales price, whichever is lower - Enhanced desk review is not required with 2 appraisals, unless required by the underwriter Appraisal waivers (PIW, Value acceptance w/PDR, PDR, ACE, ACE + PDR) are not allowed even if present on DU or LPA Transferred appraisals are not allowed	First Loan Amount	Appraisal Requirements	≤ \$1,500,000	1 Full Appraisal	> \$1,500,000	2 Full Appraisals
First Loan Amount	Appraisal Requirements						
≤ \$1,500,000	1 Full Appraisal						
> \$1,500,000	2 Full Appraisals						
Asset Requirements	- Follow respective AUS - Virtual currency/cryptocurrency is not allowed as a source of funds or reserves unless it is liquidated into US currency - Refer to Reserve Requirements for unacceptable reserves						
Compliance Requirements	All loans must adhere to the General QM Final Rule (price-based). Loans must be designated as Qualified loans. The allowable points and fees threshold is the more restrictive of state law, as applicable or 3.00%. Loans that fall under safe harbor, rebuttable presumption and general ATR are permitted. Loans are subject to general ability-to-repay (ATR) standards (12 C.F.R 1023.43(c)) and require the lender to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan. The following eight underwriting factors are to be considered when making this determination:						

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	I. Current or reasonably expected income or assets II. Current employment status III. The monthly payment on the covered transaction IV. The monthly payment on any simultaneous loan V. The monthly payment for mortgage-related obligations VI. Current debt obligations, alimony and child support VII. The monthly debt-to-income ratio or residual income VIII. Credit history • State and Federal High-Cost loans are not allowed
Credit	• General Requirements ○ All borrowers must have at least two reported credit scores ○ Lowest middle decision credit score is used to determine eligibility ○ All credit inquiries made in the last 120 days require a letter of explanation, ▪ Any new debt must be included as a liability for qualifying • Tradeline Requirements: ○ Follow respective AUS/Agency's requirements • Contingent Liabilities may be excluded from the borrower's DTI ratios with the following: ○ Proof the borrower is not the primary obligor ○ Evidence of timely payments made by the primary obligor for the most recent twelve (12) months ○ No delinquencies in the past 12 months ○ If the liability is a mortgage debt, the property must be included in the count of financed properties • Derogatory Credit: ○ Bankruptcy, foreclosure, deed-in-lieu, short sale, pre-foreclosure, or mortgage charge-off: Seven (7) years seasoning required on all derogatory credit events ▪ Seasoning is measured from the completion, discharge or dismissal date, as applicable of the derogatory credit to the funding date of the new loan ○ Forbearance: Six (6) months of timely payments required after exiting forbearance. Payoff and/or monthly statements must not reflect any deferred principal balance. • Housing History: ○ Mortgages – Borrower's must evidence 0x30 in the most recent 12 months (0x30x12) ▪ Verification of Mortgage (VOM) is allowed only if provided from a financial institution ○ Rents – Borrower's must evidence 0x30 in the most recent 12 months (0x30x12) ▪ Acceptable verification of rents (VOR) are: • Cancelled checks (front and back) evidencing rent payments • Fully executed lease agreement and bank statements evidencing rent payments



Correspondent JUMBO ONE ADVANTAGE PROGRAM GUIDELINES

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	▪ VOR from landlord is allowed only if the landlord is a professional management company
Debt-to-Income (DTI)	• Fully amortizing monthly payment must be used for qualifying on subject property • Fixed Rate and ARM: ○ DTI determined by AUS up to a max 45% • Interest Only: ○ DTI determined by AUS up to a max 43%
Eligible Borrowers	• Follow respective AUS/Agency's requirements ○ First-time homebuyers ○ Inter Vivos Revocable Trusts ○ Non-occupying co-borrowers ○ Non-Permanent Resident Aliens allowed with all the following: ▪ Acceptable VISA evidence ▪ History of VISA renewal ▪ Expectation employment will continue ▪ Borrower must have a two year employment and income history in the US evidenced with two years personal tax returns regardless of AUS findings ○ Permanent Resident Aliens ○ US Citizens
Eligible Properties	• Single family residence • Warrantable Condominium (attached or detached) • Planned unit development (PUD; attached or detached) • 2-4 Unit
General Property Requirements	• SFR: Minimum 600 square feet of gross living area • Condo: Minimum 500 square feet of gross living area • 2-4 Unit: Minimum 600 square feet of gross living area per individual unit • Maximum 25 acres
Geographic Restrictions	• Loan originated in the US Territories and Texas refinance 50(a)(6) transactions are ineligible • Please refer to the LSM Correspondent licensing page for any additional state restrictions
Gift Funds	• Follow respective AUS/Agency's requirements • Gifts of equity not allowed
Income/Employment	• Employment, income sources used to qualify and income calculations must meet the respective AUS/Agency's requirements • Verbal verification of employment (VVOE) for each borrower using employment or self-employment income to qualify is required and must be completed with ten (10) business days prior to the Note date and two (2) business days prior to funding
Ineligible Borrowers	• Blind trusts • Borrowers less than 18 years old • Borrowers with diplomatic immunity • Borrowers without a social security number • Borrowers party to a lawsuit • Corporations, Limited Partnerships, and LLCs • Foreign Nationals

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	• Guardianships • Irrevocable Trusts • ITIN • Land Trusts • Life Estates • Qualified Personal Residence trusts • Real Estate trusts
Ineligible Property Types	• Agricultural properties, including hobby farms, ranches and orchards • Assisted living facilities with medical services or other types of assisted care facilities • Bed and breakfast • Boarding house • Container homes • Commercial properties • Condo-hotels, including any projects with registrations services that offer rental units on a daily, weekly or monthly basis • Condominium conversions • Co-ops, including Co-op timeshares • Deed-restricted • Domes or geodesic domes • Dwellings with > 4 units • Earth Home, Berm Home or Basement Home • Factory Built Housing • Hawaii properties located in lava zones 1 or 2 • Homes on Native American lands • Hotel or motel conversions • Houseboats • Illinois Land Trust • Income producing properties • Leasehold properties • Log homes • Manufactured homes • Mixed Use properties • Mobile homes • Non-warrantable condos • Properties exceeding 25 acres • Properties not readily accessible by roads that meet local standards • Properties not suitable for year round occupancy, regardless of location • Properties with PACE obligations • Properties with resale restrictions • Properties with UCC filings • Properties zoned agricultural • Rural properties • Unique properties • Vacant land or land development properties
Ineligible Transactions	• Bridge loan, defined as a loan that excludes the contingent liability from the DTI • Builder/Seller bailout • Escrow holdback or escrow for work completion



Correspondent JUMBO ONE ADVANTAGE PROGRAM GUIDELINES

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	• Foreclosure bailout • Income produced, or in relation to, cannabis, hemp • Illinois Land Trust • Model home leaseback • Multiple property payment skimming • Non-QM loan • Proceeds from a 1031 used to purchase a 2-4 unit property in which one of the units will be occupied by the borrower • Refinancing of a subsidized loan • Reverse 1031 exchange • Section 32 and/or High-Cost Loan • Shared Appreciation second liens • Single Closing Construction-to-Permanent refinance • Straw borrower or straw buyer • Temporary Buydowns • Texas refinance 50(a)(6) transaction
Interested Party Contributions (IPCs)	• Follow respective AUS/Agency's requirements
LTV/CLTV/HCTLV	• Purchase ○ LTV/CLTV is based upon the lesser of the sales price or appraised value • Rate and Term Refinance ○ LTV/CLTV is based upon the current appraised value • Cash-out Refinance ○ Twelve (12) months since the most recent mortgage transaction (timeframe is Note date of previous transaction to Note date of current transaction) is required ○ LTV/CLTV is based upon the current appraised value
Minimum Loan Amount	• One dollar (\$1) above the conforming loan limit
Mortgage Insurance/PMI	• Private Mortgage Insurance (PMI) is not allowed
Multiple Financed Properties	• Follow respective AUS/Agency's requirements • OCMBC's exposure to a single borrower shall not exceed \$5,000,000 (not to exceed \$10,000,000 in high-cost areas) in current unpaid principal balance or six (6) properties
Non-Arm's-Length Transaction	• Follow respective AUS/Agency's requirements • Loans made to principals or employees of OCMBC or the service provider cannot provide services on their own transactions (closing agent, title agent, appraiser, etc.) • Purchase transactions where the seller is a corporation, partnership, or any other business entity, OCMBC must ensure that the borrower is not one of the owners of the business entity selling the subject property
Refinance Transactions	• Rate/Term and Cash-Out Refi: ○ Eligibility determined by the respective AUS/Agency's requirements • Delayed Financing ○ Eligible, property must have been purchased for cash within 180 days of application date ○ Follow respective AUS/Agency's requirements

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS																						
Reserves Requirements	- All transactions with loans amounts ≤ \$2,000,000 follow AUS requirements for reserves - For all transactions with loans amounts > \$2,000,000, reserve requirements are below																						
	<table><tr><th>Occupancy</th><th>Transaction</th><th>Loan Amount/Term</th><th>Greater of AUS or requirement below:</th></tr><tr><td rowspan="2">Primary Residence/ Second Home</td><td rowspan="2">Purchase & Rate/Term refi</td><td>> \$2,000,000 – ≤ \$2,500,000</td><td>12 months</td></tr><tr><td>> \$2,500,000</td><td>18 months</td></tr><tr><td>Primary Residence/ Second Home</td><td>Cash-out refi</td><td>> \$2,000,000</td><td>18 months</td></tr><tr><td>Investment</td><td>Purchase, Rate/Term & Cash-out refi</td><td>> \$2,000,000</td><td>12 months</td></tr><tr><td>Primary Residence/ Second Home</td><td>Interest only</td><td>> \$2,000,000</td><td>24 months</td></tr></table>	Occupancy	Transaction	Loan Amount/Term	Greater of AUS or requirement below:	Primary Residence/ Second Home	Purchase & Rate/Term refi	> \$2,000,000 – ≤ \$2,500,000	12 months	> \$2,500,000	18 months	Primary Residence/ Second Home	Cash-out refi	> \$2,000,000	18 months	Investment	Purchase, Rate/Term & Cash-out refi	> \$2,000,000	12 months	Primary Residence/ Second Home	Interest only	> \$2,000,000	24 months
	Occupancy	Transaction	Loan Amount/Term	Greater of AUS or requirement below:																			
	Primary Residence/ Second Home	Purchase & Rate/Term refi	> \$2,000,000 – ≤ \$2,500,000	12 months																			
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	Primary Residence/ Second Home	Cash-out refi	> \$2,000,000	18 months																			
	Investment	Purchase, Rate/Term & Cash-out refi	> \$2,000,000	12 months																			
	Primary Residence/ Second Home	Interest only	> \$2,000,000	24 months																			
	Multiple Financed Properties – Additional reserves are required for each additional financed property. Follow DU findings to determine additional required reserves.																						
	- Reserves are represented as a number equal to the fully amortizing payment, PITIA, for the relevant property; PITIA is the monthly payment obligation for all the following: - Principal - Interest - Taxes – real estate taxes - Insurance – hazard, flood, mortgage insurance (as applicable) - Assessments/Association Dues (including ground rent, HOA Dues, special assessments, etc.) - Plus any subordinate financing payments on mortgages secured by the subject property																						
Unacceptable Reserves: - Assets that are not vested (such as non-vested stock options and non-vested restricted stock) - Business assets - Cash on hand - Cryptocurrency/virtual currency, unless liquidated - Stock held in an unlisted corporation - UGMA or UTMA accounts - Unsecured loans																							
Solar	- Follow respective AUS/Agency's requirements with the following exception: - Solar Panels that include a UCC financing statement accompanying the property are ineligible																						



Correspondent JUMBO ONE ADVANTAGE PROGRAM GUIDELINES

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
Subordinate Financing	• Permitted up to max LTV/CLTV • Shared Appreciation second lien is not allowed • Must meet all other respective AUS/Agency's requirements
Tax Transcripts	• Required when tax returns are used to determine borrower qualifying income

Eligibility Matrix ²												
Occupancy	Property ¹	Loan Amount	Purchase, Rate/Term Refi					Cash-out Refi				
			740+	720+	700+	680+	660+	740+	720+	700+	680+	660+
Primary Residence	SFR 1 Unit/PUD/Condo	\$ 1,000,000	80%	80%	80%	80%	80%	80%	80%	75%	75%	75%
		\$ 1,500,000	80%	80%	80%	80%	80%	80%	80%	70%	70%	55%
		\$ 2,000,000	80%	80%	75%	75%	65%	80%	80%	55%	55%	55%
		\$ 2,500,000	80%	80%								
		\$ 3,000,000	80%									
	2 Unit	\$ 1,000,000	80%	80%	80%	80%	80%	70%	70%	70%	70%	55%
		\$ 1,500,000	65%	65%	65%	65%	65%	55%	55%	55%	55%	
		\$ 2,000,000	60%	60%	60%	60%	60%					
Second Home	SFR/PUD/Condo	\$ 1,000,000	80%	80%	80%	80%	80%	75%	75%	75%		
		\$ 1,500,000	80%	80%	70%	70%		75%	65%	65%		
		\$ 2,000,000	80%	80%	55%			75%				
		\$ 2,500,000	80%	80%								
		\$ 3,000,000	80%									
Investment	SFR/PUD/2-4 Unit/Condo	\$ 1,000,000	70%	70%	70%	70%		65%	65%	65%	65%	
		\$ 1,500,000	65%	65%	65%	65%		60%	60%			
¹ 10% LTV/CLTV reduction for declining market												
² Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)												
Details												
Appraisal			≤ \$1.5MM: 1 appsl & secondary valuation > \$1.5MM: 2 appsls Secondary Valuation: CU ≤ 2.5, no secondary valuation required CU > 2.5 or indeterminate: CCA/CDA/CCA within -10% or field review, 2nd full appsl									
Cash out Proceeds			≤ \$1.5MM: \$350,000 > \$1.5MM: \$500,000									
Compliance			• Must be QM, Safe Harbor and Rebuttable Presumption permitted • Higher Priced Mortgage Loans (HPML) allowed, must comply with all applicable regulatory requirements • State and Federal High-Cost loans ineligible									
Credit Event (BK,SS,FC,DIL)			• Follow DU, event seasoned < 7 yrs requires 0x30x24 rental history in past 24 and/or no mortgage lates since event • Multiple events not allowed									
Credit Event (Forbearance)			• 6 mos seasoning since end of forbearance • All payments during forbearance and after paid as agreed • Applies to all current and previously owned properties									
Credit Scores			• 2 scores required • Lowest middle is decision score • Rapid rescore not allowed									
Credit Tradelines			Follow DU									
DTI			Determined by DU up to max 49.99%									
Eligible Borrowers			US Citizens Permanent Resident Aliens Non-Permanent Resident Aliens First time Homebuyers Non-occ co-borrowers Refer to guidelines for eligibility requirements									
First Time Homebuyer			• \$1,500,000 max • Primary and Second home only • If living rent free must meet addn'l tradeline requirements									
Geographic Restrictions			US Territories and Texas refinance 50(a)(6) are ineligible									
Housing History			Mortgage: 0x30x12, 0x60x24 Rent: 0x30x12									
Income and Employment			• Follow DU, additional documentation may be required • Self Employed: P&L through most recent quarter required • Tax transcripts required • Other income: Follow DU, additional documentation may be required									
Interested Party Contributions			Follow DU									
Max Financed Properties			Follow DU									
Minimum Loan Amount			\$1 above conforming loan limit									
Property Type			SFR, 1-4 Units, PUD, Condo, non-warrantable Condo Non-warrantable Condo: 10% LTV/CLTV reduction, Primary/Second homes only, 30 year fixed rate, only one non-warrantable feature permitted Rural properties: > 10 acres requires 3 comparable sales with similar acreage & highest and best use must be the subject improvements									
Recently Listed Properties			Properties listed for sale ≤ 6 mos ineligible (refs only)									
Refinance - Cash-out			Properties listed for sale ≤ 6 mos of application ineligible									
Refinance - Delayed Financing			Eligible, property must have been purchased for cash within 6 mos of application date									
Refinance - Rate/Term			6 months seasoning required if previous transaction was a cash out									
Reserves			PR: ≤ \$1.0MM: > 6 mos or AUS > \$1.0MM - ≤ \$2.0MM: > 9 mos or AUS > \$2.0MM > 12 mos or AUS 2 units - > 12 mos or AUS 2nd: ≤ \$2.0MM: > 9 mos or AUS > \$2.0MM > 12 mos or AUS Inv: > 12 or AUS *Cash out proceeds & gift funds ineligible*									
Secondary Financing			Permitted up to max LTV/CLTV									
Temporary Buydowns			2:1 and 1:0 30 year fixed, Purchase transactions only 1 unit Primary Residence and Second Homes only, Investment not permitted									
Underwriting			• DU Approve recommendation required, LPA ineligible • Must meet all requirements of DU approval & applicable FNMA underwriting guidelines • Where silent, defer to FNMA Selling Guide for requirements									

Loan Programs			
Fixed Fully Amortized		• 15-Year Fixed (180 Months) • 30-Year Fixed (360 Months) • 30-Year Fixed 2:1 Temp Buydown (360 Months) • 30-Year Fixed 1:0 Temp Buydown (360 Months) • 10/6 ARM (360 Months)	
	ARM Information		
Fixed Rate Period Index Lookback Period Floor Margin Caps	10 years		
	30 day average SOFR		
	45 days		
	Subject to minimum margin and caps		
Fully Indexed Rate Qualifying Rate	2.75%		
	5%: Initial Cap (max increase or decrease) 1%: Subsequent Cap (max periodic increase or decrease) 5%: Lifetime Cap (max increase in interest rate over the life of loan)		
	Sum of the index & margin rounded to the nearest (.125) Greater of fully indexed rate or Note rate		
Product Restrictions (Not Permitted)			
Borrowers			
• Blind Trusts • Foreign Nationals • Irrevocable Trusts • ITIN • Land Trusts • Less than 18 years old			
• LLCs, LLPs, Corporations • Life estates • Qualified Personal Residence Trusts • Real Estate Trusts			
• Trust Estates • With diplomatic immunity • Without a social security number			
Transactions			
• Bridge loans • Builder/Seller bailout • Escrow holdbacks • Foreclosure bailout • Illinois Land Trust • Income produced, or in relation to, cannabis, hemp • Interest only loan			
• Model home leaseback • Multiple property payment skimming • Non-QM loan • Property with a PACE loan • Refinancing of subsidized loan			
• Reverse 1031 exchange • Section 32 or High Cost Loan • Single closing construction to perm refinance • Straw borrowers			
Property Types			
• Agricultural zoned properties • Assisted living facilities • Bed and Breakfast • Boarding homes • Container homes • Commercial • Condo hotels and condotels • Condominium conversions • Condos with HOAs in litigation • Co-Ops • Domes or geodesic domes • Dwelling w/more than 4 units • Earth or Berm homes • Factory built housing			
• Hawaii properties in lava zones 1 or 2 • Homes on Native American lands • Houseboats • Income producing properties • Leasehold properties • Log homes • Manufactured or mobile homes • Mixed use • Projects that offer unit rentals daily, weekly or monthly • Properties > 25 acres			
• Property not accessible by roads • Properties not suitable for year-round occupancy • Properties with PACE obligations • Properties with deed or resale restrictions (age-related allowed) • Properties with UCC filings • PUDtels • Unique properties • Vacant land or land development properties			

Loan Programs		
Fixed Fully Amortized	• 15-Year Fixed (180 Months) • 30-Year Fixed (360 Months) • 30-Year Fixed 2:1 Temp Buydown (360 Months) • 30-Year Fixed 1:0 Temp Buydown (360 Months) • 10/6 ARM (360 Months)	
	ARM Information	
	Fixed Rate Period	10 years
	Index	30 day average SOFR
	Lookback Period	45 days
Floor	Subject to minimum margin and caps	
Margin	2.75%	
Caps	5%: Initial Cap (max increase or decrease) 1%: Subsequent Cap (max periodic increase or decrease) 5%: Lifetime Cap (max increase in interest rate over the life of loan)	
Fully Indexed Rate	Sum of the index & margin rounded to the nearest (.125)	
Qualifying Rate	Greater of fully indexed rate or Note rate	
Product Restrictions (Not Permitted)		
Borrowers		
• Blind Trusts • Foreign Nationals • Irrevocable Trusts • ITIN • Land Trusts • Less than 18 years old	• LLCs, LLPs, Corporations • Life estates • Qualified Personal Residence Trusts • Real Estate Trusts	• Trust Estates • With diplomatic immunity • Without a social security number
Transactions		
• Bridge loans • Builder/Seller bailout • Escrow holdbacks • Foreclosure bailout • Illinois Land Trust • Income produced, or in relation to, cannabis, hemp • Interest only loan	• Model home leaseback • Multiple property payment skimming • Non-QM loan • Property with a PACE loan • Refinancing of subsidized loan	• Reverse 1031 exchange • Section 32 or High Cost Loan • Single closing construction to perm refinance • Straw borrowers
Property Types		
• Agricultural zoned properties • Assisted living facilities • Bed and Breakfast • Boarding homes • Container homes • Commercial • Condo hotels and condotels • Condominium conversions • Condos with HOAs in litigation • Co-Ops • Domes or geodesic domes • Dwelling w/more than 4 units • Earth or Berm homes • Factory built housing	• Hawaii properties in lava zones 1 or 2 • Homes on Native American lands • Houseboats • Income producing properties • Leasehold properties • Log homes • Manufactured or mobile homes • Mixed use • Projects that offer unit rentals daily, weekly or monthly • Properties > 25 acres	• Property not accessible by roads • Properties not suitable for year-round occupancy • Properties with PACE obligations • Properties with deed or resale restrictions (age-related allowed) • Properties with UCC filings • PUDtels • Unique properties • Vacant land or land development properties

ELIGIBILITY MATRIX

Occupancy	Property ¹	Loan Amount	Purchase, Rate/Term Refi					Cash-out Refi ²				
			Max LTV/CLTV to FICO					Max LTV/CLTV to FICO				
			740+	720+	700+	680+	660+	740+	720+	700+	680+	660+
Primary Residence	1 Unit SFR/PUD/Condo	\$1,000,000	80%	80%	80%	80%	80%	80%	80%	75%	75%	75%
		\$1,500,000	80%	80%	80%	80%	80%	80%	80%	70%	70%	55%
		\$2,000,000	80%	80%	75%	75%	65%	80%	80%	55%	55%	55%
		\$2,500,000	80%	80%								
		\$3,000,000	80%									
	2 Unit	\$1,000,000	80%	80%	80%	80%	80%	70%	70%	70%	70%	55%
		\$1,500,000	65%	65%	65%	65%	65%	55%	55%	55%	55%	55%
		\$2,000,000	60%	60%	60%	60%	60%					
Second Home	SFR/PUD/Condo	\$1,000,000	80%	80%	80%	80%	80%	75%	75%	75%		
		\$1,500,000	80%	80%	70%	70%		75%	65%	65%		
		\$2,000,000	80%	80%	55%			75%				
		\$2,500,000	80%	80%								
		\$3,000,000	80%									
Investment	SFR/2-4 Unit/PUD/Condo	\$1,000,000	70%	70%	70%	70%		65%	65%	65%	65%	
		\$1,500,000	65%	65%	65%	65%		60%	60%			

¹10% LTV/CLTV reduction for declining market

²Max Cash out is: \$350,000 ≤ \$1,500,000 loan amount & \$500,000 > \$1,500,000 loan amount

PRODUCT OFFERINGS

Full Amortizing Fixed Rate	15, 30 years
Full Amortizing Adjustable Rate	10/6 ARM, 30 year amortization

ARM INFORMATION

CATEGORY	VALUES
Fixed Rate Period	10 years
Index	30-day average SOFR
Lookback Period	45 days
Adjustment Period	6 months
Floor	Subject to minimum margin and caps
Margin	2.75%
Caps	5%: Initial Cap (max increase or decrease) 1%: Subsequent Cap (max periodic increase or decrease) 5%: Lifetime Cap (max increase in interest rate over the life of loan)
Fully Indexed Rate	Sum of the index and margin rounded to the nearest one-eighth (.125) of 1 percentage point
Qualifying Rate	Greater of fully indexed rate or Note rate

KEY PROGRAM PARAMETERS

This product utilizes the DU Findings report. An "Approve/Eligible" or "Approve/Ineligible" recommendation is required. Ineligible recommendation is allowed for loan structure such as loan amount or cash out proceeds exceeding the maximum allowed on rate/terms refinance due to delayed financing.

All loans must be underwritten to the more restrictive of the product guidelines or DU findings report. Where both are silent, refer to Fannie Mae Single Selling Guide. Freddie Mac/LPA findings are ineligible.

Fannie Mae-approved DU Validation Services are not allowed.

Qualifying criteria are subject to change without notice.

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS						
Appraisal Requirements	- Appraisal must meet all requirements of the DU findings and comply with all applicable regulations and standards including but not limited to USPAP, FIRREA, AIR and HVCC compliance. - Condition ratings must be C1 through C4, - C5 and C6 condition ratings are ineligible - Appraisals must be dated within 120 days of the Note date. After the 120-day period a new appraisal is required, appraisal updates are not allowed. <table border="1" data-bbox="565 512 1485 638"> <thead> <tr> <th>First Loan Amount</th><th>Appraisal Requirements</th></tr> </thead> <tbody> <tr> <td>≤ \$1,500,000</td><td>1 Full Appraisal & Secondary Valuation</td></tr> <tr> <td>> \$1,500,000</td><td>2 Full Appraisals*</td></tr> </tbody> </table> Secondary valuation is required when 1 appraisal is required. The secondary valuation waterfall is as follows: - CU score ≤ 2.5, OR - If CU score is > 2.5, “no score” or “indeterminate”, an ARR/CCA/CDA, field review or 2nd appraisal is required - An Appraisal Risk Review (ARR) from Stewart/ProTeck, Consolidated Collateral Analysis (CCA) from Consolidated Analytics or a Collateral Desktop Analysis report (CDA) from Clear Capital with variance that is no more than 10% below appraised value, OR - If variance is greater than 10%, a field review or 2nd full appraisal required - Field review, with value no more than 10% below appraised value, OR - If variance is greater than 10%, a 2nd full appraisal required 2nd full appraisal - Value is based on the lesser of the original appraisal, field review or 2nd appraisal Second appraisals – When two appraisals are required, the following applies: - LTV determined by the lower value of 2 appraisals or sales price, whichever is lower - The appraisals must be completed by two independent appraisal companies - Inconsistencies between the two appraisal reports must be addressed and all discrepancies reconciled - If the two appraisals are completed “subject to”, and require 1004Ds, one 1004D is acceptable provided it corresponds with the appraisal on which the transaction value is based. Appraisal waivers (PIW, Value acceptance w/PDR, PDR) are not allowed even if present on DU Transferred appraisals are not permitted	First Loan Amount	Appraisal Requirements	≤ \$1,500,000	1 Full Appraisal & Secondary Valuation	> \$1,500,000	2 Full Appraisals*
First Loan Amount	Appraisal Requirements						
≤ \$1,500,000	1 Full Appraisal & Secondary Valuation						
> \$1,500,000	2 Full Appraisals*						
Asset Requirements	- Follow DU findings - Large deposits are any large, atypical deposit or any large deposit that exceeds 50% of the borrower’s total monthly qualifying income - Large deposits must be sourced and explained by the borrower. Large deposits that cannot be sourced and explained must be subtracted from asset balance. - Virtual currency/cryptocurrency is not allowed as a source of funds or reserves unless it is liquidated into US currency						

- **Business Funds** are allowed to be used for closing costs and reserves. Borrower must have **ownership of $\geq 51\%$** and meet all the following requirements:
 - Personal and business tax returns, a year-to-date P&L and balance sheet are required for the entity the funds are being withdrawn from
 - Most recent three months business bank statements
 - Statements must not reflect any non-sufficient funds (NSFs) or overdrafts
- Underwriter to complete cash flow analysis using prior years' tax returns, year-to-date P&L, balance sheet and three months business bank statements verifying use of funds has no negative impact to ongoing business operations
- If borrower's ownership in the business is less than 100% all the following is required:
 - Access letter for use of funds must be provided all non-borrower business owner(s)
 - Borrower's percentage of ownership must be applied to the business funds available for use. For example, if the borrower owns 70% of the company and the business bank account balance is \$200,000, the funds available to be used for closing costs and reserves are \$140,000 ($\$200,000 \times 70\% = \$140,000$)
- If any of the business funds are used for reserves at least 50% of the verified reserves to meet the reserve requirement must be liquid and come from a personal, non-retirement account.
- **Unacceptable sources of funds** that may not be used for downpayment, closing costs or reserve requirements are as follows:
 - 529 and similar college savings plans
 - Cash advance on revolving account or unsecured line of credit
 - Cash on hand
 - Cryptocurrency (unless it meets FNMA Selling Guide conversion to US dollars requirements)
 - Custodial or "in trust for" accounts
 - Donated funds
 - Foreign assets
 - Funds from a community second mortgage or down payment assistance program
 - Grants (disaster related grants allowed)
 - Individual Development Accounts (IDAs)
 - Loans from non-institutional lenders
 - Non-marketable securities
 - Pooled Savings (Community Savings Funds)
 - Profit sharing plans
 - Salary advances
 - Sweat equity
 - Trade equity
 - Unsecured loan proceeds
- **Unacceptable reserves**, refer to [Reserves - Unacceptable Reserves](#) for details

Compliance Requirements	• All loans must adhere to the General QM Final Rule (price-based). Loans must be designated as Qualified loans. The allowable points and fees threshold is the more restrictive of state law, as applicable or 3.00%. Loans that fall under safe harbor, rebuttable presumption and general ATR are permitted. Loans are subject to general ability-to-repay (ATR) standards (12 C.F.R 1023.43(c)) and require the lender to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan. The following eight underwriting factors are to be considered when making this determination: I. Current or reasonably expected income or assets II. Current employment status III. The monthly payment on the covered transaction IV. The monthly payment on any simultaneous loan V. The monthly payment for mortgage-related obligations VI. Current debt obligations, alimony and child support VII. The monthly debt-to-income ratio or residual income VIII. Credit history • State and Federal High-Cost loans are not allowed
Credit	• General Requirements ○ All borrowers must have at least two reported credit scores ○ The lowest middle score is the representative credit score and is used to determine eligibility ○ Rapid re-scores are not allowed unless the re-score is necessary because of an error on the credit report. Evidence of error from the creditor is required. ○ Credit reports may not have “frozen credit”. If the borrower unfreezes credit after the initial report is run, a new tri-merge credit report must be obtained. ○ All credit inquiries made in the last 120 days require a letter of explanation ▪ Any new debt must be included as a liability for qualifying • Tradeline Requirements - Follow DU findings • Contingent Liabilities may be excluded from the borrower’s DTI ratios with the following: ○ Proof the borrower is not the primary obligor ○ Evidence of timely payments made by the primary obligor for the most recent twelve (12) months ○ No delinquencies in the past 12 months ○ If the liability is a mortgage debt, the property must be included in the count of financed properties • Derogatory Credit ○ Bankruptcy, foreclosure, deed-in-lieu, short sale, pre-foreclosure, or mortgage charge-off: Follow DU for credit seasoning requirements ▪ In addition, events seasoned < 7 years require the following: ♦ 0x30 rental history in the most recent 24 months (0x30x24) ♦ No mortgage lates since credit event ○ Forbearance: Past mortgage forbearance requires six (6) months of timely payments after exiting forbearance. Payoff and/or monthly statements must not reflect any deferred principal balance ○ Multiple derogatory credit events are not allowed ○ Mortgage lates and/or significant derogatory credit will require a satisfactory letter of explanation

	• Federal Income Tax Installment Agreement: ○ Delinquent tax debt that has not become a lien and does not impact title (open liens reflected on credit report will impact title and must be paid off) may remain open provided the following are met: ▪ Repayment agreement required ♦ Only one repayment agreement is allowed. If multiple tax payment plans exist all plans but one must be paid in full and verified with the IRS prior to closing. Funds used must be verified and considered when calculating funds to close and reserves ▪ Evidence a minimum of 2 payments were made under the plan with all payments made on time and installment plan is current ▪ Title company must provide written confirmation confirming (a) the title company is aware of the outstanding taxes with no exception to final title policy, and (b) there is no indication that a Notice of Federal Tax Lien has been filed against the borrower in the county which the subject property is located • Housing History: ○ Mortgages - Borrower's must evidence 0x30 in the most recent 12 months (0x30x12) and 0x60 in the most recent 24 months (0x60x24) ▪ Verification of Mortgage (VOM) is allowed only if provided from a financial institution ○ Rents 0x30 for the most recent 12 months (0x30x12) must be verified for borrowers who do not currently have a mortgage or a full 12 month mortgage history ▪ Acceptable verification of rents (VOR) are: ♦ Cancelled checks (front and back) evidencing rent payments ♦ Fully executed lease agreement and bank statements evidencing rent payments ▪ VOR from landlord is allowed only in the landlord is a professional management company ○ Insufficiencies in housing payment history must be satisfactorily explained. Acceptable examples are, but not limited to, primary residence owned free and living with family members rent free.
Debt-to-Income (DTI)	• Max DTI determined by DU up to a max 49.99%
Eligible Borrowers	• First time homebuyer, refer to First Time Homebuyers for restrictions • Inter Vivos Revocable Trusts • Non-occupying co-borrowers • Non-Permanent Resident Aliens: ○ Borrower must have a two year employment and income history in the US evidenced without any gaps in employment greater than 30 days ○ Acceptable visa types are: ▪ E Series (E-1, E-2, E-3) ▪ G Series (G-12, G-2, F-3, F-4, G-5) ▪ H Series (H-1B, H-1C) ▪ L Series (L-1, L-1A, L-1B, Spoused with L-2 EAD) ▪ NATO Series (NATO 1-6) ▪ Series (O-1) ▪ TN -1, Canadian NAFTA visa and TN-2, Mexican NAFTA visa • Permanent Resident Aliens ○ Allowed with one of the following: ▪ Current, valid Permanent Resident card/Green card (form I-551)

	- Passport stamped “processed for I-551” and temporary evidence of lawful entrance for permanent residence. Evidence must include employment is authorized, have a valid “until date” and verify the holder has been approved for, but not issued, a Permanent Resident Card. - If Permanent Resident Card expires within 6 months of Note date, United States Citizenship and Immigration Services (USCIS) Form I-90 (Application to Replace Permanent Resident Alien Card) filing receipt required - US Citizens
Eligible Properties	- Single family residence - Warrantable condominium (attached or detached) - Planned unit development (PUD; attached or detached) 1-4 unit - Rural properties - If property is greater than 10 acres, the appraisal must include: 3 comparables with similar acreage - Highest and best use must be the subject improvements
First Time Homebuyers	- Allowed with the follow restrictions: \$1,500,000 max loan amount - Primary residence and second homes only, investment properties ineligible - If living rent free, the following minimum tradeline requirements must be met: - Minimum 3 tradelines, at least 1 must be open for minimum 24 months and 1 active in the past 12 months - All 3 tradelines must not have any significant adverse credit including collection or charge-offs - Authorized user accounts are not allowed to be counted as a tradeline
General Property Requirements	- SFR: Minimum 600 square feet of gross living area - Condo: Minimum 500 square feet of gross living area 2-4 Unit: Minimum 400 square feet of gross living area per individual unit - Maximum 25 acres
Geographic Restrictions	- Loan originated in the US territories and Texas refinance (a)(6) transactions are ineligible - Please refer to the LSM Correspondent licensing page for any additional state restrictions
Gift Funds	- Gift funds allowed on primary residences and second homes when borrower has contributed at least 5% of their own funds - Are not allowed on investment properties - May not be used to meet reserve requirements or pay off account for qualifying - Donors must be: - A relative, defined as the borrower’s spouse, child or other dependent, or any other individual who is related to the borrower by blood, marriage, adoption or legal guardianship; or - a non-relative that shares a familial relationship with the borrower defined as a domestic partner (or relative of the domestic partner), individual engaged to marry the borrower, former relative or godparent - Fully executed gift letter with the following is required: - Gift amount - Source - Donor’s name, address, phone number and relationship - When the gift is sourced by a trust the trust must be established by an acceptable donor or the estate of an acceptable donor. The gift letter must list the name of the trust or estate account in addition to

	the donor's signature • Sufficient funds to cover the gift must be verified in either: ○ The donor's account; or ○ Transferred from the donor's account to the borrower account • Acceptable documentation includes: ○ Electronic transfer of funds from a donor's account to the borrower's account to the closing agent ○ Donor's certified check and borrower's deposit slip ○ Donor's withdrawal slip and borrower's deposit slip ○ Donor's certified check to the closing agent ○ Closing disclosure evidencing receipt of the donor's certified check ○ For gifts of equity, the closing disclosure must reflect the gift amount
Income/Employment: Wage Earner	• Follow DU findings and Fannie Mae Seller Guide for qualifying income calculations and documentation requirements in addition to the following: ○ Additional documentation may be required to calculate certain types of income at underwriter's discretion ○ Borrowers employed by a family member require the following: ▪ Most recent 30 days' paystubs with year-to-date earnings ▪ W2 or personal tax returns for most recent 2 years ▪ Two years tax transcripts required • Underwriter must provide written analysis justifying the income used is stable for all borrowers with less than two-year history of receiving income • If tax returns are provided, they must be analyzed in their entirety, including prior years income when determining income stream • Verbal verification of employment (VVOE) for each borrower using employment income to qualify is required and must be completed with ten (10) business days prior to the Note date and two (2) business days prior to funding ○ VVOE is required from each employer if borrower worked for more than one employer with the past two years
Income/Employment: Restricted Stock Units (RSU) and Restricted Stock (RS) Income	• Follow DU findings and Fannie Mae Selling Guide for qualifying income.

Income/Employment: Self-Employed	• Follow DU findings and Fannie Mae Seller Guide for qualifying income calculations and documentation requirements in addition to the following: ○ Year-to-date Profit and Loss (P&L) statement through the most recent quarter is required when the primary source of qualifying income is self-employed income ○ If application dated is after March 31st and prior year tax returns have not been filed, a P&L for the prior year is required in addition to the most recent quarter P&L ○ If self-employed income reporting on personal tax returns is secondary/supplemental income the following applies: ▪ Income reported on the borrower's personal tax returns is not required to be used for qualifying if the income used is wage earner income (not self-employment income) and self-employed income reported is a separate source of income ▪ If secondary/supplemental income losses reporting on personal tax returns and/or 1040 tax transcripts are greater than 5% of borrower's total qualifying income the losses must be deducted from the qualifying income ▪ Additional self-employment documentation may be required at underwriter discretion ○ If self-employed income reporting is the co-borrower's self-employed income and is not being used for qualifying, no additional documentation is required but may be conditioned for at underwriter discretion ▪ If co-borrower's self-employment income losses reporting on personal tax returns and/or 1040 tax transcripts are greater than 5% of borrower's total qualifying income the losses must be deducted from the qualifying income • Verbal verification of employment (VVOE) for each borrower using self-employment income to qualify is required and must be completed with ten (10) business days prior to the Note date and two (2) business days prior to funding. If the VVOE is completed by the CPA, the length of employment confirmed by the CPA must match the length of employment reviewed in DU.
Income: K-1	• K-1 Income on 1040 - Schedule E: ○ K-1 is not required when income is positive or \$0, stable and not used for qualifying ○ K-1 is required when the income is positive and used for qualifying ▪ If borrower has < 25% ownership, year-to-date income to be verified if the most recent K-1 is more than 90 days seasoned at the Note date ▪ If the borrower has ≥ 25% ownership, refer to Self-Employed income requirements • K-1 Loss on 1040 - Schedule E: ○ K-1 is required when income reported is a loss ▪ If the borrower has < 25% ownership and loss is > 5% of the total qualifying income: ♦ Loss is to be deducted from the income ▪ If the borrower has < 25% ownership and loss is ≤ 5% of the total qualifying income: ♦ Underwriter to analyze and determine if the loss materially impacts the borrower's ability to repay. Loss that has a material impact to be deducted from qualifying income. ▪ If the borrower has ≥ 25% ownership, refer to Self-Employed income requirements

	requirements • K-1 – Recent conversion: ○ Borrowers who have recently become a partner and converted to K-1 may have their income considered with the following: ▪ Two years verification of employment with the same employer ▪ Ownership must be < 25% ▪ Most recent two years signed personal tax returns and transcripts required ▪ Partnership agreement evidencing guaranteed payments due under this agreement are to be equal or greater than income previously reported on borrower's W-2s ♦ If the agreement does not specify guaranteed payments borrower must have received partnership payments via K-1 for at least one year and income documented on the prior year's K-1 ○ Qualifying income is calculated using the most recent two years' W-2s
Income: Trust Income	• The trust agreement, trustee's statement or the trust's federal income tax returns to be obtained confirming amount, frequency and type of income being received • A borrower who is also the trustee may not provide the trustee's statement • Continuance of income may need to be verified based on the income received through the trust such as: • If the income source is a fixed payment from an asset account, a three-year continuance must be verified • If the income source is rental income, a three year continuance does not need to be verified • If funds from the trust are used for downpayment, closing costs or reserves the funds used must be subtracted from the total funds before determining the continuity requirement • Trusts with Fixed Payments: ○ The fixed amount from the trust agreement to be used ○ Current receipt must be documented with one month's bank statement or equivalent ○ Payments must have been received for at least 12 months to be considered as qualifying income unless all the following requirements are met: ▪ Trust documentation identifies it is a fixed payment ▪ Borrower is not the grantor ▪ At least one payment has been received prior to closing • Trust with Variable Payments: ○ Qualifying income is calculated per Fannie Mae Variable Income requirements ○ A minimum 24 month history of receipt is required and must be documented with all the following: ▪ Borrower signed personal tax returns for the most recent two years, and ▪ Current receipt documented with one month's bank statement or equivalent
Income: Unacceptable Sources	• The following are unacceptable sources of income: ○ Any income source that cannot be verified ○ Boarder income ○ Deferred compensation ○ Education benefits ○ Expense account payments ○ Foreign income that is not declared on personal tax returns ○ Income that is not legal in accordance with all applicable federal, state, and local laws, rules and regulations

	○ Non-occupant income ○ Projected income that will begin > 60 days after Note date ○ Rental income from a second home ○ Retained earnings ○ Temporary income ○ Trailing co-borrower income
Ineligible Borrowers	● Blind trusts ● Borrowers less than 18 years old ● Borrowers without a social security number ● Borrowers party to a lawsuit ● Borrowers with diplomatic immunity ● Corporations, Limited Partnerships, and LLCs ● Foreign Nationals ● Irrevocable trusts ● ITIN ● Land trusts ● Life estates ● Qualified Personal Residence trusts ● Real Estate trusts
Ineligible Property Types	● Agricultural properties, including hobby farms, working farms, ranches and orchards ● Assisted living facilities with medical services or other types of assisted care facilities ● Bed and breakfast ● Boarding house ● Container homes ● Commercial or Mixed-Use properties ● Condo-hotels, including projects with registrations services that offer rental units on a daily, weekly or monthly basis ● Condominium conversion ● Condo with HOAs in litigation ● Co-ops, including Co-op timeshares ● Domes or geodesic domes ● Dwellings with > 4 units ● Earth Home, Berm Home or Basement Home ● Factory Built Housing ● Hawaii properties located in lava zones 1 or 2 ● Homes on Native American lands ● Houseboats ● Income producing properties ● Leasehold properties ● Log homes ● Manufactured homes ● Mobile homes ● Properties exceeding 25 acres ● Properties not readily accessible by roads that meet local standards ● Properties not suitable for year round occupancy, regardless of location ● Properties with deed restrictions or resale restrictions for other than age-related requirements ● Properties with UCC filings

	• PUDtels • Unique properties • Vacant land or land development properties
Ineligible Transactions	• Bridge loan, defined as a loan that excludes the contingent liability from the DTI • Builder/Seller bailout • Escrow holdback or escrow for work completion • Foreclosure bailout • Illinois Land Trust • Income produced, or in relation to, cannabis, hemp • Interest only loan • MCC • Model home leaseback • Multiple property payment skimming • Non-QM loan • Property with a PACE loan • Refinancing of a subsidized loan • Reverse 1031 Exchange • Section 32 and/or High-Cost Loan • Shared Appreciation second liens • Single Closing Construction-to-Permanent refinance • Straw borrower or straw buyer • Texas refinance (a)(6) transactions
Interested Party Contributions (IPCs)	• Follow DU findings
LTV/CLTV/HCTLV	• Purchase ◦ LTV/CLTV is based upon the lesser of the sales price or appraised value • Rate and Term Refinance ◦ LTV/CLTV is based upon the current appraised value • Cash-out Refinance ◦ Twelve (12) months since the most recent mortgage transaction (timeframe is Note date of previous transaction to Note date of current transaction) is required ◦ LTV/CLTV is based upon the current appraised value
Minimum Loan Amount	• One dollar (\$1) above conforming loan limits for one-unit properties as published by the Federal Housing Financing Agency (FHFA)
Mortgage Insurance/PMI	• Private Mortgage Insurance (PMI) is not allowed
Multiple Financed Properties	• Follow DU findings ◦ 1-4 unit financed properties in the name of an entity can be excluded only when the borrower is not personally obligated on the mortgage • OCMBC's exposure to a single borrower shall not exceed \$5,000,000 (not to exceed \$8,000,000 in high-cost areas) in current unpaid principal balance or six (6) properties
Non-Arm's-Length Transaction	• Follow DU findings • Loans made to principals or employees of OCMBC or the service provider cannot provide services on their own transactions (closing agent, title agent, appraiser, etc.) • Purchase transactions where the seller is a corporation, partnership, or any other business entity, OCMBC must ensure that the borrower is not one of the owners of the business entity selling the subject property

Non-Warrantable Condos	• 10% LTV/CLTV reduction before program maximum required • Primary residences and second homes eligible • 30 year fixed rated only • Full project review required • Only 1 non-warrantable feature is permitted • All other Fannie Mae condo requirements must be met • The projects legal phase, including common elements, are largely complete • Non-warrantable features: ○ Commercial space: ▪ Greater than 35% but no more than 50% allowed, must be owned and controlled by the HOA and separate from the condo project HOA ▪ Space must be compatible with residential use and agree with the neighborhood. Examples are restaurants, bars, offices, etc. ▪ Space to be considered to include eligible spaces above and below grade, parking excluded ○ Presale: ▪ At least 30% of the condo units are to be sold or under pending sales contract ▪ For specific legal phase(s), at least 30% of the total units in the subject legal phase(s) deemed together with all prior legal phases, are to be sold or pending sale as principal residences or second homes ○ Budget: ▪ If replacement reserves are less than 10%, the following must be met: ♦ No less than 7% replacement reserves are allowed if current reserve balance is more than 10% of the project's operating expenses ♦ Less than 7% replacement reserves allowed if current reserve balance is more than 20% of the project's operating expenses ♦ Balance sheet required and must be dated with 120 days of Note date ○ Entity ownership concentration: ▪ Projects with 10+ units: Maximum ownership by 1 entity is 25% ▪ Vacant units owned by the developer, sponsor, or succeeding developer that are actively being marketed for sale may be excluded from the calculation ▪ Leased units, including units owned by the developer, sponsor, or succeeding developer must be included in the calculation ▪ Projects with less than 10 units: Follow Fannie Mae
Property Flip Transactions	• If the seller acquired the property 90 or fewer days prior to the sales contract date the follow requirement apply: ○ Seller on purchase contract and title commitment is owner of record ○ LTV/CLTV is based on the lesser of the prior sales priced or current appraised value ○ Relocation and bank owned sales are exempt and do not have to meet the above requirements • Note: Seasoning is measured from the closing date of the initial transaction to the fully executed purchase contract date for the subject transaction
Purchase Transactions	• Multiple contracts may not be combined to establish purchase price • Assignment of purchase contract not allowed ○ Exception permitted only when the transferor is a family member and there is no change to the purchase price or credits from the previous transaction

Refinance Transactions

- **Rate/Term Refinance:**
 - 6 months seasoning required if previous transaction was a cash out
 - Payoff of non-purchase seconds allowed with 12 months seasoning
 - HELOCS require evidence no cumulative draws > \$2,000 were taken in the last 12 months, measured from application date
- **Cash-Out Refinance:**
 - Properties listed for sale ≤ 6 months of application ineligible
- **Construction-to-Permanent Loan Refinance** - Eligible as a rate/term refinance when meeting all the following:
 - Borrower held title to the lot for minimum of six (6) months prior to the closing of the permanent loan
 - If borrower has held title to the lot for ≥ 12 months prior to the closing date of subject transaction, LTV/CLTV is based on current appraised value
 - If borrower has held title to the lot for < 12 months prior to the closing date of subject transaction, LTV/CLTV is based on the lesser of the original purchase price of the lot plus the total acquisition cost (sum of construction costs) or the current appraised value of the lot plus total acquisition cost
 - Payoff of documented construction cost overruns that were incurred outside of the interim construction financing required payment of the overruns directly to the builder at closing
 - Appraiser's final inspection to be provided
 - A certificate of occupancy is required. If the applicable governing authority does not require a certificate of occupancy, its equivalent to be provided
 - First time homebuyer restrictions apply if borrower was a first time homebuyer when construction contract was executed
 - Transactions in which the borrower has acted as the builder or general contractor are ineligible
- **Delayed Financing**
 - Eligible, property must have been purchased for cash within 180 days of application date
 - Follow DU findings, DU will identify the loan as a cash-out refinance, however, transaction to be underwritten and priced as a rate/term refinance
 - Cash back limits apply for proceeds exceeding the lesser of the purchase price or appraised value
 - Closing disclosure from original purchase transaction required to evidence mortgage financing was not used to acquire the subject property and all funds used, including closing costs, were from the borrower's own funds
 - If funds used to purchase the subject property came from borrower's self-employed business the borrower must be 100% owner. Cash flow analysis required to confirm there was no negative impact on business, refer to [Business Funds](#) for additional requirements
 - Subject properties located in Texas must follow Texas Constitution requisites for equity refinance transactions

Reserves Requirements

Occupancy	Loan Amount	Greater of DU or requirement below
Primary Residence	≤ \$1,000,000	6 months
	> \$1,000,000 – ≤ \$2,000,000	9 months
	> \$2,000,000	12 months
	All 2-Unit properties	12 months
Second Home	≤ \$2,000,000	9 months
	> \$2,000,000	12 months
Investment Properties	All loan amounts	12 months

- **Note:** If any amount of business funds is used to meet the reserve requirements at least 50% of the verified reserves must be liquid and come from a personal, non-retirement account.
- **Multiple Financed Properties** – Additional reserves are required for each additional financed property. Follow DU findings to determine additional required reserves.
Reserves are represented as a number equal to the fully amortizing payment, PITIA, for the relevant property; PITIA is the monthly payment obligation for all the following:
 - Principal
 - Interest
 - Taxes – real estate taxes
 - Insurance – hazard, flood, mortgage insurance (as applicable)
 - Assessments/Association Dues (including ground rent, HOA Dues, special assessments, etc.)
 - Plus any subordinate financing payments on mortgages secured by the subject property
- **Unacceptable Reserves:**
 - Assets that are not vested (such as non-vested stock options and non-vested restricted stock)
 - Business funds
 - Cash on hand
 - Cash-out proceeds
 - Deferred Compensation
 - Cryptocurrency/virtual currency, unless liquidated
 - Gift funds
 - Non-vested funds
 - Proceeds from a home equity loan, line of credit or cash out proceeds from any other property
 - Stock held in an unlisted corporation
 - UGMA or UTMA accounts
 - Unsecured loans

Solar

- Follow DU findings and Fannie Mae Single Selling Guide

Subordinate Financing	• Allowed up to maximum LTV/CLTV for each program • Subordinate liens must be recorded and always subordinate to first lien • Only institutional financing allowed unless subordinate financing is Employer Subordinate financing and meets all the requirements below • HELOC full drawn line amount must be used as the principal balance in the LTV/CLTV calculation • Subordinate liens with negative amortization features, prepayment penalties or balloon payments due within 5 years of closing of subject transaction are ineligible • Disaster relief grants may not be subordinated • Employer subordinate financing requirements: ○ First lien must be a 30 year fixed rate ○ Employer Financing Assistance Program must be in existence and offered by employer ○ Employer is allowed to require full repayment if borrower's employment ends before maturity date ○ Acceptable financing terms are: ▪ Fully amortizing monthly payments ▪ Deferred payments for defined period prior to fully amortizing payments ▪ Forgiveness after defined period ▪ Balloon payment no less than 5 years unless borrower has sufficient liquidity to pay off subordinate lien in full
Tax Transcripts	• Transcripts are required for all borrowers whose income is used for qualifying ○ Tax transcripts ▪ Required when personal returns are used to determine borrower qualifying income • Borrower obtained tax transcripts are not allowed ○ W2 transcripts ▪ Acceptable to validate W2 wages if the borrower does not have any other income positive or negative income sources ▪ W2 transcripts are not permitted if borrower: • Is employed by a family member • Has ≥ 25% ownership in a company • If the most recent year's tax returns or W2s have been filed but the IRS has not processed the forms, the following alternative documentation is allowed: ○ Tax transcripts: ▪ Evidence of e-filing with the IRS, and ▪ Receipt of refund or evidence of payment in full of tax liability, as applicable, and ▪ Processed IRS form 4506-C confirming "no record of return found" ○ W2 transcripts: ▪ Processed IRS form 4506-C confirming "no record of return found" Note: this option is only allowed through June 30th of each year. As of July 1st, the prior year W2 transcript is required
Temporary Buydown	• Product Eligibility ○ 30 year fixed rate only ○ Primary Residence and Second Home eligible ○ Purchase transactions only ○ 1-2 Unit Single Family, PUD and Condos only ○ Seller/Builder paid only

	• Buydown Terms – 2:1 and 1:0 temporary buydowns allowed ○ 2:1 Buydown: ▪ Term of the temporary buydown is 24 months ▪ Initial interest rate is temporarily reduced by no more than two (2) percent below the note rate for year one (1) and reduced by no more than one (1) percent below the note rate for year two (2). The non-reduced note rate applies for years three (3) through thirty (30). ○ 1:0 Buydown: ▪ Term of the temporary buydown is 12 months ▪ Initial interest rate is temporarily reduced by no more than one (1) percent below the note rate with the non-reduced note rate applying for years two (2) through thirty (30) • Underwriting Criteria ○ Borrowers qualify using the note rate, not the buydown rate ○ Reserves are calculated, using the note rate, not the buydown rate ○ Standard Interested Party Contributions guidelines apply

Eligibility Matrix ⁴								Loan Programs			
Occupancy	Property ^{1,2,3}	Loan Amount	Purchase, Rate/Term Refi - Max LTV/CLTV				Cash-out Refi - Max LTV/CLTV				
			740+	720+	700+	680+	740+	720+	700+	680+	
Primary Residence	SFR/2-4 Unit/PUD/Condo	\$ 1,000,000	85%	85%	85%	80%	75%	75%	75%	75%	
		\$ 1,500,000	85%	85%	80%	75%	75%	75%	70%		
		\$ 2,000,000	85%	80%	75%	75%	75%	75%	70%		
		\$ 2,500,000	80%	75%	75%	65%	75%	70%	60%		
		\$ 3,000,000	75%	75%	65%	60%	70%	70%	60%	55%	
Second Home/ Investment	SFR/2-4 Unit/PUD/Condo	\$ 1,000,000	75%	75%	75%	75%	70%	70%	70%	70%	
		\$ 1,500,000	75%	75%	75%	75%	70%	70%	70%	70%	
		\$ 2,000,000	75%	75%	75%	75%	70%	70%	70%	70%	
		\$ 2,500,000	75%	75%	75%	65%	70%	70%	70%	60%	
		\$ 3,000,000	75%	75%	65%	60%	70%	70%	60%	55%	
¹ 5% LTV/CLTV reduction for declining market with > 70% LTV ² 80% max LTV/CLTV for 2 Unit and 75% max LTV/CLTV for 3-4 unit ³ Florida Condos have the following max LTV/CLTV restriction: Purchase & R/T Refi - 75%, C/O Refi - 65% ⁴ Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)								Jumbo 30 Year Fixed (360 Mos) Jumbo 30 Year Fixed 2:1 Temp Buydown (360 Mos) Jumbo 30 Year Fixed 1:0 Temp Buydown (360 Mos) Jumbo 15 Year Fixed (180 Mos) Non standard terms available Cash-Out Proceeds • ≤ 70% LTV & ≥ 700 FICO: \$1.5M max • ≤ 65% LTV & < 700 FICO: \$1.0M max • > 65% - ≤ 70% LTV & < 700 FICO: \$500k max • > 70% LTV: \$500k max • Vacant Properties: \$750K max cash in hand • Free & Clear Properties: 70% max LTV			
Topics		Requirements									
Appraisal		• > \$2,000,000 Loan Amount: 2 Appraisals - ARR/CCA/CDA required on lower valued Appraisal • ≤ \$2,000,000 Loan Amount: 1 Appraisal & Secondary Valuation Secondary Valuation waterfall: ≤ 2.5 CU, Enhanced Desk Review (CCA/ARR/CDA), Field Review, Exterior-only Appraisal, 2 nd Appraisal									
Compliance		• Must be QM, Safe Harbor and Rebuttable Presumption permitted • Higher Priced Mortgage Loans (HPML) allowed, must comply with all applicable regulatory requirements									
Credit Event (BK,SS,PFC,FC,DIL,FB,MCO,MOD)		• State and Federal High-Cost loans ineligible • 4 yrs seasoning (Bankruptcy, Foreclosure, Forbearance, Deed-in-Lieu, Short Sale, Pre-Foreclosure, Mortgage Charge-Off or Loan Modification) • Multiple unrelated events not allowed									
Collections/Charge-offs		• Collections/Charge-offs with aggregate> \$5,000 must be paid • Medical charge-offs/collections may remain open (open accounts included in DTI)									
Credit Scores		• 2 scores required • Lowest decision score amongst borrowers used									
DTI		45% Max									
Eligible Borrowers		• US Citizens • Permanent Resident Aliens • Non-Permanent Resident Aliens (Refer to guidelines for eligibility requirements)									
First Time Homebuyer		• Primary Residence and Investment Properties allowed (Second Homes ineligible) • Investment - Purchase or Refinance: Full Doc only, 80% max LTV, \$1.5M max loan amount, 300% max payment shock									
Geographic Restrictions		• US Territories ineligible • Texas Cash Out: Owner occupied - 80% max LTV (Texas 50(a)(6))									
Gift Funds		• Allowed w/5% min buyer own funds • 100% allowed w/ 10% LTV reduction from max LTV • Gift of equity not allowed									
Housing History		• 0x30x24 • Living rent free not allowed									
Income - Full Doc		Wage Earners: Paystub, 1- 2 yrs W-2s Self-Employed: 1-2 yrs personal and business (if applicable) tax returns, P&L • 12 or 24 months personal bank statements plus 2 months business bank statements									
Income - Personal Bank Statements		• Qualifying income determined by total eligible deposits from personal bank statements divided by # of months (12/24) • Business bank statements to evidence activity supporting business operations & transfers to personal account									
Income - Business Bank Statements		• 12 or 24 months business bank statements. Qualifying income determined by total eligible deposits divided by # of months (12/24) w/fixed expense factor applied: • Fixed expense factor 20%-80% (based on business & # of employees)									
Income - Asset Utilization		• Eligible assets minus funds used for down payment, closing costs and reserves divided by 60 months = monthly income Residual Assets Method - Covers new subject property debt, all costs, reserves, and all other reported debt (calculated residual assets amount required)									
Interested Party Contributions		• ≤ 80% LTV = 6% Max • > 80% LTV = 4% Max									
Max Financed Properties		• Primary and Second Home - Max 20 financed properties including subject • Investment - No limit									
Minimum Loan Amount		\$1 above conforming loan limit									
Non-Occ Co-Borrower		Not allowed									
Payment Shock		Not to exceed 300% of the borrower's current housing payment unless DTI ≤ 45%									
Property Type		SFR, 1-4 Units, PUD, Condo (25 acres max)									
Recently Listed Properties		• Rate/Term: Must be delisted at least one day prior to application • Cash-out: Properties listed for sale ≤ 6 mos ineligible									
Refinance - Debt Consolidation		• Follows R/T Refi FICO • 80% Max LTV • OO Only • \$5k max (cash in hand)									
Refinance - Delayed Financing		• Eligible, property must have been purchased for cash within 6 mos of application date • ≤ \$1.5M Loan Amount: Program max LTV/CLTV, > \$1.5M Loan Amount: 70% max LTV/CLTV									
Reserves		• 6 mos minimum, cash out proceeds and gift funds ineligible • 2 mos for each additional financed property (based on subject property PITIA) in addition to standard reserve requirement									
Residual Income		Must meet or exceed the family size residual income requirement: Family size of 1 = \$1250/mo, family size of 2= \$1,500/mo, add \$125 for each additional family member ≥ 6 months ownership & > 6 months since a prior cash out									
Seasoning - Cash-Out		< 6 mos seasoning allowed when all borrowers on the original Note at acquisition must be on the current Note, LTV based off lesser of purchase price + documented improvements or appraised value									
Secondary Financing		Permitted up to max LTV/CLTV									
Temporary Buydowns		• 2:1 and 1:0 • 30 year fixed, Purchase transactions only • 1 unit Primary Residence and Second Homes only, Investment not permitted									
Tradeline Requirements		• 3 tradelines reporting 12 mos with activity in last 12 mos, or • 2 tradelines reporting for 24 mos with activity in last 12 mos, or • 1 revolving tradeline reporting for 60 mos with activity in the last 12 mos and a verified 12-month housing history 0x30, or • 1 installment tradeline reporting for 36 mos with activity in the last 12 mos and a verified 12-month housing history 0x30 If primary wage earner has 3 credit scores reporting, the minimum tradeline requirement is met If the primary wage earner has less than 3 credit scores, each borrower must meet the minimum tradeline requirement NOTE: Borrower's credit scores primarily based on thin credit—such as authorized user accounts, self-reported accounts, or recently opened accounts with limited activity—must still meet one of the standard tradeline requirements									
Underwriting		• Manual underwriting required • Where silent, defer to FNMA Selling Guide for requirements									
Product Restrictions (Not Permitted)											
Borrowers						Transactions					
• Blind Trusts • Foreign Nationals • Irrevocable Trusts • ITIN • Land Trusts • Less than 18 years old • LLCs, LLPs, Corporations • Life Estates • Non-Occupant Co-Borrowers • Qualified Personal Residence Trusts						• Real Estate Trusts • Trust Estates • With diplomatic immunity • Without a social security number • Earth or Berm homes • Factory built housing • Hawaii properties in lava zones 1 or 2 • Homes on Native American lands • Houseboats					
• Agricultural zoned properties • Assisted living facilities • Barndominiums • Bed and Breakfast • Boarding homes • Container homes • Commercial properties						• Bridge loans • Builder/Seller bailout • Escrow holdbacks • Foreclosure bailout • Illinois Land Trust • Interest only loan • Income producing properties • Land development properties • Leasehold properties • Log homes • Manufactured or mobile homes • Mixed use • Non-Warrantable Condos					
• Condo hotels and condotels • Condominium conversions • Condos with HOAs in litigation • Co-Ops • Domes or geodesic domes • Dwelling w/more than 4 units						• Projects that offer unit rentals daily, weekly or monthly • Properties > 25 acres • Properties not accessible by roads • Properties not suitable for year-round occupancy • Properties offering individuals room leases (Single Room Occupancy (SRO), PadSplits, etc.)					
• Properties with deed or resale restrictions (age-related allowed) • Properties with UCC filings • Rural Properties • Stilt homes • Unique properties • Vacant land											

ELIGIBILITY MATRIX

Occupancy	Property ^{1,2,3}	Loan Amount	Purchase, Rate/Term Refi				Cash-out Refi			
			Max LTV/CLTV to FICO				Max LTV/CLTV to FICO			
			740+	720+	700+	680+	740+	720+	700+	680+
Primary Residence	SFR/2-4 Unit/ PUD/Condo	\$1,000,000	85%	85%	85%	80%	75%	75%	75%	75%
		\$1,500,000	85%	85%	80%	75%	75%	75%	75%	70%
		\$2,000,000	85%	80%	75%	75%	75%	75%	70%	70%
		\$2,500,000	80%	75%	75%	65%	75%	70%	70%	60%
		\$3,000,000	75%	75%	65%	60%	70%	70%	60%	55%
Second Home/ Investment	SFR/2-4 Unit/ PUD/Condo	\$1,000,000	75%	75%	75%	75%	70%	70%	70%	70%
		\$1,500,000	75%	75%	75%	75%	70%	70%	70%	70%
		\$2,000,000	75%	75%	75%	75%	70%	70%	70%	70%
		\$2,500,000	75%	75%	75%	65%	70%	70%	70%	60%
		\$3,000,000	75%	75%	65%	60%	70%	70%	60%	55%
		¹ 5% LTV/CLTV reduction for declining market with > 70% LTV ² 80% max LTV/CLTV for 2 Unit and 75% max LTV/CLTV for 3-4 Unit ³ Condos in Florida have the following max LTV/CLTV restrictions: Purchase & R/T Refi - 75%, C/O Refi - 65%								

PRODUCT OFFERINGS

Full Amortizing Fixed Rate	15, 30 years, nonstandard terms available

TABLE OF CONTENTS

Age of Documents	Appraisal Requirements	Asset Requirements	Compliance Requirements	Condominium Requirements
Credit	Debt-to-Income (DTI)	Departing Residence	Disaster Areas	Eligible Borrowers
Eligible Properties	Eligible Transactions	Escrow/Impound Accounts	First Time Homebuyers	Fraud Check
General Property Requirements	Geographic Restrictions	Gift Funds	Housing History	Income – General Requirements
Income – Full Doc 24 Months	Income – Full Doc 12 Months	Income – Other Sources of Income (Full Doc)	Income - Alt Doc Bank Statement 12/24 Months	Income - Alt Doc: Asset Utilization
Income - Alt Doc: Rental Income	Ineligible Borrowers	Ineligible Property Types	Ineligible Transactions	Inter Vivos Revocable Trusts
Interested Party Contributions (IPCs)	Lease with Option to Buy	Minimum Loan Amount	Mortgage Insurance/PMI	Multiple Financed Properties
Non-Arm's Length/ Interested Party Transactions	Non-Occupant Co-Borrowers	Payment Shock	Properties Listed for Sale	Property Insurance
Property Eligibility – Accessory Dwelling Units (ADU)	Property Eligibility - Flip Transactions)HML Appraisal Rule)	Reserves Requirements	Residual Income	Secondary Financing
Solar	Tax Returns	Title Vesting & Ownership	Temporary Buydown	Texas Transactions
Exhibit A: Visa and EAD Eligibility Matrix				

KEY PROGRAM PARAMETERS

All loans must be fully underwritten to the Jumbo Guidelines. AUS findings are not eligible for use with Jumbo. Defer to Fannie Mae Selling Guide where any topic in the Jumbo Guidelines is silent. To the extent where reference is made herein to the Fannie Mae Selling Guide and there is any conflict or inconsistency between the Jumbo Guidelines and Fannie Mae Selling Guide the provisions within this Guide shall preside.

Qualifying criteria within the program guidelines are subject to change without notice.

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS								
Age of Documents	• Underwriting and Borrower Credit Documents may not be more than 90 days seasoned at the Note date • Credit Report should be dated no more than 120 days prior to the Note date • Appraisal should be dated no more than 120 days prior to the Note date. After a 120-day period, a re-certification of value is acceptable up to 180 days. After 180 days, a new appraisal report is required.								
Appraisal Requirements	• LoanStream may, at its discretion, examine all valuation reports, including review products, to verify the accuracy of the subject property's value. If the value is deemed unsupported, LoanStream reserves the right to adopt a lower value determined through an internal desk review of the appraisal(s) and review product. • Appraisal must comply with all applicable regulations and standards including but not limited to USPAP, FIRREA, AIR and HVCC compliance • Full interior/exterior appraisal is required • All properties must: ○ Be improved real property ○ Be accessible and available for year-round residential use ○ Represent the highest and best use of the property ○ No contain any health and safety issues • Condition ratings must be C1 through C4 ○ C5 and C6 ratings are ineligible • Appraisals are to be dated within 120 days of the Note date. After the 120-day period a recertification of value is acceptable up to 180 days. After 180 days a new appraisal is required. • When two appraisals are completed, the underwriter has discretion to accept differences between the two appraisals, as each appraiser may appraise a property differently. For example one appraiser may call a room an office when the other appraiser may call the same room a bedroom or one appraisal may state that there is 1000 sq ft. and the other appraiser measured out 980 sq ft. The Underwriter needs to assure that the qualifying value used to calculate the final LTV/CLTV is supported. <table border="1" data-bbox="402 1182 1474 1671"> <thead> <tr> <th colspan="2" data-bbox="402 1182 662 1218">Appraisal Requirements</th></tr> </thead> <tbody> <tr> <td data-bbox="402 1218 662 1465"> > \$2,000,000 Loan Amount </td><td data-bbox="662 1218 1474 1465"> • 2 full appraisals required • ARR (Appraisal Risk Review), CCA (Consolidated Collateral Analysis) or CDA (Collateral Desktop Analysis) required on the lower valued appraisal regardless of the SSR score • The lower of the two appraisal values used as the "Appraised Value" </td></tr> <tr> <td data-bbox="402 1465 662 1535"> ≤ \$2,000,000 Loan Amount </td><td data-bbox="662 1465 1474 1535"> • 1 full appraisal and secondary valuation </td></tr> <tr> <td data-bbox="402 1535 662 1671"> Property Flip Transactions – HPML Appraisal Rule </td><td data-bbox="662 1535 1474 1671"> • Refer to Property Flip Transactions- HPML Appraisal Rule section for details </td></tr> </tbody> </table> • Secondary Valuation is required for all loan amounts ≤ \$2,000,000. The secondary valuation waterfall is as follows: ○ CU score ≤ 2.5, OR ▪ If CU score is > 2.5, "no score" or "indeterminate", an ARR/CCA/CDA, field review or 2nd full appraisal is required ▪ Not allowed on multi-unit properties ○ Enhanced desk review - Consolidated Collateral Analysis (CCA) from Consolidated Analytics, an Appraisal Risk Review (ARR) from Stewart/ProTeck or a Collateral Desktop	Appraisal Requirements		> \$2,000,000 Loan Amount	• 2 full appraisals required • ARR (Appraisal Risk Review), CCA (Consolidated Collateral Analysis) or CDA (Collateral Desktop Analysis) required on the lower valued appraisal regardless of the SSR score • The lower of the two appraisal values used as the "Appraised Value"	≤ \$2,000,000 Loan Amount	• 1 full appraisal and secondary valuation	Property Flip Transactions – HPML Appraisal Rule	• Refer to Property Flip Transactions- HPML Appraisal Rule section for details
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TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	Analysis report (CDA) from Clear Capital with variance that is no more than 10% below appraised value, OR ▪ If variance is greater than 10%, a field review or 2nd full appraisal required, or ▪ If variance is between 10.01% to 15%, using the lower value without an additional report is acceptable. ○ Field review - May not be ordered from same appraisal company or appraiser as the original report ○ Drive-by appraisal - May not be ordered from same appraisal company or appraiser as the original report ○ 2nd full appraisal - May not be ordered from same appraisal company or appraiser as the original report ▪ Value is based on the lesser of the original appraisal, field review or 2nd appraisal Transferred Appraisals are allowed. A transfer letter is to be executed by the Lender that ordered the appraisal and must be signed by an authorized member of the company. ○ The letter should include the following: ▪ Prepared on letterhead of the original lender ▪ Current date ▪ Borrower name ▪ Property address ▪ Statement that the appraisal was prepared in compliance of Appraisal Independence Requirements (AIR) ▪ Signed by an Authorized Representative ○ If more than one appraisal is required only one appraisal may be a transferred appraisal
Asset Requirements	• Asset Documentation Requirements ○ Account statements must cover most recent one full month period of account activity (30 days) ▪ Transaction histories may not be utilized in place of one full month account statement. Transaction histories may only be used in addition to the statement to evidence updated balances. ○ 100% access letter and an LOE is required if account, personal or business, has other names in addition to the borrower(s); if a borrower owns a business 100%, no access letter is required, even if there are other names on the business account ○ Eligible assets: ▪ Stocks/Bonds/Mutual Funds/Annuities/Certificates of Deposit/Money Market Funds/Trust Accounts for which the borrower is a direct beneficiary - 100% ▪ Vested Retirement Account funds – 60% ○ Large deposits are defined as any single deposit that exceeds more than 75% of the monthly average deposit balance and must be sourced and explained by the borrower. ▪ Large deposits that cannot be sourced and explained must be subtracted from asset balance. ○ Virtual current/cryptocurrency that is exchanged into US dollars is permitted when all the following requirements are met: ▪ Evidence funds originated from borrower's cryptocurrency account ▪ Funds verified in US or state regulated financial institution prior to closing ○ Accounts in a minor's name where the borrower is named only as custodian of the funds is an ineligible asset • Business Funds may be used for down payment, closing costs, and for the purposes of calculating reserves ○ Borrower must be listed as sole owner of the account, and the account needs to be verified per requirements in Assets Documentation section of this Guide.

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	▪ If account has other names in addition to the borrower(s), a 100% access letter and an LOE are required. ▪ If the borrower owns 100% of the business or if the amount needed is less than their percentage of ownership, no access letter is required even if there are other names on the business account. ○ If Business funds are used, the borrower may use a maximum of their percentage of ownership as qualifying assets. ▪ If funds needed exceed the maximum percentage of ownership, 100% access letter is required ○ Underwriter must determine that the withdrawal of funds will not have a negative impact on the business by one of the following methods based upon the income documentation: ▪ <u>Full Income Documentation (May use one of the following methods)</u> • Underwriter must perform a business cash flow analysis to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business; Fannie Mae Form 1084 or a similar cash flow analysis form to be utilized to show the business can support the withdrawal of the funds, or • The balance sheet (borrower or tax professional/CPA/Accounting-Bookkeeping Firm supervised by a Certified Accountant prepared) for the business must reflect positive working capital, OR • Working capital is the difference between the current assets and current liabilities • The result of working capital represents the maximum amount of business funds available to use towards down payment, closing cost and reserves, or • CPA/Tax Professional/Accounting-Bookkeeping Firm supervised by a Certified Accountant Letter, signed and dated within 60 days of Note date, stating that the use of business funds would not have a negative impact on the business ▪ <u>Self-Employed – 12 or 24 Month Business Bank (May use one of the following methods)</u> • Business Expense Coverage: Using the most recent business bank statement(s) used for income documentation, perform the following calculation: Statement(s) Ending Balance - Transaction Down Payment - Transaction Closing Costs - Program Required Reserves +Fund Available from Personal Account(s) Funds Available for Business Expense Coverage ▪ Funds Available for Business Expense Coverage must be a positive number and reflect a minimum of 2 months of average expenses as reflected on the P&L; or as determined by using the expense factor, or ▪ The balance sheet (borrower or tax professional/CPA prepared) for the business must reflect positive working capital. (Working capital is the difference between the current assets minus current liabilities; the result represents the maximum amount of business funds available to use towards down payment, closing cost, and reserves), or • The Balance Sheet requirement can be waived by reducing the amount of available assets by 50%, or • CPA/Tax Professional/Accounting-Bookkeeping Firm supervised by a Certified Accountant Letter, signed and dated within 60 days of Note date, stating that the use of business funds would not have a negative impact on the business
Compliance Requirements	• All loans must adhere to the General QM Final Rule (price-based). Loans must be designated as Qualified loans. The allowable points and fees threshold is the more restrictive of state law, as applicable or 3.00% Loans that fall under safe harbor, rebuttable presumption and general ATR are permitted. Loans are subject to general ability-to-repay (ATR) standards (12 C.F.R 1023.43(c)) and require the lender to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan. The following eight underwriting factors are considered when making this determination: I. Current or reasonably expected income or assets II. Current employment status

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	III. The monthly payment on the covered transaction IV. The monthly payment on any simultaneous loan V. The monthly payment for mortgage-related obligations VI. Current debt obligations, alimony and child support VII. The monthly debt-to-income ratio or residual income VIII. Credit history • State and Federal High-Cost loans are not allowed.
Condominium Requirements	• Refer to Condominium Project Standards for details
Credit	• General Requirements ○ All borrowers must have at least two (2) reported credit scores and all three (3) repositories must be attempted ○ All credit inquiries on the borrower credit report in the last 90 days require a signed letter of explanation ▪ Any new debt must be documented and included as a liability for qualifying • Credit Score: ○ The lower of the two (2) credit scores or median of the three (3) credit scores is to be used unless there are multiple borrowers ▪ For multiple borrowers: Lowest decision score amongst borrowers to be used • Contingent Liabilities – Certain debts may be excluded from the borrower's DTI ratio when meeting all of the following: ○ Non-Mortgage Debt: ▪ Most recent 12 months' canceled checks (or bank statements) from the other party making the payments documenting a 12-month payment history with no delinquent payments ▪ The party making the payment doesn't not have to be obligated on the debt unless the party making the payments is an interested party to the subject transaction (such as the seller or realtor) ○ Mortgage debt: ▪ The party making the payments is obligated on the mortgage debt, and ▪ There are no delinquencies in the most recent 12 months, and ▪ Borrower is not using rental income from the applicable property to qualify, and ▪ Most recent 12 months' canceled checks (or bank statements) from the other party making the payments documenting a 12-month payment history with no delinquent payments ▪ When a borrower is obligated on a mortgage debt, regardless of whether or not the other party is making the monthly mortgage payments, the referenced property must be included in the count of financed properties, as applicable • Derogatory Credit ○ All delinquent accounts must either be brought current or paid off at closing ○ All mortgage accounts must be current at application and remain paid as agreed through closing ○ Mortgage lates and/or significant derogatory credit will require a satisfactory letter of explanation ○ All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing ○ Charge-offs and collections with a cumulative balance greater than \$5,000 must be paid in full prior to or at closing unless they exceed state statute of limitations for debt collection. Evidence of expiration must be documented ▪ Medical charge-offs/collections may remain open

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	▪ Payments for open charge-offs and collections that are not excluded and remain open must be included in the DTI. If there is no payment 5% of the balance is to be used. ▪ If documented reserves exceed the combined balance of the charge-offs and/or collections and reserve requirement they payment does not have to be included in the DTI ○ Bankruptcy, Foreclosure, Forbearance, Deed-in-Lieu, Short Sale, Pre-Foreclosure, Mortgage Charge-Off or Loan Modification require 48 months seasoning ▪ A second mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods based upon the charge off date ▪ Multiple derogatory credit events are not allowed ○ Consumer Credit Counseling (CCC): Borrowers participating in Fannie Mae approved credit counseling services are acceptable if: ▪ Most recent 12 months are paid as agreed, and ▪ CCC administrator provides a letter allowing borrower to seek new mortgage financing • Disputed Accounts: ○ When the credit report contains tradelines disputed by the borrower and if the disputed account balance is \$1,000 or less, the payment can be included in the total debt calculation and the account can remain in dispute ▪ Total aggregate balance of accounts in dispute remaining unresolved cannot exceed \$3,000 ○ If the account that is in dispute is currently delinquent, a Charge Off or Collection, the requirement to pay off the account is at underwriter's discretion • Federal Income Tax Installment Agreement: ○ Delinquent tax debt that has not become a lien and does not impact title (open liens reflected on credit report will impact title and must be paid off) may remain open provided the following are met: ▪ Repayment agreement required ▪ Evidence a minimum of two (2) payments were made under the plan with all payments made on time and current ▪ If a lien: • The balance of the lien must be included when determining the maximum CLTV for the program • Refinance transactions require a subordination agreement from the taxing authority ▪ Purchase Money Transactions: The following is required in addition to the requirements above: • Title company must provide written confirmation confirming (a) the title company is aware of the outstanding tax lien with no exception to final title policy, and (b) subordination agreement from IRS, when necessary • Evidence of two timely payments is not required if two months have not elapsed since entering into the repayment agreement, the balance owed is for the current tax filing year and is less than or equal to 5% of the property value • Standard Tradeline Requirements: ○ If the primary wage earner has three (3) credit scores reporting, the minimum tradeline requirement is met. ○ If the primary wage earner has less than three (3) credit scores, each borrower must meet the minimum tradeline requirements, unless the co-borrower is the spouse. ○ Note: Borrowers whose credit scores are primarily based on thin credit—such as authorized user accounts, self-reported accounts or recently opened accounts with limited activity—must still meet one of the standard tradeline requirements to qualify. • The minimum tradeline requirements are as follows: ○ At least three (3) tradelines reporting for a minimum of 12- months with activity in the last 12-months, or

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	- At least two (2) tradelines reporting for a minimum of 24-months with activity in the last 12-months, or - At least one (1) revolving tradeline reporting for 60 months with activity in the last 12 months and a verified 12-month housing history 0x30 or - At least one (1) installment tradeline reporting for 36 months with activity in the last 12 months and a verified 12-month housing history 0x30 - Mortgage accounts do count toward required tradelines. VORs and VOMs from servicing companies and/or management companies count toward tradelines with a credit supplement. - Married Borrowers do not need to individually meet tradeline requirements. - The following are <u>not acceptable to be counted as a tradeline</u>: “Non-traditional” credit as defined by Fannie Mae - Authorized user accounts - Any liabilities in deferment status, accounts discharged through bankruptcy, charge-offs, collection accounts, foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales. - Any tradeline that cannot be used as a qualifying tradeline also will not affect the DTI. Limited Tradelines - If standard tradeline requirements are not met, and the borrower has a valid credit score per the Credit Score section of this guide the following restrictions apply: - Owner occupied & second homes only, investment properties ineligible - On purchase transactions borrower must have 5% of their own funds
Debt-to-Income	45% max DTI
Departing Residence	Departing Residence is defined as the primary residence the borrower resided in prior to the purchase of the current primary residence. Second home and investment loans are ineligible. 75% of the market rents may be used to offset the PITIA or TIA, (if property is owned free and clear). Surplus market rents in excess of the PITIA or TIA may be used as income. Market rents are determined by one of the following: - Appraiser rents survey form 1007 - Market Rent Survey 100% of the actual rents may be used to offset the PITIA or TIA (if property is owned free and clear). Surplus rents in excess of the PITIA or TIA may be used as income. Actual rents are documented with all the following: - Copy of executed rental agreement and proof of receipt of security deposit
Disaster Areas	- The following applies to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site, https://www.fema.gov/disaster/declarations. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed. Appraisals Completed On or Before Incident Period End Date require: - A final exterior inspection of the subject property - Appraiser to indicate if the subject property is in the same condition as the original date of appraisal, is free from any damage and the marketability and value remain the same - Inspection report must include photographs of the subject property and street view - Any damage must be repaired and re-inspected prior to funding Appraisals Completed After Incident Period End Date must: - Indicate the property was not impacted by the disaster and certify that there has been no change in housing values in the immediate area - Guidelines for disaster areas should be followed for 90 days after the disaster period end date as published by FEMA
Eligible Borrowers	US Citizens Permanent Resident Aliens: - Allowed with acceptable evidence of permanent residence, which includes the following: - Alien Registration Receipt Card I-151 (referred to as a green card)

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	▪ Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card) • Non-Permanent Resident Aliens: ○ All non-permanent resident aliens must provide evidence of a valid, acceptable visa or an Employment Authorization Document (EAD). Depending on the EAD category type, both a valid visa and EAD may be required. Refer to Exhibit A for a list of Eligible Visas and EADs Matrix. ○ A copy of the unexpired visa and/or EAD must be included in the loan file ▪ If the EAD expires within six (6) months, one of the following must also be provided: • Documentation of one previous EAD renewal • If there is no prior EAD renewal, documentation from USCIS confirming likelihood of renewal ○ Any visa or EAD category not listed would generally be ineligible. ○ NOTE: Effective July 1, 2023, Florida Senate Bill 264 <i>Interests in Foreign Countries</i> prohibits any person or entity from the People's Republic of China who is not a citizen or lawful permanent resident of the US to purchase or acquire any interest in real property in the state of Florida.
Eligible Properties	• Single family residence • Warrantable condominium (attached or detached) • Planned unit development (PUD; attached or detached) • 1-4 unit
Eligible Transactions	• Purchase: ○ Proceeds from the transaction are used to finance the acquisition of the subject property ○ LTV/CLTV based upon the lessor of the sales price or appraised value • Rate/Term Refinance: ○ Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property ○ Any subordinate loan not used in the acquisition of the subject property provided one of the following apply: ▪ Closed end loan, at least 12 months of seasoning has occurred ▪ HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than \$2,000 ○ Buying out a co-owner pursuant to an agreement ▪ Property must have been owned by current owners for the last 6 months. No recent changes in property or entity (LLC, Partnership or Corporation) ownership allowed ○ Paying off an installment land contract executed more than 12 months from the loan application date ○ Cash back in an amount not to exceed the lesser of 2% of the new loan amount or \$5,000 can be included in the transaction ○ LTV/CLTV based upon the appraised value • Cash-Out Refinance: ○ A refinance that does not meet the definition of a rate/term transaction ○ Meets ownership seasoning requirements of ≥ 6 months ○ Prior cash-out transactions over 6 months seasoning are allowed ○ LTV/CLTV based on the current appraised value ○ If the property was owned prior to closing by a Limited Liability Corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted toward meeting the borrower's six (6) month ownership requirement. Ownership must be transferred out of the LLC and into the name of the individual borrower(s) prior to or at closing. ○ Free and clear properties must verify housing for six (6) months with proof ITIA has been paid on time by borrower ○ The payoff of delinquent real estate taxes (60 days or more past due) is considered cash out

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	○ All cash-out transactions must be of benefit to the borrower ○ Power of Attorney (POA) is not allowed ○ Loans not eligible for cash-out: ▪ Properties listed for sale in the past six (6) months ▪ A prior cash out transaction in the past six (6) months (except for the below exception) • A draw on a HELOC in the past 6 months will be considered cash out for this 6 month seasoning requirement • Eligible only for 24 Months full doc transactions, with a max DTI of 43% with borrower's reserves of at least six (6) months PITIA (cash out cannot be used as reserves); enhanced appraisal review required ○ Cash-out Seasoning is defined as the difference between the Note date of the new loan and prior financing Note date. In lieu of having the Note, the date may be based on when the loan was recorded. If the loan meets seasoning requirements the appraised value will be used to calculate the qualifying LTV/CLTV. ○ Seasoning is waived if the lender documents the borrower occupied the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership) ○ Cash-out transactions with less than 6 months seasoning are allowed when meeting all the following requirements: ▪ All borrowers on the original Note at acquisition must be on the current Note ▪ Additional borrowers may not be added for qualifying ▪ LTV is determined by the lesser of the purchase price plus documents improvements or current appraised value ○ An additional occupying borrower may be added under the following circumstances: ▪ At least one occupying borrower already on title over six (6) months remains on title and on the new loan transaction ▪ The added borrower has been occupying the property for six (6) or more months ○ Sole occupying borrower may be added and qualified as the sole borrower under the following circumstances: ▪ Verification of occupancy for six (6) or more months, and ▪ Verification the borrower has made the mortgage payments directly to the mortgage company (must cover the time on title, minimum of six (6) months, maximum per program guidelines) • If the home is free & clear, verification the borrower has paid the property taxes directly to the taxing authority is required • Must cover the time on title, minimum of six (6) months, maximum per program guidelines • If no taxes were due/paid within the prior six (6) months, the loan is ineligible • Taxes cannot be paid within 30 days prior to the application date • There cannot be any outstanding delinquent taxes ● Delayed Financing: ○ Borrowers who purchased the subject property within the last six (6) months (measured from the date purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all the following requirements are met: ▪ Original Purchase Transaction was an arm's-length transaction ▪ Borrower(s) must meet Fannie Mae's borrower eligibility requirements as described in the FNMA Seller Guide ▪ The original purchase transaction is documented by a settlement statement, which confirms no mortgage financing was used to obtain the subject property (a recorded Trustee's Deed or similar alternative confirming the amount paid by the Grantee to the Trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at the time of sale) • Preliminary title search or report confirming there are no existing liens on the subject property

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS																		
	▪ Sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or HELOC on another property) ▪ If source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds are used to pay off or pay down, as applicable, the loan used to purchase the property ▪ Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculations for the refinance transaction ▪ Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan ▪ The new loan amount cannot be more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage (subject to the maximum LTV/CLTV/HCLTV ratios for the cash-out transaction based on the current appraised value) ▪ All other cash-out refinance eligibility requirements are met (cash-out pricing applies)																		
Escrow/ Impound Accounts	• Primary Residence & Second Home: ○ Impound accounts must be established for all loans with > 90% LTV(CA) & > 80% LTV (all other states) ○ Impounds are always required on all HPML (higher priced mortgage loans) loans and may never be waived, regardless of the LTV • Investment: ○ Impounds accounts are optional and not required, regardless of the LTV ○ Refer to the rate sheet for any costs associated with escrow waivers																		
First Time Homebuyers	• A first time homebuyer (FTHB) is defined as an individual who: ○ Is purchasing a property, and ○ Has not owned or had ownership interest in a residential property (solely or jointly) in the past three (3) years • The following requirements apply: ○ Primary residences allowed: ▪ Payment shock limited as shown on the table below ○ Investment properties allowed when meeting all the following requirements: ▪ 80% max LTV, \$1,500,000 maximum loan amount ▪ Subject rents are not allowed to be used for qualifying purposes ▪ Full income documentation only, Alt income is not allowed ▪ Payment shock may not exceed 300% of current housing ○ Second homes are not allowed <table><tr><th colspan="3">PAYMENT SHOCK TABLE</th></tr><tr><th>CREDIT SCORE</th><th>> 45% DTI</th><th>≤ 45% DTI</th></tr><tr><td>≥ 700</td><td>Payment shock not applicable*</td><td>Payment shock not applicable*</td></tr><tr><td>≥ 660</td><td>300% current housing</td><td>Payment shock not applicable*</td></tr><tr><td>< 660</td><td>Not allowed</td><td>300% current housing</td></tr><tr><td colspan="3">* Max 300% payment shock for investment properties</td></tr></table> Payment Shock= (Proposed Housing Payment - Present Housing Payment) ÷ Present Housing Payment x 100	PAYMENT SHOCK TABLE			CREDIT SCORE	> 45% DTI	≤ 45% DTI	≥ 700	Payment shock not applicable*	Payment shock not applicable*	≥ 660	300% current housing	Payment shock not applicable*	< 660	Not allowed	300% current housing	* Max 300% payment shock for investment properties		
PAYMENT SHOCK TABLE																			
CREDIT SCORE	> 45% DTI	≤ 45% DTI																	
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≥ 660	300% current housing	Payment shock not applicable*																	
< 660	Not allowed	300% current housing																	
* Max 300% payment shock for investment properties																			
Fraud Check	• All loans are to be submitted to an automated fraud and data check tool (i.e. Fraud Guard, DataVerify, etc.). • All parties to the transaction are to be included in the report • A copy of the findings with high alerts/deficiencies resolved are to be provided in every loan file																		

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
General Property Requirements	• SFR: Minimum 700 square feet of gross living area • Condo: Minimum 500 square feet of gross living area • 2-4 Unit: Minimum 400 square feet of gross living area per individual unit • Maximum 25 acres (Truncating not allowed)
Geographic Restrictions	• Loan originated in the US territories are ineligible • Please refer to the LSM Licensing Page for any additional state restrictions
Gift Funds	• Gift funds may be used for all or part of the down payment ◦ 100% of gift funds allowed with 10% LTV reduction, or ◦ Allowed when 5% down payment has been made by the borrower from their own funds • Gifts of equity are not allowed • Gift funds may not be used to meet reserve requirements • Fannie Mae guidelines are to be followed for acceptable donors and documentation requirements including verifying donor availability of funds and transfer of gift funds, refer to B3-4.3-04, Personal Gifts • When a gift from a non-borrowing spouse or registered domestic partner is being combined with the borrower's funds to meet the required minimum cash down payment, the funds are not considered a gift when all the following items are provided: ◦ Certification from non-borrowing spouse or registered domestic partner stating that he/she has lived with the borrower for the past 12 months and will continue to do so ◦ Documentation evidencing a history of shared residency. The spouse's address must be the same as the borrower's address. Examples include but are not limited to a current utility bill or bank statement. ◦ If funds are held in a separate asset account, asset statements covering the most recent 60 day period are to be provided and must adhere to the asset guidelines
Housing History	• Verification of housing history is required for the most recent 24 months • Mortgage History: ◦ Borrower's mortgage history must evidence 0x30 in the most recent 24 months (0x30x24), (this includes all mortgages) ▪ Primary residences: Mortgage ratings in the name of the non-borrowing spouse is acceptable if both are residing in the home together ▪ Second home and investment properties: Mortgage ratings in the name of non-borrowing spouse are not acceptable unless a joint account has been used to make the payments ◦ If the mortgage history is not reported on the credit report, acceptable alternative documentation is as follows: ▪ Verification of mortgage (VOM) from financial institution or mortgage servicing company ♦ Loans held and/or serviced by submitting lender or banker that will be paid off through the new transaction will require 12 months canceled checks ▪ Canceled checks ♦ Banks statements in lieu of canceled checks may be allowed at underwriter's discretion ▪ Mortgage statement that includes payment history • Rental History: ◦ Borrower's rental history must evidence 0x30 in the most recent 24 months (0x30x24) ◦ If the rental history is not reported on the credit report, acceptable alternative documentation is as follows: ▪ Verification of rents (VOR) from a professional management company ♦ Private party VOR allowed with ≤ 80% LTV ▪ Canceled checks ♦ Banks statements in lieu of canceled checks may be allowed at underwriter's discretion ▪ Rental statement that includes payment history

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
Income – General	• Borrowers who live rent free are ineligible The following applies to all “Income Documentation Options” unless otherwise stated in the specific section of the guidelines. • The loan file must include an income worksheet detailing income calculation. • Income analysis for borrowers with multiple businesses must show income/ (loss) details separately, not in aggregate. • Most recent one (1) or two (2) years income documentation is required for all income/documentation types unless otherwise noted • If any borrower is no longer employed in the position disclosed on the URLA at the time of funding, the loan will not be allowed to fund • Stable monthly income is the Borrower's verified gross monthly income which can be reasonably expected to continue for at least the next three years. Both the source and the amount of the income must be determined stable • A two-year employment history is required for the income to be considered stable and used for qualifying • When the Borrower has less than a two-year history of receiving income, underwriter must provide written analysis to justify the stability of the income used to qualify the Borrower • While the sources of income may vary, the Borrower should have a consistent level of income despite changes in the sources of income • When analyzing borrower earnings, year over year earnings trends must be incorporated into the borrower's income calculation. • YTD income must be compared to prior years' earnings where applicable. ○ Stable or increasing: Income should be averaged ○ Declining but stable: If the trend was declining, but has since stabilized and there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of variable income must be used ○ Declining: If trend is declining, the income is not eligible • The Debt-to-Income (DTI) ratio is calculated and reviewed for adherence to Fannie Mae guidelines and inclusion of all income and liability expenses.
Income – Full Doc 24 Months	• General Requirements: ○ Minimum two (2) year history of wage/salary or self-employed income is required • Wage or Salaried Borrowers: ○ Most recent paystub reflecting 30 days of pay and YTD earnings or a completed Request for Verification of Employment (Form 1005 or Form 1005(s)) ○ IRS W-2 forms covering the most recent two-year period ○ In the case of investment property ownership, the most recent two years personal tax returns filed with the IRS must be provided ▪ The definition of most recent is the last return scheduled to have been filed with the IRS ▪ Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior-year tax return ○ Verbal VOE within 10-days of the note date ○ A completed, signed and dated IRS Form 4506-C is required for each borrower. W-2 transcripts are required for all W-2s provided. If tax returns are present in the credit file, transcripts for the return will be required. • Self-Employed Borrowers: ○ Most recent two years of tax returns, personal and business if applicable (including all schedules), signed and dated by each borrower. If tax transcripts verify information on tax returns, tax returns do not have to be signed and dated by the borrower(s). ○ Any borrower that applied for a tax return extension must provide a copy of the extension along with the prior two years of tax returns ○ A YTD P&L (borrower prepared acceptable, borrower required to sign the P&L) ○ If a gap exists between the tax return ending date and start of the YTD P&L, a gap year P&L is required

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	○ Underwriters must consider the financial strength of the borrower's business ○ P&Ls required for qualifying positive income only. A P&L is not required for negative income and/or business. ○ A complete, signed, and dated IRS Form 4506-C is required for each borrower and any business entity filing a separate return. Forms are to be executed and transcripts included in the credit file at the underwriter's discretion. If included tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address. ○ Existence of the business must be verified within 60 days of the note date to ensure the business is active when positive income is used for qualifying with one of the following: ▪ Phone listing and/or business address using directory assistance, internet search ▪ For self-employed independent contractors, either a letter from a third party company currently utilizing their service(s) or a business license procured through the internet reflecting active and not expired is required ▪ If a business reflects negative income and that negative income was used in the qualifying income, business verification will not be required ○ Verbal VOE from each employer completed within 10 days of the Note date
Income – Full Doc 12 Months	● General Requirements: ○ Minimum two (2) year history of wage/salary or self-employed income is required ● Wage or Salaried Borrowers: ○ Most recent paystub reflecting 30 days of pay and YTD earnings or a completed Request for Verification of Employment (Form 1005 or Form 1005(S)) ○ IRS W-2 forms covering the most recent tax year ○ In the case of investment property ownership, the most recent personal tax return filed with the IRS must be provided ▪ The definition of most recent is the last return scheduled to have been filed with the IRS ▪ Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior-year tax return ○ Verbal VOE from each employer completed within 10 days of the Note date ○ A completed, signed, and dated IRS Form 4506-C is required for each borrower. W-2 transcripts are required for all W-2s provided. If tax returns are present in the credit file, transcripts for the return will be required. ● Self-Employed Borrowers: ○ Most recent one year tax return, personal and business, if applicable (including all schedules), signed and dated by each borrower. If tax transcripts verify information on tax returns, tax returns do not have to be signed and dated by the borrower(s). ▪ Any borrower that applied for a tax return extension must provide a copy of the extension along with the prior year tax return ○ A YTD P&L (borrower prepared acceptable, borrower required to sign the P&L) ○ If a gap exists between the tax return ending date and start of the YTD P&L, a gap year P&L is required ○ Underwriters must consider the financial strength of the borrower's business. ○ P&Ls required for qualifying positive income only. A P&L is not required for negative income and/or business. ○ A complete, signed, and dated IRS Form 4506-C is required for each borrower and any business entity filing a separate return. Forms are to be executed and transcripts included in the credit file at the underwriter's discretion. If included tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address. ○ Existence of the business must be verified within 60 days of the note date to ensure the business is active when positive income is used for qualifying with one of the following: ▪ Phone listing and/or business address using directory assistance, internet search

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	▪ For self-employed independent contractors, use either a letter from a third party company currently utilizing their service(s) or a business license procured through the internet reflecting active and not expired ▪ If a business reflects negative income and that negative income was used in the qualifying income, business verification will not be required ○ Verbal VOE from each employer completed within 10 days of the Note date
Income – Other Sources of Income (Full Doc)	The following sources of income must be verified using FNMA requirements. Bonus and overtime are permitted with full Income (12 months) documentation and generally calculated over the 12-month period. • Annuity • Auto allowance • Bonus • Capital Gains • Child support and alimony • Commission • Disability (with proof of 3-year continuance) • Foreign income is income earned by a borrower who is employed by a foreign corporation or a foreign government and is paid in foreign currency • Housing income • Interest and dividends • Investment • Military or government assistance • Overtime • Part-time/variable (uninterrupted and stable for past two years)* • Rental Income: should be documented through Schedule E of the borrower's tax returns. If the property was not rented during the previous tax year, the income will be calculated as follows: ○ Long Term Rental is defined as a property with an executed lease for an initial term of at least 6 months between the lessor and lessee. After the initial lease, a month-to-month option with no defined expiration is allowed, ▪ Based on the lower of the lease agreement or 1007 times 75% for single unit property ▪ The most recent two months' rent must be verified and documented as received in the most recent two months before closing ○ Short Term Rental (e.g., Airbnb, FlipKey, VRBO) is defined as a property rented on a nightly, weekly, monthly or seasonal basis for a defined period: ▪ 12 months statements or an annual statement provided by the on-line service provider such as Airbnb, VRBO, etc., evidencing rents received for the property to be provided. If more than one rental property is owned, the statements must clearly identify the rents received for each specific property. ▪ If the property has been reported as long term rental the prior tax year and is now a short term rental at least six (6) months receipts of current short term rent is required ▪ A screen shot of the online listing evidencing the property is actively marketed as a short term rental to be provided ▪ Gross monthly rents are based on a 12 month average to account for seasonality ▪ The actual extraordinary costs (i.e. management fees, advertising, furnishing, cleaning) listed on the 3rd party statements or a 20% extraordinary expense factor, if actual is not provided, must be subtracted from the gross rents ○ Rental Income from Boarders - For this income to be considered, the following requirements must be met: ▪ There must be at least a 12-month history of receiving rental income from boarder or accessory dwelling unit (ADU) ▪ Tax returns, and tax transcripts are required • Retirement /or social security • Trust income Verify using Fannie Mae requirements along with the following: ○ Document trust account funds, both of the following must be obtained:

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS								
	▪ Written documentation of the value of the trust account from either the trust manager or the trustee; and ▪ The conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the borrower for the current mortgage transaction * For Part-time employment, a minimum two (2) year history is generally required; however, a shorter period of no less than twelve (12) months may be considered case-by-case if positive factors are present to offset shorter history.								
Income – Alt Doc Bank Statement 12/24 Months	• Allows the use of bank statements to document self-employment income; a borrower with at least 25% ownership interest in a business is considered self-employed • At least one borrower must be self-employed • Bank Statement income may be combined with other income sources that are documented as “Full Doc” but not associated with self-employment, such as a spouse employed as a wage earner or a borrower with previous year working as W-2 employee. ○ When wage income is combined with Bank Statements, a tax return is not required for the full income documentation, as this would invalidate the bank statements if received for the same tax year. The 4506-C is still required, box 8 should be checked to obtain a transcript of W-2 earnings • If other name(s) are on bank statements used to qualify, the following applied: ○ Direct relative(s) only (Refer to Fannie Mae guide); LOE required ○ 100% access letter ○ Any deposits in the name of the other parties, are excluded • Net income from the bank statement analysis must be multiplied by the borrower’s ownership percentage to determine the borrower’s qualifying income • Existence of the business must be verified within 60 days of the note date to ensure the business is active with one of the following: ○ Letter from the business tax professional certifying two years of self-employment in the same business, ○ License from regulatory agency or licensing bureau reflecting license is still active and not expired; or ○ Internet search that verifies business phone number or address ○ For self-employed independent contractors a letter from third party company currently utilizing their service(s) • Tax returns and 4506-C are not required. If tax returns and/or transcripts are provided, the loan will be ineligible NOTE: Businesses that function as non-profit enterprises are ineligible. <table><tr><th>BANK STATEMENT TYPES</th><th>12-MONTH INCOME/EXPENSE DOCUMENTATION OPTIONS</th></tr><tr><td>Personal* - Reflecting borrower’s personal income and expenses</td><td> • Most recent 12 months personal bank statements • Most recent 2 months business bank statements </td></tr><tr><td>Business* - In the name of the business, reflecting only business income and expenses</td><td rowspan="2"> • Business Expense Factor from the Fixed Expense Factor Table or one of the Rebuttal Options; OR • 12 Month P&L statement prepared by CPA, Enrolled Agent, properly licensed accounting-bookkeeping firm supervised by a certified accountant or the Chief Financial Officer (CFO) of the company providing the bank statements when 10+ employees are verified to work for company via narrative. ○ 3 most recent months bank statements required • One year self-employed, most recent 12 months of bank statements and previous full year W-2 with transcript </td></tr><tr><td>Co-mingled* - Personal and business activity combined in one account</td></tr></table> * Additional bank statements or expense analysis documents may be requested as needed.		BANK STATEMENT TYPES	12-MONTH INCOME/EXPENSE DOCUMENTATION OPTIONS	Personal* - Reflecting borrower’s personal income and expenses	• Most recent 12 months personal bank statements • Most recent 2 months business bank statements	Business* - In the name of the business, reflecting only business income and expenses	• Business Expense Factor from the Fixed Expense Factor Table or one of the Rebuttal Options; OR • 12 Month P&L statement prepared by CPA, Enrolled Agent, properly licensed accounting-bookkeeping firm supervised by a certified accountant or the Chief Financial Officer (CFO) of the company providing the bank statements when 10+ employees are verified to work for company via narrative. ○ 3 most recent months bank statements required • One year self-employed, most recent 12 months of bank statements and previous full year W-2 with transcript	Co-mingled* - Personal and business activity combined in one account
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TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	• Service and Tip Industry ○ Borrowers in the service and tip industry may utilize the bank statement program to determine tip income with the following: ▪ Full documentation required for employment, base salary is verified with paystubs and W2s ▪ Bank statement analysis used to determine income, qualified tips/deposits will be averaged ▪ Borrowers who obtain income primarily in the form of service fees or tips (adult entertainer, musician, club hostess, etc.) are not required to have a business license ♦ At least one business reference letter is required to validate employment ▪ P&L or expense factor letter not required if the borrower provides personal bank statements • Personal Bank Statements ○ Income is calculated based on a 12 month average or 24 month average of total deposits minus any inconsistent deposits not justified ○ Pattern of deposits and payments should be consistent, as determined by the type of business ▪ For example, a Real Estate sales self-employed borrower may not have sold a property every month, so consistent would be deposits made a few times in a 12 or 24 month period ○ ATM deposits/PayPal or similar deposits may be included if a consistent pattern of such deposits is present ○ Changes in deposit pattern must be scrutinized ○ Income documented separately but comingled must be backed out of deposits ○ If other individual(s) work for the company and/or are part owners of the company, they must be on the loan for the income to be used. If the individual(s) work elsewhere but earn the income provided in the statements, they must also be on the loan for the income to be used. Otherwise, whatever percentage is owned by the borrower(s) must be used for qualification. ○ Two months most recent business bank statements required ▪ Must evidence activity to support business operations ▪ May reflect transfers to the personal account ○ If the personal bank statements include names of individuals other than the borrower(s), the following is required: ▪ Must be direct relative(s) only (Refer to FNMA guide) ▪ 100% Access Letter from individual(s) whose names appear on personal bank statements ▪ LOE from individuals explaining the relationship with the borrower(s), whether they are employed or not, whether they are associated with the business, and whether they contribute income to the bank account ▪ Any deposits in the names of the other individual(s) must be excluded ○ Business License and the most recent company formation information for LLC, Corp, or S-Corp • Business and Co-mingled Bank Statements Fixed Expense Factor ○ Underwriter will evaluate the type of borrower/business using the Fixed Expense Factor Table below, applied to business-related deposits. The expense factor will be determined via review of the completed business narrative or any other borrower business narrative. If the expense factor allows the borrower to qualify, then no further expense analysis is required. 1. Determine the gross monthly qualifying income <i>Total allowable monthly deposits = Net qualifying deposits ÷ 12 (or 24) months</i> 2. Determine the business net income. <i>Gross monthly qualifying income x (100% - fixed expense ratio from table below)</i> 3. Determine the borrower's monthly qualifying income <i>Business net income X borrower's percentage of ownership in the business</i>

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS																				
	<table><tr><th colspan="4">FIXED EXPENSE FACTOR TABLE</th></tr><tr><th>Number of Full-time Employees/Contractors</th><th>0—1</th><th>2—10</th><th>11+</th></tr><tr><td>Service Business Examples: Accounting, Consulting, Counseling, Financial Planning, Insurance, Law, Therapy, etc.</td><td>30%</td><td>50%</td><td>60%</td></tr><tr><td>Product Business Examples: Clothing/Jewelry, Construction, Food Service/Restaurant, Manufacturing, Retail, Trucking, etc.</td><td>40%</td><td>60%</td><td>70%</td></tr><tr><td>Real Estate Business* Examples: Real Estate Investors (without a schedule of current real estate), Property Developers and Property Flippers. *CPA letters will not be accepted for a lower expense ratio</td><td>70%</td><td>75%</td><td>80%</td></tr></table> ○ If the type of business has a materially different expense factor per the borrower, two rebuttal options are listed below. Should the underwriter uncover any red flags that require further review, the underwriter may request additional documentation. ▪ Rebuttal Option 1 – Business expense statement letter from a tax professional or a properly licensed accounting/bookkeeping firm supervised by a certified accountant ▪ Net income is determined by total deposits per bank statements, less total expenses ▪ Total expenses are calculated by multiplying total deposits by the expense factor provided by a CPA, tax preparer, or a properly licensed accounting/bookkeeping firm supervised by a certified accountant ▪ Any expense factor lower than 15% will require a basic understanding of the borrower’s business by a tax professional, which supports the expense factor noted, along with a borrower business narrative • Business narrative provided by the borrower should be reviewed to determine if the business provides a service or produces/manufactures goods. Underwriter’s review of the narrative should conclude that the expense factor is reasonable based on the information provided. • If the business has a website, it should be reviewed to gain additional information on the business and its size ▪ Rebuttal Option 2 – 12 month profit and loss statement (P&L) Statement (24-month if required by the underwriter) from a tax professional or a properly licensed accounting/bookkeeping firm supervised by a certified accountant. ▪ P&L sales/revenue must be supported by the provided bank statements, total deposits per bank statements, minus any inconsistent deposits, and must be no more than 10% below revenue reflected on the P&L ▪ Bank statements and the P&L must cover the same time period ▪ Additional bank statements or expense analysis documents may be requested as needed • NSF (Non-Sufficient Funds)/Overdrafts - Non-sufficient funds (NSF) or negative balance(s) reflected in the bank statement must be considered. ○ NSF activity within the last 12 months (or 24, if required; depending on the program) requires a satisfactory explanation from the borrower ○ Any occurrence that happens on the same day is counted as a one-time occurrence. For example, if there are multiple NSFs or overdrafts on one day, it will only count as 1 in the tolerance levels ○ Multiple NSFs are viewed adversely and may affect qualification, especially at higher LTVs	FIXED EXPENSE FACTOR TABLE				Number of Full-time Employees/Contractors	0—1	2—10	11+	Service Business Examples: Accounting, Consulting, Counseling, Financial Planning, Insurance, Law, Therapy, etc.	30%	50%	60%	Product Business Examples: Clothing/Jewelry, Construction, Food Service/Restaurant, Manufacturing, Retail, Trucking, etc.	40%	60%	70%	Real Estate Business* Examples: Real Estate Investors (without a schedule of current real estate), Property Developers and Property Flippers. *CPA letters will not be accepted for a lower expense ratio	70%	75%	80%
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TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	○ Excessive NSF's will be scrutinized and may cause the loan to be deemed ineligible ▪ Up to 12 occurrences in the most recent 12 months is acceptable. Any occurrence in the most recent 90 days will be scrutinized by the underwriter. ▪ Any tolerance violations must be second signed and must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by underwriter supporting the viability of income ○ Overdraft protection fees associated with pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist: ▪ The linked account balance/limit at the time of the transfer exceeded the amount of the overdraft transfer, and ▪ There were no fees charged for the overdraft ○ Returned checks are considered separately; returned checks that do not result in a negative balance are not considered NSF's ○ Underwriter may consider the financial strength of a self-employed borrower's business and the bank statement trends: ▪ Ending balances should show a trend that is stable or increasing ▪ Low ending balances must be explained and could require additional documentation ○ Additional bank statements or expense analysis documents may be requested by the Underwriter as needed ● Rental Income - When long term rental income is the borrower's primary income source, bank statements may be used to calculate income when meeting all the following: ○ Borrower must attest rental income is the only line of revenue and rental income is deposited into one or more bank accounts ○ Long Term Rentals is defined as a property with an executed lease for an initial term of at least 6 months between the lessor and lessee. After the initial lease, a month-to-month option with no defined expiration is allowed: ▪ 12 months bank statements evidencing receipt of rental income into borrower's co-mingled or business bank account required. Deposits must support the lease/rental amounts. Only rental income deposits will be used. A 25% expense factor will be applied to the aggregate rental income deposits. ▪ Schedule of Real Estate owned (URLA) must be completed for all investment properties where the borrower is held personally liable. PITIA/TIA to be entered in the REO section and included as a liability in the DTI calculation. ▪ Fully executed lease/rental agreements for all properties required. Lease/rental agreements must support the lease/rental amounts. Any variances are to be explained and may require additional documentation ○ Short Term Rentals (e.g., Airbnb, FlipKey, VRBO) is defined as a property rented on a nightly, weekly, monthly or seasonal basis for a defined period: ▪ 12 months statements or an annual statement provided by the on-line service provider such as Airbnb, VRBO, etc., evidencing rents received for the property to be provided. If more than one rental property is owned, the statements must clearly identify the rents received for each specific property. ▪ A screen shot of the online listing(s) evidencing the property is actively marketed as a short term rental to be provided ▪ Gross monthly rents are based on a 12 month average to account for seasonality ▪ The actual extraordinary costs (i.e. management fees, advertising, furnishing, cleaning) listed on the 3rd party statements or a 20% extraordinary expense factor, if actual is not provided, must be subtracted from the gross rents
Income – Alt Doc: Asset Utilization	● Asset Utilization is a calculation used to generate monthly income from a borrower's personal assets. Assets can be used for all qualifying income or blended income.

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	• Asset Utilization for Use as Income (DTI) ○ Blended income ▪ May be combined with other income such as W-2, Self-employment, 12 months Bank Statements, Social Security, Pension, or other investment income ▪ If Asset Utilization income is 25% or less of the total qualifying income, primary income parameters (LTV, loan amount, etc.) are to be followed ▪ There is no age restriction ○ Asset Utilization - 100% of the Income ▪ Income is calculated income from assets to cover the monthly debt ratio ▪ Employment information is not required ○ Asset Utilization calculation (for use with Blended Income or 100% Income qualification): ○ Income listed in the employment section on the URLA will not be considered as the sole income calculation ○ Qualifying asset monthly income is the total balance of assets eligible minus all funds used for down payment, closing costs and reserves divided by 60 months irrespective of the amortized term of the loan ▪ Example of Asset Income for a 30-Year loan: ♦ Savings Account balance is \$100,000 (\$100,000 usable toward the calculation) ♦ Stock Fund Balance is \$100,000 (\$90,000 usable toward the calculation) ♦ Mutual Fund Balance is \$10,000 (\$9,000 usable toward the calculation) ♦ Total usable is $\\$199,000 \div 60 = \\$3,316.66$ monthly income ○ Installment debts with less than 10 payments remaining may not be excluded from liabilities • Asset Utilization without DTI (Residual Assets Method): ○ Debt ratio calculation is not required when Asset Utilization can cover the new subject property debt, all costs, reserves and all other reported debt on the credit report. A calculated residual assets amount is required. ○ Asset Utilization calculation (for use with 100% Coverage): ▪ Eligible assets available before closing must be sufficient to cover all of the following: ♦ New loan amount ♦ Down payment ♦ Closing costs ♦ Any required reserves, per program requirements ♦ Five years (60 months) of all other current monthly obligations ♦ Five years of taxes and insurance ▪ Sufficient liquid assets to pay off the loan in full would be considered fulfilling the DTI / Residual income prong of the ATR test. • Asset Utilization Eligibility Requirements: ○ Available for primary residence, second homes, and investment property (N/O/O) ○ Borrower and co-borrower must be individual or co-owners of all asset accounts with no other account holders listed on the documentation ○ 100% of eligible assets must be verified ○ All assets must be in a U.S. financial institution—no foreign assets ○ The sum of eligible assets as defined are net of any discounts and minus any funds used for closing and/or minimum reserves required for the program ○ Full asset documentation is required ▪ All pages of the most recent three (3) months account statement required ▪ Asset levels in the verified accounts are expected to be consistent and sustained over the three (3) month period. Increases or decreases of greater than 15% over the three (3) month period (i.e., compare month 1 to month 3) must be explained by the borrower. ♦ Additional supporting documentation may be required. Large month-to-month changes in asset totals during the three (3) month period may require additional explanation and documentation.

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	• Eligible Assets: ○ The following readily marketable assets, which must be available to the borrower with no penalty, are eligible and limited as follows (after deduction of any funds used for down payment, closing costs, or reserves): ▪ Bank Deposits – checking, savings, money market accounts = 100% ▪ Publicly traded stocks and bonds = 90% (stock options not allowed) ▪ Mutual funds = 90% ▪ Retirement accounts: • 401(k) plans or IRA, SEP or KEOUGH accounts = 80% (these can only be used if distribution is not already set up) ○ Any debt tied to an eligible asset must be netted out. Example: Stocks bought on margin or 401(k) loan against the 401(k) account ○ Assets must be in liquid or semi-liquid form, no privately held stock, deferred compensation or non-regulated financial companies ○ Additional documentation may be requested to validate the origin of the wealth. • Ineligible Assets: ○ Any asset that produces income already included in the income calculation ○ Business funds ○ Equity in real estate ○ Gift funds ○ Life insurance ○ Other non-liquid assets ○ Privately traded or restricted/non-vested stocks ○ Restricted stock units (RSUs) ○ Non-vested retirement assets
Income – Alt Doc: Rental Income	• When rental income is the borrower's secondary or supplemental source of income, the following may be used to calculate income. • Long Term Rentals is defined as a property with an executed lease for an initial term of at least 6 months between the lessor and lessee. After the initial lease, a month-to-month option with no defined expiration is allowed: ○ Schedule of Real Estate owned (URLA) must be completed for all investment properties where the borrower is held personally liable. PITIA/TIA will be included in the DTI calculation. Fully executed lease/rental agreements for all properties required. ○ 75% of the lease/rental amounts will be used. ○ The most recent two months' rent must be verified and documented as received in the most recent two months before closing ○ If the subject property is an investment purchase, rental income from the subject property is determined as follows: ▪ 75% of the current lease/rental amount ▪ If there not an assignment of lease, 75% of market rent to be used ○ ADU income can be used to qualify on alternative doc income loan similar to the way the other investment property income is calculated ▪ Purchase Transaction – Not available, except when assignable via the purchase contract and verified ▪ Refinance Transaction – Only available with executed lease agreement and 2 months verifiable rent received • Short Term Rentals (e.g., Airbnb, FlipKey, VRBO) is defined as a property rented on a nightly, weekly, monthly or seasonal basis for a defined period: ○ 12 months statements or an annual statement provided by the on-line service provider such as Airbnb, VRBO, etc., evidencing rents received for the property to be provided. If more than one rental property is owned, the statements must clearly identify the rents received for each specific property.

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	○ A screen shot of the online listing(s) evidencing the property is actively marketed as a short term rental to be provided ○ Gross monthly rents are based on a 12 month average to account for seasonality ○ The actual extraordinary costs (i.e. management fees, advertising, furnishing, cleaning) listed on the 3rd party statements or a 20% extraordinary expense factor, if actual is not provided, must be subtracted from the gross rents
Ineligible Borrowers	• Blind trusts • Borrowers from OFAC sanctioned countries • Borrowers less than 18 years old • Borrowers listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party list or any other exclusionary list • Borrowers without a social security number • Borrowers party to a lawsuit • Borrowers with diplomatic immunity or otherwise excluded from US jurisdiction • Corporations, Limited Partnerships, and LLCs • Foreign Nationals • Irrevocable trusts • ITIN • Land trusts • Life estates • Politically Exposed Persons • Qualified Personal Residence trusts • Real Estate trusts
Ineligible Property Types	• Agricultural properties, including hobby farms, working farms, ranches and orchards ○ Properties zoned agricultural/residential are eligible if not being used as agricultural and considered rural • Assisted living facilities with medical services or other types of assisted care facilities • Barndominiums • Bed and breakfast • Boarding house • Container homes • Commercial • Condominium hotels (condotels), including any projects with registrations services that offer rental units on a daily, weekly or monthly basis • Condo with HOAs in litigation • Co-ops, including Co-op timeshares • Domes or geodesic domes • Dwellings with > 4 units • Earth Home, Berm Home or Basement Home • Factory Built Housing • Fractional Ownership • Hawaii properties located in lava zones 1 or 2 • Homes on Native American lands • Hotel or motel conversions • Houseboats • Income producing properties • Log homes • Log façade homes (may be considered with like comparable on an exception basis) • Manufactured or Mobile homes • Mixed use properties • Properties exceeding 25 acres • Properties not readily accessible by roads that meet local standards

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	• Properties not suitable for year round occupancy, regardless of location • Properties offering individual room leases such as Single Room Occupancy (SRO), Padsplits, etc. • Properties with zoning violations • Rural properties • Stilt homes which are defined as dwellings constructed on elevated platforms built above the ground or water. The foundation typically consists of series of columns or long pillars made up brick, stone, wood, or steel that support the weight of the home. • Unique properties • Vacant land or land development properties
Ineligible Transactions	• Bridge loan • Builder/Seller bailout • Escrow holdback or escrow for work completion • Foreclosure bailout • Illinois Land Trust • Income produced, or in relation to, cannabis, hemp • Interest only loan • Model home leaseback • Multiple property payment skimming • Non-QM loan • Property with a PACE loan • Refinancing of a subsidized loan • Reverse 1031 Exchange • Section 32 and/or High-Cost Loan • Shared Appreciation second liens • Single Closing Construction-to-Permanent refinance • Straw borrower or straw buyer
Inter Vivos Revocable Trusts	• Inter Vivos revocable trust is permitted when the trust has an ownership interest in the subject property for all transaction types. The following requirements should be followed. Not all requirements may be addressed here; Fannie Mae requirements should be followed where these guides are silent. • The trust must: ○ Be established by one or more natural persons, solely or jointly. ○ Primary beneficiary of the trust must be the individual(s) establishing the trust ○ Become effective during the lifetime of the person establishing the trust ○ 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. • The trustee must include either: ○ Individual establishing the trust (or at least one of the individuals, if 2 or more); or ○ An institutional trustee that customarily performs trust functions in and is authorized to act as trustee under the laws of the applicable state. • The trustee must have the power to hold the title and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage. • The following documentation is required: ○ The trust was validly created and is duly existing under applicable law ○ Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all the following: ▪ The trust is revocable, ▪ The borrower is the settler of the trust and the beneficiary of the trust, ▪ The trust assets may be used as collateral for a loan, ▪ The trustee is: ♦ Duly qualified under applicable law to serve as trustee, ♦ The borrower,

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS																																
	• The settler, • Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets • In lieu of the above, a complete copy of the trust documents certified by the borrower to be accurate, or a copy of the abstract or summary for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents instead of the trust agreements can be provided in the loan file. The Attorney needs to also verify that the trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect. • If the property is located in one of the following states, a trust certification is acceptable (Note: below does not represent the approved states list. Please Refer to the Licensed States list) <table><tr><td>Alabama</td><td>Arizona</td><td>Arkansas</td><td>California</td></tr><tr><td>Delaware</td><td>District of Columbia</td><td>Idaho</td><td>Iowa</td></tr><tr><td>Kansas</td><td>Maine</td><td>Michigan</td><td>Minnesota</td></tr><tr><td>Missouri</td><td>Nebraska</td><td>Nevada</td><td>New Hampshire</td></tr><tr><td>New Mexico</td><td>North Carolina</td><td>Ohio</td><td>Oregon</td></tr><tr><td>Pennsylvania</td><td>South Carolina</td><td>South Dakota</td><td>Tennessee</td></tr><tr><td>Texas</td><td>Utah</td><td>Vermont</td><td>Virginia</td></tr><tr><td>Washington</td><td>Wyoming</td><td></td><td></td></tr></table>	Alabama	Arizona	Arkansas	California	Delaware	District of Columbia	Idaho	Iowa	Kansas	Maine	Michigan	Minnesota	Missouri	Nebraska	Nevada	New Hampshire	New Mexico	North Carolina	Ohio	Oregon	Pennsylvania	South Carolina	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington	Wyoming		
Alabama	Arizona	Arkansas	California																														
Delaware	District of Columbia	Idaho	Iowa																														
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Pennsylvania	South Carolina	South Dakota	Tennessee																														
Texas	Utah	Vermont	Virginia																														
Washington	Wyoming																																
Interested Party Contributions (IPCs)	• Interested party contributions (IPC) may only be used for closing costs and prepaid expenses (financing concessions) and may never be applied to any portion of the down payment or used to meet borrower's minimum financial contribution or reserve requirements • Both the appraised value and sales price must be reduced by the concession amount that exceeds the IPC limits referenced below • IPC includes funds contributed by the property seller, builder, real estate agent, mortgage lender, or their affiliates, or any other party with an interest in the real-estate transaction and are limited to the following: ○ Up to 4% allowed for LTVs > 80% ○ Up to 6% allowed for LTVs ≤ 80%																																
IRS Form 4506-C	• When the IRS Form 4506-C is required to be executed, the form must be signed by the borrower and the transcript obtained and provided in the credit file. • If the transcript request is returned with a code 10 or the borrower is a victim of taxpayer identification theft, the following requirements must be met to validate income: ○ Copy of the IRS rejection with a code of "Unable to Process" or "Limitation" ○ Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower's 1040s ○ Validation of prior tax year's income (income for current year must be in line with prior years) • In the current year filing time for taxes, FNMA will be followed for other acceptable verification of taxes when "No Record Found" results are returned; this includes verified e-filing and proof of payment for taxes or proof of refund to borrower, letter from employer or tax professional verifying the W-2 has been filed with the IRS, etc.																																
Lease with Option to Buy	• Lease with Option to Buy (also called Lease Option or Lease Option to Purchase) is an agreement to lease a property for a specified period at an agreed-upon monthly rent payment, in which a portion of the payments, in excess of market rents, is applied toward the down payment. Once the potential buyer has satisfied the terms of the down payment, he/she may execute the option to purchase the property at the sales price agreed upon in the Lease Option to Purchase Agreement. • Lease Option Stipulations - All Lease Option to Purchase transactions require all of the following: ○ All parties to the transaction must execute the agreement ○ The agreement must disclose the time period of the option to purchase, amount of earnest money deposit/down payment, and the terms of the monthly rental payments ○ The terms of the monthly rental payments must include a specific and reasonable amount (dollar amount or percentage) in excess of the monthly rent payments that will be credited toward the down payment via comparison to fair market rents (Single Family Comparable																																

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	Rent Schedule Fannie Mae Form 1007) ○ Proof of the borrower's earnest money for down payment via a deposit (canceled check) ○ Copy of canceled checks (front/back) for the monthly rent payment covering the most recent twelve (12) months ○ Purchase Loan Estimate (LE) and Closing Disclosure (CD) (versus the Refinance version of these disclosures) must be provided • LTV Calculation: ○ A Lease Option is always a purchase transaction; Lease Option LTV is calculated using the current reconciled market value in lieu of the purchase price ○ The value used for calculating LTV is the lesser of the Purchase Price or Appraised Value if: ▪ The borrower's Earnest Money Deposit (EMD) is less than three percent (3%) of the sales price, or ▪ The Lease Option Agreement was executed within the last twelve (12) months ○ The value for determining the LTV is the current Reconciled Market Value if: ▪ Borrower has occupied the subject property for the last twelve (12) months, and ▪ Lease Option Agreement was executed more than twelve (12) months ago, and ▪ The borrower has equal to or greater than three percent (3%) of the sales price invested by: ♦ EMD/Down Payment, or ♦ The borrower provided property improvements with receipts for materials as well as a detailed list of all such improvements and time to complete • Lease Option Restrictions: ○ Transactions that do not involve an EMD/Down Payment or property improvements including receipt(s) for materials and/or monthly rent in excess of proven market rents are not considered a Lease Option to Purchase and must comply with standard purchase transaction requirements ○ Investment transactions are ineligible
Minimum Loan Amount	• One dollar (\$1) above the conforming loan limits for one-unit properties as published by the Federal Housing Financing Agency (FHFA)
Mortgage Insurance/PMI	• Private Mortgage Insurance (PMI) is not allowed
Multiple Financed Properties	• Owner Occupied and Second Home - Up to 20 financed properties including the subject property are allowed. All properties the borrower(s) are personally liable for must be included in the DTI calculations (commercial real estate may be excluded) • Investment – There is no limit to the number of financed properties. • All financed properties, other than the subject property, require an additional two (2) months PITIA in reserves for each property ○ Reserves are based upon the PITIA of the subject property ○ Total reserve requirement is not to exceed twelve (12) months • LSM's exposure to a single borrower shall not exceed \$5,000,000 (not to exceed \$10,000,000 in high-cost areas) in current unpaid principal balance or six (6) properties
Non-Arm's-Length/ Interested Party Transactions	• A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with subject property Builder, Developer, or Seller. • Purchase transactions where the seller is a corporation, partnership, or any other business entity, it must be ensured that the borrower is not one of the owners of the business entity selling the subject property • Service providers cannot provide services on their own transactions (closing agent, title agent, appraiser, etc.). In the case of the Mortgage Lender, Loan Officer, or Real Estate Broker/Agent extra due diligence must be exercised. For example the seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property.
Non-Occupant Co-Borrowers	• Primary residence only; second home and investment loans not allowed • Eligible transactions limited to Purchase and Rate/Term refinance only

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS						
	- Income of occupying borrower(s) must exceed the subject PITIA - The non-occupant co-borrower cannot be considered the primary wage earner regarding credit						
Payment Shock	- Payment shock should not exceed 300% of the borrower's current housing payment unless DTI is less than or equal to 45%. - If payment shock exceeds this limit the underwriter must provide justification of borrower's ability to handle the increased payment. If the loan purpose is debt consolidation, and the net tangible benefit test is met, a payment shock calculation is not required. - NOTE: Refer to additional payment shock restrictions in the First Time Homebuyers section of this guide. - Payment Shock = (Proposed Housing Payment / Present Housing Payment) * 100						
Properties Listed for Sale	Rate and Term Refinance: - Property must be delisted at least one day prior to application date Cash-out Refinance: - Twelve (12) months since the most recent mortgage transaction (timeframe is Note date of previous transaction to Note date of current transaction) is required - LTV/CLTV is based upon the current appraised value - Property must be delisted for at least 180 days (6 months) - Seasoning is measured from the listing expiration date to the new loan application date						
Property Insurance	Property insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion. - Policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are not acceptable. - Borrowers may not obtain property insurance policies that include such limitations or exclusions unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions. - Additional insurance requirements apply to properties with solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement. Please refer to Fannie Mae Selling Guide for more detailed information. For insurance not addressed in this section, such as condo, walls-in, etc., defer to Fannie Mae requirement Section B.7-3 Property and Flood Insurance for requirements for property and flood insurance, including coverage types, amounts and evidence. - The insurance coverage must reflect one of the following: 100% of the insurable value of the improvements, as established by the property insurer; or - Determining the Amount of Required Property Insurance - The following table describes how to calculate the amount of required property insurance coverage: <table border="1" data-bbox="342 1728 1401 1953"> <thead> <tr> <th>STEP</th><th>DESCRIPTION</th></tr> </thead> <tbody> <tr> <td>1</td><td>Compare the insurable value of the improvements as established by the property insurer to the unpaid principal balance of the mortgage loan.</td></tr> <tr> <td>1A</td><td>If the insurable value of the improvements is less than the unpaid principal balance, the insurable value is the amount of coverage required.</td></tr> </tbody> </table>	STEP	DESCRIPTION	1	Compare the insurable value of the improvements as established by the property insurer to the unpaid principal balance of the mortgage loan.	1A	If the insurable value of the improvements is less than the unpaid principal balance, the insurable value is the amount of coverage required.
STEP	DESCRIPTION						
1	Compare the insurable value of the improvements as established by the property insurer to the unpaid principal balance of the mortgage loan.						
1A	If the insurable value of the improvements is less than the unpaid principal balance, the insurable value is the amount of coverage required.						

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS			
	1B	If the unpaid principal balance of the mortgage loan is less than the insurable value of the improvements, go to Step 2.		
	2	Calculate 80% of the insurable value of the improvements.		
	2A	If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance is the amount of coverage required.		
	2B	If the result of this calculation is greater than the unpaid principal balance of the mortgage, this calculated figure is the amount of coverage required.		
	Examples			
	Category	PROPERTY A	PROPERTY B	PROPERTY C
	Insurable Value	\$90,000	\$100,000	\$100,000
	Unpaid Principal Balance	\$95,000	\$ 90,000	\$ 75,000
	80% Insurable Value	—	\$ 80,000	\$ 80,000
	Required Coverage	\$90,000	\$ 90,000	\$ 80,000
Calculation Method	Step 1A	Step 2A	Step 2B	
Step 1 Compare the insurable value of the improvements, as established by the property insurer, to the unpaid principal balance of the mortgage loan. If the insurable value of the improvements is less than the unpaid principal balance, the insurable value is the amount of coverage required. If the unpaid principal balance of the mortgage loan is less than the insurable value of the improvements, go to Step 2. Step 2 Calculate 80% of the insurable value of the improvements. If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance is the amount of coverage required. If the result of this calculation is greater than the unpaid principal balance of the mortgage, this calculated figure is the amount of coverage required.				
Property Eligibility – Accessory Dwelling Units (ADU)	- Accessory Dwelling Unit (ADU) is generally an additional living area independent of the primary dwelling that may have been added to, created within, or detached from the primary dwelling. - ADUs must: - be subordinate in size to the subject property - be on the same parcel - may be either site constructed or modular. - When giving value if modular, the dwelling must be on a permanent foundation - Examples of ADUs include, but are not limited to: - Living area over a garage - Living area in a basement, must have outside access - Small addition to the primary dwelling with outside access - A modular home (legally classified as real property) - Whether a property is defined as a one-unit property with an ADU or a two- to four-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utility meter(s), a unique postal address, and whether the unit can be			

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	legally rented. The appraiser must determine compliance with this definition as part of the analysis in the Highest and Best Use section of the appraisal. - The appraisal report: - Must include a description of the ADU and analysis of any effect it has on the value or marketability of the subject property - Demonstrate that the improvements are acceptable for the market. An aged-settled sale will qualify as a comparable, and an active listing or under contract sale will qualify as a supplemental exhibit to show marketability. - Living area of an ADU should not be included with the gross living area calculation of the primary dwelling and be reported and adjusted for on a separate line in the grid unless the ADU is contained within or part of the primary dwelling with interior access and above grade - Standalone structures that do not meet the ADU minimum requirements should be treated as any other ancillary structure and included as a separate line item in the sales comparison approach then adjusted based on its contributory value to the subject property - Zoning for an ADU: - If it is determined that the property contains an ADU that is not allowed under zoning (where an ADU is not allowed under any circumstance), the property is eligible under the following additional conditions: - The lender/borrower confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property - The illegal use conforms to the subject neighborhood and to the market - The property is appraised based upon its current use - The appraisal report states that the improvements represent a use that does not comply with zoning ("illegal" use) - The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least two comparable sales with the same non-compliant zoning use. Aged, settled sale(s) with the same non-compliant zoning use are acceptable if recent sales are not available. At a minimum, the appraisal report must include a total of three settled sales.
Property Eligibility – Flip Transactions (HPML Appraisal Rule)	- On HPML transactions, properties that meet either definition below are considered flip transactions and require a second appraisal: - The seller acquired the property 90 or fewer days prior to the sales contract date and exceeds the seller's acquisition price by more than 10 percent, or - The seller acquired the property 91 to 180 days prior to the sales contract date and exceeds the seller's acquisition price by more than 20 percent - Second appraisals requirements: - Must be ordered in accordance with Appraisal Requirements - Appraisal to be provided to the borrower adhering with HPML requirements, as applicable - Must be dated prior to the closing date - Property seller on the purchase contract must be the owner of record - Increase in value should be documented with commentary from the appraiser and include recent comparable sales - Documentation evidencing actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, etc.) may be required by the underwriter if the appraisal is deemed deficient - The borrower cannot be charged for the cost of the additional appraisal - Note: Seasoning is measured from the closing date of the initial transaction to the fully executed purchase contract date for the subject transaction
Reserves Requirements	Reserves must be sourced and documented per the Asset Requirements section of these guidelines - Minimum six (6) months reserves required on all loans - Cash out proceeds may not be used to meet reserve requirements Multiple Financed Properties – Additional reserves are required for each additional financed property

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	○ Each financed property in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA on the subject property to a maximum requirement of 12 months ○ Reserves are represented as a number equal to the fully amortizing payment, PITIA, for the relevant property, interest only loans are based on ITIA; PITIA/ITIA is the monthly payment obligation for all the following: ▪ Principal ▪ Interest ▪ Taxes – real estate taxes ▪ Insurance – hazard, flood, mortgage insurance (as applicable) ▪ Assessments/Association Dues (including ground rent, HOA Dues, special assessments, etc.) ▪ Plus any subordinate financing payments on mortgages secured by the subject property ● Primary Residence and Second Home: ○ Reserve requirements are waived for Rate-and-Term Refinance transactions when the transaction results in a reduction to the monthly principal and interest payment of 5% or greater AND housing history is 1x30x12 or better (no housing history, unless the property is free and clear, is not allowed) ● Unacceptable Reserves: ○ Assets that are not vested (such as non-vested stock options and non-vested restricted stock) ○ Asset Utilization: Any assets that are depleted and used and income are not eligible ○ Cash on hand ○ Cash out proceeds ○ Cryptocurrency/virtual currency, unless liquidated ○ Gift funds ○ Proceeds from 1031 Exchange ○ Stocks held in an unlisted corporation ○ Unsecured loans
Residual Income	● Residual Income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations. Residual Income = Gross Monthly Income minus total monthly debt. ● Must meet or exceed the family size residual income requirement: ○ Family size of 1 = \$1250/month, family size of 2= \$1,500/month, add \$125 for each additional family member
Secondary Financing	● New and resubordinated secondary financing is allowed up to the maximum LT/CLTV based on loan type/program ● Only institutional financing is permitted, seller carry backs are not allowed ● Existing secondary financing must be subordinated and recorded or refinanced ● For existing HELOC, CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation the line of credit is past in its draw period
Solar	● Allowed, refer to Solar Requirements for eligibility requirements
Tax Returns	The following applies when personal and/or business tax returns are used for to verify income: ● Complete personal income and business tax returns with all schedules to be provided and signed and dated by each borrower. If tax transcripts confirm the information on the tax returns, signature and dates are not required. ● The most recent year's tax returns, if filed on extension after the federal tax deadline, should be filed at least 60 days before the earlier of the application date or the credit report date ● Amended tax returns must be filed at least 60 days before the earlier of the application date or the credit report date regardless of the current year federal tax deadline. When amended tax returns are provided, due diligence is to be used to determine if the amended tax return is acceptable. The following is to be provided in addition to the amended return: ○ Original tax return (for consistency comparison with previous filings) ○ Letter of explanation regarding the reasons for the amendment ○ Evidence of filing

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
Title Vesting & Ownership	○ Proof of payment, if applicable ● If amended for income-related items documentation to support the increase in income ● Ownership must be fee simple or leasehold, refer to Leasehold Properties below for eligibility requirements ● On a refinance, prior to the application date, both the application and the preliminary title report must reflect at least one of the borrowers that plan to take title at closing. If a new spouse is being added, it can be done at the time of closing ● If the property is vested in the name of the entity (Corporation, LLC, or Partnership), the borrower must be 100% owner of the entity if vesting is changing to borrower's name through the loan transaction. Borrower and spouse with combined 100% ownership are eligible. ● Acceptable forms of Vesting: ○ Individuals ○ Inter-Vivos Revocable Trust ○ Joint Tenants ○ Tenants in common ● Leasehold Properties are eligible with all the following: ○ Property is located in areas where leasehold properties are commonly accepted and documented within the appraisal ○ Mortgage must be secured by the property improvement and borrower's leasehold interest in the land ○ The leasehold properties and any improvements must constitute real property, be subject to the mortgage lien and be insured by the lender's title policy. ○ Must meet all Fannie Mae eligibility requirements ○ Single family residences only, condominiums and Indian leased land are not allowed
Temporary Buydown	● Product Eligibility ○ 30 year fixed rate only ○ Primary Residence and Second Home eligible ○ Purchase transactions only ○ Single family residences, 2-4 Units, PUD and condos ○ Seller/Builder paid only ● Buydown Terms – 2:1 and 1:0 temporary buydowns allowed ○ 2:1 Buydown: ▪ Term of the temporary buydown is 24 months ▪ Initial interest rate is temporarily reduced by no more than two (2) percent below the note rate for year one (1) and reduced by no more than one (1) percent below the note rate for year two (2). The non-reduced note rate applies for years three (3) through thirty (30). ○ 1:0 Buydown: ▪ Term of the temporary buydown is 12 months ▪ Initial interest rate is temporarily reduced by no more than one (1) percent below the note rate with the non-reduced note rate applying for years two (2) through thirty (30) ● Underwriting Criteria ○ Borrowers qualify using the note rate, not the buydown rate ○ Reserves are calculated, using the note rate, not the buydown rate ○ Standard Interested Party Contributions guidelines apply
Texas Transactions	● Owner Occupied Purchase transactions ○ All transactions require a valid survey ○ Power of attorney is not allowed ● Owner Occupied Rate/Term Refinances are defined as the borrower receiving no cash in hand at closing. ○ All the necessary disclosures are to be provided to the borrower(s), existing loans must meet the seasoning requirements, and rescission time-periods are followed per the Texas Constitution in addition to meeting the standard eligibility criteria

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	• Texas Equity 50 (a)(6) Loans are determined by Texas law ○ Loan may not close until 12 days after the latter of: ▪ The date the borrower signs a loan application, and ▪ The date the customer signs the “Notice Concerning Extension of Credit” ○ The Borrower must be given a complete and accurate copy of the final HUD-1/HUD-1A or Closing Disclosure (CD) no later than one business day prior to loan closing; borrowers must sign Borrower’s Certification of Receipt of Settlement Statement and the Accuracy Thereof at closing ○ Both spouses must execute the mortgage; however, both spouses are not required to be parties to the Promissory Note (all individuals on title and their spouses must sign all Texas Cash out Documents) ○ Borrowers must be given a copy of all documents signed at closing and sign the Texas Home Equity Receipt of Copies; the documents may not contain blank spaces ○ All loans must contain a Texas Home Equity Loan Closing Instructions Addendum ○ Loan must be closed by an attorney or Title Company or the Lender’s office; closings by mail or phone are not permitted ○ The following forms must be executed and included in the final funding package: ▪ Texas Home Equity Affidavit Agreement ▪ Texas Home Equity Discount Point Acknowledgment, if applicable ▪ Federal Notice of Right to Rescind ▪ In addition to the borrower, the lender must sign the Acknowledgment of Fair Market Value of Homestead Property at closing with an appraisal attached to the Acknowledgment ▪ Rural Homestead Affidavit, if the property is more than 10 acres ▪ Notice of No Oral Agreements signed by lender and borrower ▪ Texas Home Equity Receipt of Document Copies ▪ Signed Affidavit Confirming Borrower Receipt of Final Itemized Disclosure of Fees ○ Use the following forms at closing: ▪ Texas Home Equity Security Instrument ▪ Texas Home Equity Note ▪ Texas Home Equity Condo Rider, if applicable ▪ Texas Home Equity PUD Rider, if applicable ○ Title Policy must include T42 and T42.1 ○ Borrowers are legally permitted to obtain a Texas Cash Out Home Equity Loan one time per year, but 20% equity must always remain. 80% max LTV ○ The Texas Constitution only regulates cash out home equity loan on a primary residence where there is a declared homestead as shown on title ○ Reduced Fee Limitations: The Texas Constitution has reduced the fee limitation from 3% of the original principal amount of the loan to 2%, but exclude from the calculation of fees for an appraisal performed by a third party appraiser, fees incurred for a property survey performed by a state registered or licensed surveyor, and fees incurred for a state base premium for a loan policy of title insurance with endorsements established in accordance with state law or fees incurred for a title examination report if that cost is less than the state base premium for a loan policy of title insurance without endorsements established in accordance with state law. Refer to amended section 153.5 of Texas 50(a)(6) regulations. • Non-Texas Section 50 (a)(6) Loan – a seasoned Texas Section 50(a)(6) loan can be refinanced into a non-Texas Section 50(a)(6) loan and are eligible f provided the loan meets standard eligibility criteria and the requirements of the Texas Constitution as well as the following: ○ The refinanced loan is originated at least one (1) year after the initial Texas Equity 50(a)(6) loan closed ○ New loan amount only covers the actual cost of the refinancing, and does not provide the borrower with additional funds ○ LTV/CLTV does not exceed 80 percent of the fair market value ○ Borrower is provided with certain required disclosures per Texas Constitution within 3

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	business days of application and 12 or more days before the loan is closed ○ Affidavit that conforms to Section 50(f-1) Article XVI of the Texas Constitution must be prepared and recorded ● Second Home and Investment loans are not regulated by the Texas Constitution and the above rules and requirements do not apply

Condominium Project Standards	
General Project Criteria	● All Projects deemed Warrantable must meet the appropriate standards set in Fannie Mae B4-2.1 General Information on Project Standards and meet overlays below. Any projects not deemed Fannie Mae Warrantable or does not meet the Established or New Project criteria are ineligible. ● Project Reviews: ○ Follow Fannie Mae guidelines ● Comparable Property Selection: ○ When the appraisal(s) use one or more comparable sales of units conveyed from the condo developer to private parties (or entities not controlled by the developer) then the appraiser must include additional comparables from competing condominium projects AND any unit owner resales of comparable units in the subject property project ○ When the appraisal(s) use only sales reflecting unit owner resales of comparable units in the subject property then all sales comparables may come from the subject property project ● Two to Four Unit Condo: ○ Projects will not require a project review provided the following are met: ▪ The project is not a Condotel, houseboat, or timeshare or segmented ownership project ▪ The priority of common expense assessments applies. The maximum number of months of common expense assessments allowed is 12 as shown in the condo cert or the CC&Rs ▪ The standard insurance requirements apply ○ Project has been created and exists in full compliance with applicable local jurisdiction, State and all other applicable laws and regulations ○ Project meets all Fannie Mae Insurance requirements for property liability and fidelity coverage ○ Borrower must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit unless "walls in" coverage with betterments and improvements is included in the Master Insurance policy ○ Underwriter to confirm Project documents do not give a unit owner or any other party priority over the rights of the 1st mortgagee (Full Review only) ● Condos in Florida: ○ For loans secured by a condominium unit in the state of Florida, if the project is three (3) stories or more in height and is over 30 years old (or 25 if within 3 miles of the coast), a structural inspection is required per Florida statute 533.889 ▪ For projects not in compliance with this statute, financing is not eligible ○ High Rise Condos must adhere to the following additional overlays: ▪ Sales comparables from within the neighborhood must support and reflect the same positive and negative location characteristics ▪ High Rise projects are only eligible with one of the following: ♦ Existing Fannie Mae PERS or HUD Review Approval Process (HRAP) full project approval OR ♦ Internal approval subject to project meeting Full Condo review standards. (Full Review HOA Cert, Budget/Balance Sheet, CC&Rs required at all LTVs.)

	○ Lender reserves the right to limit LTVs on condos in Florida when market conditions warrant • Site Condos ○ Site Condos meeting the FNMA definition are eligible (and follow guides as a single family dwelling) ○ Condo reviews are waived (appraisal needs to support single family residence) • Single Owner/ Investor Entity Concentration ○ Maximum of 25% of project owned by any Single Owner/Investor Entity ○ Maximum of 2 units owned by any Single Owner/Investor Entity if the project has fewer than 10 units
Established Project Requirements	• Established Projects, as defined by Fannie Mae, which meet all the following requirements are eligible for purchase. ○ Occupancy: ▪ For Investment property transactions, a minimum of 50% of the total number of units (Fannie Mae Warrantable) or 30% of the total number of units (LoanStream Criteria) in the Project must be conveyed to owners who occupy their unit as a primary residence or second home. This requirement does not apply if the subject property is a primary residence or second home. ♦ The Project may not have delinquencies greater than 15%, and ♦ The Project Reserve Fund must represent a minimum of 100% of Project's annual budget, and ♦ Appraisal must support rental market ♦ If project does not meet the above additional requirements investment property transactions must adhere to Fannie Mae Warrantable requirements (50% of the total units must be conveyed to primary residence or second home) ○ Budget and Reserve Fund Balance: ▪ A minimum Reserve Fund balance of 30% of annual budget must be in place ▪ A minimum of 10% of the association's annual budget should provide for funding of replacement reserves for capital expenditures and deferred maintenance; if not, a lower percentage of annual income may be considered if the appraisal notes no major repairs and Reserve Fund balance supports a lower allocation as follows: ♦ 7% to 9.99% requires a Reserve Fund balance of 50% of annual budget ♦ 5% to 6.99% requires a Reserve Fund balance of 75% of annual budget ♦ 3% to 4.99% requires a Reserve Fund balance of 100% of annual budget. Refer to the non-warrantable section in regard to the 3% exception ○ Delinquent Assessments: ▪ Delinquent assessments greater than 60 days may not exceed 15% of the total number of units in the project ▪ 60-day delinquency up to 20% may be allowed as non-warrantable if HOA Reserve Fund represents 120% of its annual budgeted income ○ Commercial Space: ▪ Limited to 50% of building space ▪ Commercial entity cannot control HOA • Established Full Project Approval Documentation Requirements - > 90% LTV Primary and > 75% LTV NOO & 2nd Home: ○ Established Project Certification ○ Current Annual Budget ○ Current Balance sheet (dated within the last 60 days) ○ Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines • Established Limited Project Approval Documentation Requirements - ≤ 90% LTV Primary and ≤ 75% LTV NOO & 2nd Home: ○ Established Project Certification

	○ Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines NOTE: Limited Review HOA Certifications that identify special assessments for property repairs, budget issues or litigation on property defects or structural repair items will require full project approval documentation
New Project Requirements	• A Project is considered New if any of the following apply: ○ Project is not fully completed or is subject to additional phasing or annexation ○ Fewer than 90 percent of the total number of units in the project have been conveyed to owners other than the developer, or control of the homeowner's association has not been turned over to the unit owners ○ Projects that have a Fannie Mae PERS approval (or show as Fannie Mae approved in CPM) for the subject property Building, Phase or Unit can close as "Warrantable" ○ NOTE: All units closed under this policy must have an unconditional Certificate of Occupancy (or local equivalent) • New Condominium Projects that meet all the following requirements are eligible: ○ Assessments: Developer must be responsible for assessments on unsold units built but not yet closed ○ Budget: A minimum of 10% of the association's annual budget must provide for funding of replacement reserves for capital expenditures and deferred maintenance ▪ Budget must reflect adequate funding for insurance deductible ○ Commercial Space of up to 35% of building space is allowed when pre-sale exceeds 70%, otherwise limited to 25%; Commercial entity cannot control HOA ○ Delinquent Assessments: Delinquent assessments greater than 60 days cannot exceed 15% of the total number of units ○ Occupancy: A minimum of 50% of the total number of units in the project are conveyed or under contract to purchaser other than developer or successor as Primary or second home OR a minimum of 50% of the units in subject phase plus all prior legal phases must have been conveyed or under contract as Primary or Second Home ○ Subject Legal Phase and any prior legal phases where units have been offered for sale are substantially complete, meaning that a certificate of occupancy or its equivalent has been issued and all units in the subject unit building are complete • New Project Approval Documentation Requirements: ○ Completed Condo Project Questionnaire and Developer/Builder Questionnaire, or similar ○ Current Annual Budget ○ Current Balance sheet (dated within the last 60 days) ○ Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines ○ Project legal documents: Declarations, Bylaws and any Amendments
Ineligible Projects	• Assisted living facilities or any project where unit owners' contract in advance for a lifetime commitment from the facility to care for them regardless of future health or housing needs • Common-interest Apartment ○ Project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building ○ The project or building is often owned by several owners as tenants in common or by a homeowners' association • Condo Conversion completed less than two years • Condominium hotel (condotel) ○ Condominium project in which any unit owner or the homeowner's association is a party to a revenue-sharing agreement with either the developer or another third-party entity ○ Condominium project where the unit is not the lessee's residence ○ Project that is managed and operated as a hotel or motel, even though the units are individually owned ○ Project with the names that include the words "hotel," "motel," "resort," or "lodge" ○ A project that includes registration services and offers rentals of units on a daily, weekly, or monthly basis • Hotel or motel conversions regardless of length of time since conversion

	• Fragmented or segmented ownership ◦ Ownership is limited to a specific period on a recurring basis i.e. timeshare • Houseboat project • Manufactured Home project • Multi-family units where single deed has ownership of more than one or all of the units • Non-conforming zoning (cannot be rebuilt to current density) • Project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, or habitability • Project in which a single entity owns more than 25% of the total number of units; for projects that have 5-19 units, one owner is allowed to own two units • Project that is not well maintained or in poor physical or financial condition ◦ Excessive special assessments, low reserves, neglected repairs • Project that is subject to the rules and regulations of the U.S. Securities Exchange Commission • Project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association • Project units sold with excessive seller contributions that may affect the value of the subject property • Project with adverse environmental issue(s) involving safety, soundness, or habitability • Project where more than 50% of total square footage in the project, or in the building that the project is located in, is used for non-residential purposes • Project where the developer (or its affiliates) owns the common and/or limited elements and leases the elements back to the HOA • Timeshare or project that restricts the owner's ability to occupy the unit

Solar Requirements	
General	The ownership and debt financing structure commonly found with solar panels are essential to determining whether panels are personal property of the homeowner, third party owned or a fixture to the real estate. Common ownership or financing structures include: • Borrower owned panels • Financed solar panels where the panels serve as collateral for the debt separate from any existing mortgage • Lease agreements/power purchase agreements Properties with solar panels may be eligible. Due diligence to determine ownership and any financing structure of the subject property's solar panels is needed to determine initially if the property with solar panels is eligible and subsequently correctly underwrite the loan Underwriters must ensure all the following: • Borrower's credit report is reviewed for solar-related debt and all solar-related documentation provided • Title report is reviewed to determine if the related debt is reflected in the land records associated with the subject property • Appraiser has accurate information about the ownership structure of the solar panels • Appraisal appropriately addresses any impact to the property's value ◦ Any contributory value for owned or financed solar panels must be noted in the Improvements Section of the Appraisal Report • Where solar panels are eligible the property maintains access to an alternate source of electric power that meets community standards ◦ If a full appraisal is required, the appraiser is to comment if the property is connected to a traditional electrical power source. ◦ If a full appraisal is not required, other alternative documentation, such as an electric bill, evidencing the property is connected to a traditional electrical power source to be provided

Solar Requirements

	If insufficient documentation is not available and the ownership status is unclear, no value for the panels may be attributed to the property value on the appraisal unless a UCC “personal property” search is provided and confirms the solar panels are not claimed as collateral by any non-mortgage lender. A UCC financing statement that covers personal property and is not intended as a fixture filing* must be filed in the office identified in the relevant state’s adopted version of the UCC. <i>* A fixture filing is a UCC-1 financing statement authorized and made in accordance with the UCC adopted by each state in which the related real property is located. It covers property that is, or will be, affixed to improvements such as real property. It contains both a description of the collateral that is, or is to be, affixed to that property, and a description of the real property. It is filed in the same office that mortgages are recorded under the law of the state in which the real property is located. This filing in the land records provides notice to third parties, including title insurance companies, of the existence and perfection of a security interest in the fixture. If properly filed, the security interest in the described fixture has priority over the lien of a subsequently recorded mortgage.</i> The sections below identify the additional specific requirements that must be followed based on the ownership or financing structure.
Free and Clear or Included in the Home Purchase	Solar panels that were a cash purchase and owned free and clear without outstanding debt or were included in the home purchase price and secured by the existing first mortgage. • Properties with solar panels that meet the above definition are eligible and standard requirements must be followed (appraisal, insurance and title). • Appraiser to include the solar panels in the value of the property (based on standard appraisal requirements)
Financed and Collateralized (UCC on title)	Solar panels were purchased with financing. The solar panels are collateral for the separate debt used to purchase the panels and a UCC fixtured filing has been filed for the panel as evidenced on the title report. Properties with solar panels that meet the above definition are eligible when complying with the following requirements: • Credit report, title report, appraisal (if applicable) and related promissory note and security agreement that reflect the terms of the secure loan to be obtained and reviewed • Appraiser to include the solar panels in the value of the property (based on standard appraisal requirements) as long as the documents provided evidence the panels cannot be repossessed for default on the financing terms, • Debt obligation to be included in the debt-to-income ratio (DTI) calculation and LTV/CLTV because a UCC fixture filing is of record • The UCC filing must be subordinated: ○ Debt obligation must be included in the DTI and LTV/CLTV ○ If the UCC filing was recently terminated, the subordination agreement is waived with recorded copy of termination ▪ Debt obligation must be included in the DTI unless evidenced the debt has been paid off in full (UCC termination is not evidence the debt has been paid in full.) • CLTA endorsement 150.06 is not allowed in lieu of a subordination agreement or UCC termination
Financed and Collateralized (UCC not on title)	The solar panels were purchased with financing and treated as personal property not affixed to the home. The UCC filing does not appear on the title report. Properties with solar panels that meet the above definition are eligible when complying with the following requirements: • Review documentation such as the credit report, title report, UCC financing statement, related promissory note or security agreement to confirm the terms of the secured loan • Debt obligation to be included in the debt-to-income (DTI) calculation • Confirm the appraiser did not include contributory value of the solar panels toward the appraised value • The loan secured by the solar panels is not to be included in the LTV/CLTV ratio

Solar Requirements

	- If a previously filed UCC was temporarily removed from title through a UCC termination, evidence must be provided that the UCC was paid in full - If the financed balance is not paid in full it must be included in the LTV/CLTV - Note: a Notice of Independent Solar Energy Producer Contract on title is not to be treated as a UCC fixture filing.
Financed with a PACE loan	Solar panels financed with a PACE loan paid through an assessment in their annual property tax bill. - Properties with solar panels financed with a PACE loan are ineligible unless paid in full at or prior to closing - If the property tax statement indicates a PACE loan the outstanding loan must be paid in full prior to or at closing - Proceeds from the second lien may be used to pay off the existing PACE loan Note: In some cases, PACE loans are also referred to as HERO loans and must adhere to PACE loan requirements.
Leased or Covered by a Power Purchase Agreement	Solar panels are leased from or owned by a third party under a power purchase agreement or similar lease arrangement. Properties with solar panels that meet the above definition are eligible when complying with the following requirements: - Lease or power purchase agreement to be obtained and reviewed - Monthly payment must be included in the debt-to-income (DTI) calculation unless the lease/agreement is structured to: - Provide delivery of a specific amount of energy at a fixed payment during a given period, AND - Have a production guarantee that compensates for the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease/agreement for that period - Payments under the power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI calculation - Confirm the appraiser did not include value of the solar panels in the appraised value - Value of the solar panels must not be included in the LTV/CLTV even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority - A “precautionary” UCC filing is one that lessors may file to put third parties on notice of their claimed ownership interest in the property described within the filing and is allowed when meeting all of the following: - The only property described in the UCC filing as collateral is the solar equipment covered by the lease or power purchase agreement and not the underlying land - Loan is underwritten in accordance with “Leased or Covered by a Power Purchase Agreement” section of the guidelines - The lease or power purchase agreement must indicate the following: - Any damage that occurs as a result of installation, malfunction, manufacturing defect or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (such as sound and watertight conditions that are architecturally consistent with the home) - The owner of the solar panels must agree not to be named as insured and/or loss payee on the property owner's property insurance policy covering the residential structure on which the panels are attached. - Acceptable alternative documentation is a current copy of the property owner's property insurance policy verifying the owner of the solar panels is not currently named as the insured or loss payee.

Solar Requirements

- In the event of a foreclosure, the lender or assignee has the right to:
 - Terminate the lease/agreement and require the third-party to remove the equipment, or
 - Transfer, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party, or
 - Enter into a new lease/agreement with the third party under terms no less favorable than the prior owner
 - NOTE: If the required verbiage above is not present in the original lease/agreement a fully executed addendum to the lease/agreement identifying the requirements is acceptable
- If a UCC filing is on record and will remain, the solar title endorsement is required

Exhibit A: Visa and EAD Eligibility Matrix

The Visa & Employment Authorization (EAD) Eligibility matrix is a list of eligible Visas and EADs for Non-QM loans with Non-Permanent Resident Alien borrowers. Any Visa or EAD category not listed would generally be ineligible.

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible¹</u>
A-1, A-2	Non-immigrant	Diplomat	N	Y
A-1, A-2	Non-immigrant	Diplomat spouse	C01	Y
A-3	Non-immigrant	Employee of A-1 or A-2	C17	Y
B-1, B-2	Non-immigrant	Business visitor	N	N
B-11, B-16	Family based	Unmarried son or daughter of US citizen	C09	N
B-12, B-17	Family based	Child of B-11 or B-16	C09	N
B31, B-32, B-33	Family based	Married son or daughter of US citizen (B-31), spouse of B-31 or child of B-31	C09	N
BC-1	Employment based	Broadcaster in the US employed by the International Broadcasting Bureau of the Broadcasting Board of Governors	N	N
BC-2, BC-3	Employment based	Spouse, child of BC-1	Y	N
BCC	Non-immigrant	Border Crossing Card	N	N
C-1, C-2, C-3, C-4, C-5	Non-immigrant	Transiting the U.S.	N	N
C-21, C-22, C-23, C-24, C-25	Family based	Spouse or child of permanent resident	C09	N
C-26	Non-immigrant	Spouse or child of H type	N	N
C-31, C-32, C-33	Family based	Spouse or child of US citizen	C09	N
C-5, C-51	Employment based	Employment creation	N	N
C-52, C-53	Employment based	Spouse or child of C-5 or C-51	C09	N
CR-1, CR-2, CR-5	Family based	Spouse or child of US citizen	C09	N
CX-1, CX-2, CX-3	Family based	Spouse, child or stepchild of lawful permanent resident	C09	N
D	Non-immigrant	Crew member	N	N
DV-1, DV-2, DV-3	Diversity	Diversity immigrant, spouse, child	N	N
E-1,2 or spouse of E-1,2 (the spouse does not get a different number for this category)	Employment based	Treaty/Trade investor or spouse	A17 (only needed for spouse of E-1, E-2)	Y
E-3	Employment based	Specialty occupation- Australia	N	Y
E-11	Employment based	Person with extraordinary ability in the sciences, arts, education, business or athletics	N	N
E-12	Employment based	Outstanding professor or researcher	N	N
E-13	Employment based	Multinational executive or manager	N	N
E-14, E-15	Employment based	Spouse or child of E-11, E-12 or E-13	C09	N

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible¹</u>
E-21	Employment based	Professional holding advanced degree or alien of exceptional ability	N	N
E-22, E-23	Employment based	Spouse or child of E-21	C09	N
E-31	Employment based	Skilled worker	N	N
E-32	Employment based	Professional holding baccalaureate degree	N	N
E-34, E-35	Employment based	Spouse or child of E-31 or E-32	C09	N
EW-3	Employment based	Other worker	N	N
EW-4	Employment based	Spouse or child of EW-3	C09	N
F-2A, F-2B, F-3, F-4, F-11, F-12, F-21, F-22, F-23, F-24, F-25, F-31, F-33, F-41, F-42, F-43	Family based	Family members of permanent residents or US citizens	C09	N
F1	Non-immigrant	Student	C03	N
FX-1, FX-2, FX-3	Family based	Spouse or child of permanent resident or FX-1	Y	N
G-1, G-2, G-3, G-4	Employment based	Employees of international organizations and NATO; spouses and children	Y-spouses and children: C04	Y
G-5	Non-immigrant	Non-immigrant domestic workers	C17	Y
H1-B	Employment based	Foreign nationals working in the US in a specialty occupation	N	Y
H-2A, H-2B	Non-immigrant	Temporary workers	N	N
H-3	Non-immigrant	Temporary training	N	N
H-4	Non-immigrant	Spouse or child of H1-B	C09	Y
I-51	Employment based	Investor in pilot program	N	N
I-52, I-53	Employment based	Spouse or child of I-51	C09	N
IH-3, IH-4	Family based	Child adopted or to be adopted by US citizen	C09	N
IR-1, IR-2, IR-3, IR-4, IR-5	Family based	Spouse, child or child to be adopted of US citizen	C09	N
J	Non-immigrant	Cultural exchange visitor	C05	N
K-1	Family based	Fiancée of US citizen	A09	Y
K-3	Family based	Fiancée of US citizen	A09	N
L-1A, L-1B*	Employment based	Intracompany transferees	N	Y
L-2*	Employment based	Spouse or child of L-1	A18	Y
*L-1 and L-2 blanket visas are not permitted				
M-1, M-2, M-3	Non-immigrant	student seeking practical training after completing studies	C06	N
N-8, N-9	Non-immigrant	Parent or child of int'l org. employee granted permanent residence	A07	N
NATO- 1, NATO-2, NATO-3, NATO-4, NATO-5, NATO-6	Non-immigrant	NATO members, staffs and families for temporary stay	C07	N
O-1A, O-1B	Employment based	Extraordinary ability in science, education, the arts, business or athletics	N	Y
O-2	Employment based	Assistant to O-1	N	Y
O-3	Employment based	Spouse or child of O-1 or O-2	N	N
P-1A	Employment based	Internationally recognized athlete	N	Y

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible¹</u>
P-1B	Employment based	Internationally recognized artist	N	Y
P-2	Employment based	Performer (artist)- reciprocal exchange program	N	N
P-3	Employment based	Entertainer (artist) - culturally unique program	N	N
P-4 ¹	Employment based	Spouse or child of P1A, P-1B, P-2, or P-3	C09	N
Q	Non-immigrant	Cultural exchange program	N	N
R-5, R-51	Employment based	Investor in pilot program	N	N
R-52, R-53	Employment based	Spouse or child of R-51	C09	N
SD-1	Employment based	Religious workers	N	N
SD-2, SD-3	Employment based	Spouse or child of SD-1	C09	N
SE-1	Employment based	Employees or former employees of the US Gov't abroad	N	N
SE-2, SE-3	Employment based	Spouse or child of SE-1	C09	N
SF-1	Employment based	Former employees of the Panama Canal Company or Canal Zone Gov't	N	N
SF-2	Employment based	Spouse or child of SF-1	C09	N
SG-1	Employment based	Former employees of the US gov't in the Panama Canal Zone	N	N
SG-2	Employment based	Spouse or child of SG-1	Y	N
SH-1	Employment based	Certain former employees of the Panama Canal Company or Canal Zone gov't on 4/1/79	N	N
SH-2	Employment based	Spouse or child of SH-1	C09	N
SI	Employment based	Interpreters	N	N
SJ-1	Employment based	Foreign medical graduate	N	N
SJ-2	Employment based	Spouse or child of SJ-1	C09	N
SK-1	Employment based	Retired international organization employee	N	N
SK-2	Employment based	Spouse of SK-1	C09	N
SK-3	Employment based	Unmarried child of an international organization employee	C09	N
SK-4	Employment based	Surviving spouse of deceased international organization employee	C09	N
SN-1	Employment based	Retired NATO-6 civilian	N	N
SN-2, SN-3	Employment based	Spouse of child of NATO-6 civilian employee	C09	N
SN-4	Employment based	Surviving spouse of deceased NATO-6 civilian employee	C09	N
SQ	Employment based	Iraqi/Afghans who work on behalf of the US government	N	N
SR-1	Employment based	Religious workers	N	N
SR2, SR3	Employment based	Spouse or child of SR-1	C09	N
T-1, T-2, T-3, T-4	Subject to extreme cruelty	Victim or spouse or child or parents of victim of human trafficking	A16 OR C25	N
T-5, T-51	Employment based	Employment creation	N	N
T-52, T-53	Employment based	Spouse or child of T-51	C09	N
TN NAFTA, TC NAFTA	Employment based	Canadian or Mexican citizens working in the US	N	Y
TD NAFTA	Employment based	Spouse or child of TN	N	N

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible¹</u>
U-1, U-2, U-3, U-4	Subject to extreme cruelty	Victim or family member of victim of criminal activity	A19 OR A20	Y
V-1, V-2, V-3	Family based	Married to or a child of a legal permanent resident and you have been waiting at least 3 yrs. for the approval of a petition for lawful permanent resident status	A15	Y

¹ Must be spouse or child of P1A or P-1B, spouse or child of P-2 or P-3 are ineligible

<u>EAD Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Automatic Extension</u>	<u>Eligible¹</u>
A02	Non-immigrant	Lawful temporary resident pursuant to sections 245a or 210 of the INA (temp. agricultural worker)	N	N
A03	Refugee	Refugee	Y	N
A04	Cuban or Haitian entrant	Cuban or Haitian entrant paroled as a refugee	N	N
A05	Asylum granted	Asylum granted	Y	Y
A06	Non-immigrant	K-1, non-immigrant fiancé of US citizen or K-2 child of K-1	N	N
A07	Non-immigrant	N-8 parent of international organization employee granted permanent residence or N-9 dependent child of international organization employee granted permanent residence	Y	N
A08	Non-immigrant	Citizens of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau admitted as a non-immigrant	Y	N
A09	Non-immigrant	K-3 non-immigrant spouse of US citizen or K-4 child of K-3	N	Y
A10	Non-immigrant	Granted withholding of Deportation or Removal	Y	N
A11	Non-immigrant	Deferred Enforced Departure (DED)	N	N
A12	Non-immigrant	Temporary Protected Status (TPS) granted under 8 CFR 244.12	Y	N
A13	Non-immigrant	IMMACT Family Unity beneficiary	N	N
A14	Non-immigrant	LIFE Act Family Unity beneficiary	N	N
A15	Non-immigrant	V-1 spouse of lawful permanent resident or V-2 minor unmarried child of lawful permanent resident or V-3 minor unmarried child of V-1 or V-2	N	Y
A16	Non-immigrant	T-1 non-immigrant (victims of a severe form of trafficking)	N	N
A17	Non-immigrant	Spouse of principal E non-immigrant with an unexpired I-94 showing E (included in E-1S, E-2S, E-3S) non-immigrant status	Y	N

<u>EAD Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Automatic Extension</u>	<u>Eligible¹</u>
A18	Non-immigrant	Spouse of principal L-1 non-immigrant with an unexpired I-94 showing L-2 (including L-2S) non-immigrant status	Y	N
A19	Non-immigrant	U-1 non-immigrant (victims of certain criminal activity)	N	N
A20	Non-immigrant	U-2 spouse of U-1 aliens or U-3 children of U-1 aliens (16 or under) or U-5 unmarried sibling under age 18 of UJ-1 alien under the age 21	N	N
C01	Non-immigrant	Dependent of A-1 or A-2 foreign government official	N	N
C02	Non-immigrant	Dependent of TECRO (Taipei Economic and Cultural Representative Office) E-11 non-immigrant)	N	N
C03A	Non-immigrant	Pre-completion of OPT F-1 students	N	N
C03B	Non-immigrant	Post-completion of OPT F-1 students	N	N
C03C	Non-immigrant	24 month extension for Science, Technology, Engineering or Mathematics (STEM) OPT students	N	N
C03(ii)	Non-immigrant	F-1 student offered off-campus employment under the sponsorship of Qualifying International Organization	N	N
C03(iii)	Non-immigrant	F-1 student seeking off-campus employment due to severe economic hardship	N	N
C04	Non-immigrant	Spouse or unmarried dependent child of G-1, G-3 or G-4 non-immigrant (Representative of International Organization and their dependents)	N	Y
C05	Non-immigrant	J-2 spouse or minor child of a J-1 exchange visitor	N	N
C06	Non-immigrant	M-1 student seeking practical training after completing studies	N	N
C07	Non-immigrant	Dependent of NATO-1 through NATO-7 non-immigrant	N	N
C08	Non-immigrant	Asylum applicant, status pending	Y	N
C09	Non-immigrant	Pending adjustment of status under Section 245 of the Act	Y	Y
C10	Non-immigrant	Nicaraguan Adjustment & Central American Relief act	Y	N
C11	Non-immigrant	Alien paroled into the US for emergency, temporary reason	N	N
C12	Non-immigrant	Spouse of an E2 commonwealth of the Northern Mariana Islands investor, eligible for employment. In the CNMI only.	N	N
C14	Non-immigrant	Alien granted deferred action	N	N
C16	Non-immigrant	Registry applicant based on continuous residence since Jan 1, 1972	Y	N

<u>EAD Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Automatic Extension</u>	<u>Eligible¹</u>
C17(ii)	Non-immigrant	B-1 non-immigrant who is the personal or domestic servant of a non-immigrant employer	N	N
C17(iii)	Non-immigrant	B-1 non-immigrant employed by a foreign airline	N	N
C18	Non-immigrant	Alien with final order of deportation/supervision	N	N
C19	Non-immigrant	Temporary Protected status applicant under 8 CFR 244.5	Y	N
C20	Non-immigrant	Alien who filed legalization application for agricultural workers	Y	N
C22	Non-immigrant	Alien who filed legalization application under INA 245a	Y	N
C24	Non-immigrant	LIFE legalization applicant	Y	N
C25	Non-immigrant	T-2 spouse of T-1, the victim of trafficking or T-3 child or T-1 or T-4 parent of T-1 (if T-1 is < age 21)	N	N
C26	Non-immigrant	Spouse of certain H-1B principal non-immigrants with an unexpired I-94 showing H-4 non-immigrant status	Y	N
C27	Non-immigrant	Abused spouse of an A non-immigrant	N	N
C28	Non-immigrant	Abused spouse of an E-3 non-immigrant	N	N
C29	Non-immigrant	Abused spouse of an G non-immigrant	N	N
C30	Non-immigrant	Abused spouse of an H non-immigrant	N	N
C31	Non-immigrant	Principal beneficiary or qualified child of approved VAWA self-petition or Qualified child of a beneficiary of an approved VAWA self-petition	Y	N
C33	DACA	An alien who has been granted Deferred Action for childhood arrivals (DACA)	N	Y
C35	Non-immigrant	Principal beneficiary of an approved employment based immigrant petition facing compelling circumstances	N	N
C36	Non-immigrant	Spouse of unmarried child of a principal beneficiary of an approved employment based immigrant petition facing compelling circumstances	N	N

Concurrent Close & Standalone Eligibility Matrix ^{4,5}															
Loan Amount	Occupancy	Property ^{2,3}	Cash-Out Refi			Purchase, Rate/Term & Cash-Out Refi									
			Select Full Doc ⁴			Core Full Doc			Alt Doc & DSCR						
			FICO to Max CLTV ¹			FICO to Max CLTV ¹			FICO to Max CLTV ¹						
720+	700+	680+	740+	720+	700+	680+	660+	740+	720+	700+	680+	660+			
\$ 350,000	Primary Residence	SFR/PUD/ 2-4 Unit/Condo	80%	80%	75%	85%	85%	85%	80%	75%	75%	85%	80%	75%	70%
\$ 500,000			75%			80%	80%	80%	75%	70%	75%	70%	70%	65%	60%
\$ 750,000			70%												
\$ 350,000	Investment	SFR/PUD/ 2-4 Unit/Condo				80%	80%	80%	75%	70%	75%	75%	70%	65%	60%
\$ 500,000						75%	75%	70%	65%	60%	65%	65%	60%	55%	50%
\$ 750,000															
\$ 350,000	Second Home	SFR/PUD/Condo				80%	80%	80%	75%	60%	75%	75%	70%	65%	60%
\$ 500,000						70%	70%	70%	65%	60%	65%	65%	60%	55%	50%
\$ 750,000															
¹ 5% CLTV reduction for declining market															
² 75% max CLTV ≤ \$500,000, 65% max CLTV > \$500,000 on 2-4 Unit															
³ 2-4 Unit ineligible on Select Full Doc															
⁴ Standalone close transactions only on Select Full Doc, concurrent transaction ineligible															
⁵ Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)															
Details		Concurrent Close					Standalone Close								
Max LTV/CLTV/HCLTV		More restrictive of 1st lien program or Eligibility Matrix					Refer to Eligibility Matrix								
Property Type		2-4 Unit - 75% max CLTV ≤ \$500,000 & 65% max CLTV > \$500,000 (Second Home and Select Full Doc ineligible)													
CLTV Restrictions		Condo (warrantable & non-warrantable) - 75% max CLTV, All FL Condos: Purchase & R/T Refi - 70% max CLTV, C/O Refi - 65% max CLTV													
Income Types		• Full Doc - Select and Core • Alt Doc - Bank Statements, P&L w/3 mos Bank Stmt, One Yr Self-Employment, 1099, WVOE only, Asset Utilization • DSCR													
Alt Doc - One Yr SE, WVOE, 1099		5% CLTV reduction													
ITIN		75% max CLTV (Select ineligible)													
DACA		75% max CLTV (Select ineligible)													
Foreign National		700 min FICO, 70% max CLTV (Select ineligible)													
Eligible 1st liens		Refer to Product Restrictions 1st Liens - Concurrent Close					Refer to Product Restrictions 1st Liens - Standalone Close								
Minimum Loan Amount		\$75,000													
Max Combined Liens		\$2.0MM: > 80% - 85% CLTV \$2.5MM: > 70% - 80% CLTV \$3.5MM: > 60% - 70% CLTV \$5.0MM: > 50% - 60% CLTV No max limit: ≤ 50% CLTV Combined loans amounts over \$2.5MM: Primary Residences only, min 700 FICO required All existing subordinate/junior liens (except solar liens/leases/UCC filings) must be satisfied													
DTI		• ≤ 80%: More restrictive of 1st lien requirement or 50% max DTI • > 80%: More restrictive of 1st lien requirement or 45% max DTI					• ≤ 80%: 50% max DTI • > 80%: 45% max DTI								
Full Doc - Select		• Wage Earners: Paystub, 2 yrs W-2s, W-2 transcripts • Self-Employed: 2 yrs personal and business (If applicable) tax returns, tax transcripts													
Full Doc - Core		• Wage Earners: Paystub, 1- 2 yrs W-2s, W-2 transcripts • Self-Employed: 1-2 yrs personal and business (If applicable) tax returns, tax transcripts													
Alt Doc - Bank Statements		• 12 months personal • 12 months business • Self-Employed only													
Alt Doc - P&L + 3 Mos Bank		• P&L + 3 months business statements • Self-Employed only													
Alt Doc - One Year Self-Employed		• 12 months banks statements and prior year W2 • Self-Employed only													
Alt Doc - WVOE		• Written VOE • Wage Earner only													
Alt Doc -1099		• 1099(s) only source of income													
Alt Doc -Asset Utilization		• Amortized liquid assets for income - May be all income or blended w/other income • 100% Utilization (w/out DTI)													
DSCR		• More restrictive of 1st lien requirement or ≥ 1.00 DSCR					• ≥ 1.00 DSCR								
Vacant/Unleased (DSCR)		Ineligible (refs only)													
STR (DSCR)		• 5% CLTV reduction • Experienced investors only, must also have ≥ 12 mos STR rental history in last 3 years													
Credit Event (BK,SS,FC,DIL)		• 48 months (Core Full Doc, Alt Doc & DSCR only (Select ineligible))					84 months -Select Full Doc 48 months - Core Full Doc, Alt Doc & DSCR								
		• Multiple credit events not allowed													
Housing History		0 X 30 X 12 (Core Full Doc, Alt Doc & DSCR only (Select ineligible))					0x30x24 - Select Full Doc 0 X 30 X 12 - Core Full Doc, Alt Doc & DSCR								
Cash-Out & Seasoning		• Max cash-out cannot exceed second lien amount (Includes both 1st and 2nd loan proceeds on concurrent close refinance) • Select only - No more than 1 cash-out refinance w/in last 12 mos, max of 2 allowed with ≤ 75% CLTV on current transaction													
First Lien Seasoning		Seasoning not required					6 mos seasoning required on existing first mortgage								
Recently Listed Properties		Properties listed for sale ≤ 6 mos ineligible (refs only)													
Appraisal		• 1st lien appraisal used • When PIW used and ≤ \$250,000: AVM w/≥ .90 Score & FSD ≤ .10 & PCR w/acceptable findings, exterior-only appraisal or full appraisal allowed (DSCR, Condos, FEMA declared areas require full appraisal) • > \$250,000 - Full appraisal required • Transferred appraisals allowed (Select ineligible) NOTE: HPML loans required a full appraisal regardless of loan amount					• ≤ \$250,000: AVM w/≥ .90 Score & FSD ≤ .10 & PCR w/acceptable findings, exterior-only appraisal or full appraisal allowed (DSCR, Condos, FEMA declared areas require full appraisal) • > \$250,000 - Full appraisal required • Transferred appraisals allowed (Select ineligible) NOTE: HPML loans required a full appraisal regardless of loan amount								
Secondary Valuation		Required on all appraisals, acceptable secondary valuation product options: • ≤ 2.5 CU, or • AVM w/ ≥ .90 Score & FSD ≤ .10, or • Desk Review, or • Field Review, or • Exterior-only Appraisal, or • Full Appraisal													
Compliance		• Allowable points and fees not to exceed the more restrictive of state law or 5.000%, State and Federal High-Cost loans not allowed • Higher Priced Mortgage Loans (HPML) allowed, must comply with all applicable regulatory requirements • DSCR Business Purpose Loans are exempt from ATR/QM Restrictions & Rules													
Qualifying Payment - Sr Liens		• Fixed: Note rate • ARMs: Greater of fully indexed rate or Note rate • I/O: Fully amort payment over term after IO													
Reserves		Follow 1st lien program requirements					None, unless specifically noted as required in guidelines (e.g. FTHB, etc.)								
Title		Full Title policy covering both liens					• ≤ \$250,000: O & E Property Report or Full Title Policy • > \$250,000: Full Title Policy								
Underwriting		• More restrictive of 1st lien requirements or product guidelines					Follow Select, Core Full Doc, Alt Doc & DSCR program guidelines								
Additional Product Details															
Eligible Borrowers		US Citizens Permanent Resident Aliens - Select, Core Full Doc, Alt Doc & DSCR Non-Permanent Resident Aliens ITIN Foreign Nationals [First time Homebuyers - Core Full Doc, Alt Doc & DSCR only (Select ineligible) Select Full Doc - All borrowers on 1st lien note must be on new loan and on title at application with exceptions allowed for death of borrower, divorce and legal separation (Purchases excluded) Core Full Doc, Alt Doc & DSCR - At least one borrower on 1st lien note must be on new loan and on title at application. Any additional borrowers on new loan must be on title at application. (Purchases excluded)													
Geographic Restrictions		US Territories & following states ineligible: MI, NJ, NY, TN, TX, WV Subject properties located in Essex County, NJ and Baltimore City, MD are ineligible (Subject properties in Baltimore County, MD remain eligible)													
General Property Requirements		SFR: 600 min sq ft Condo: 500 min sq ft 2-4 Unit: 400 min sq ft 10 acres max - Select only, 25 acres max - Core Full Doc, Alt Doc & DSCR													
Payment Shock		New combined payment not to exceed 200% of current housing payment, waived when DTI is ≤ 36%													
Residual Income		Min \$2,500 required, waived when DTI is ≤ 36%													

Loan Programs		
Fixed Fully Amortized	• 10-Year Fixed (120 Months) • 20-Year Fixed (240 Months) • 30-Year Fixed (360 Months)	
Program Codes & Descriptions		
Select Full Doc & Core Full, Alt Doc NanQ/TRID – 30 Yr Fixed – Concurrent NanQ/TRID – 30 Yr Fixed – Standalone NanQ/TRID – 20 Yr Fixed – Concurrent NanQ/TRID – 20 Yr Fixed – Standalone NanQ/TRID – 10 Yr Fixed – Concurrent NanQ/TRID – 10 Yr Fixed – Standalone		<u>DSCR</u> NanQ/Business – 30 Yr Fixed – Concurrent NanQ/Business – 30 Yr Fixed – Standalone NanQ/Business – 20 Yr Fixed – Concurrent NanQ/Business – 20 Yr Fixed – Standalone NanQ/Business – 10 Yr Fixed – Concurrent NanQ/Business – 10 Yr Fixed – Standalone
Product Features		
Closed End Second (CES)	• Fixed term loan • Fully disbursed at closing, no draw feature • Eligible as 2nd lien only • Must subordinate to OCMB 1st mortgage when concurrent close • Qualifying rate is note rate • Qualifying payment is fully amortized payment	
Product Restrictions (Not Permitted)		
Borrowers		
• Blind Trusts • Foreign Nationals (Select only) • Irrevocable Trusts • ITIN (Select only)	• Land Trusts • Less than 18 years old • Life estates	• Non-Permanent Resident Aliens (Select only) • Party to a lawsuit • With diplomatic immunity
Transactions		
• Assumable loans • Community Seconds • Concurrent close with a lender other than OCMB	• Escrow holdbacks • High Cost Loans • Income produced, or in relation to, cannabis, hemp	• Income produced by short term rentals (excludes DSCR) • Lien free properties • Property listed for sale within the last 6 months(refis only)
1st Liens - Concurrent Close		
• First lien with lender other than OCMB • Agency and Non-Agency fixed rate and ARMs with initial fixed term < 5 years	• FHA, VA or USDA mortgages • High-LTV Refinance • HomeOne • HomePath	• HomePossible • HomeReady with Reduced Mortgage Insurance Option • HomeStyle
1st Liens - Standalone Close		
• All Affordable Purch, Refi & DPA programs (HomeStyle, FHA, Refi Now, HomeReady, etc.) • ARMs (Select only) • Balloon notes or features • Construction loans	• Cross collateralized loans • Home equity line of credit (HELOC) • Land Trusts • Loans in forbearance	• Negative amortization • Private Mortgages • Renovation loans • Resident Transition Loans (RTL) • Reverse mortgages
Property Types		
• 2-4 Units properties (Select only) • Agricultural zoned properties • Barndominiums • Bed and Breakfast • Boarding houses • Churches • Commercial and mixed-use • Condo hotels and condotels • Container homes • Co-Ops • Deed Restricted properties (DSCR only) • Domes or geodesic domes • Dwelling w/more than 4 units • Fractional ownership • Hawaii properties in lava zones 1 or 2 • Hotel or motel conversions	• Houseboats • Leasehold properties • Log homes • Manufactured or mobile homes • Non-warrantable condos (Select only) • Projects that offer unit rentals daily, weekly or monthly • Properties >25 acres • Properties offering individuals room leases (Single Room Occupancy (SRO), PadSplits, etc.)	• Properties not accessible by roads • Properties not suitable for year-round occupancy • Properties w/PACE obligations • Properties w/private transfer fees • Properties w/zoning violations • Rural properties • Solar Panels that affect first lien position • Stilt homes • Unique properties • Vacant land or land development properties • Working farms & ranches
DSCR - Experienced/Inexperienced Investor		
• Experienced Investor: Borrower(s) with history of owning & managing NOO income-producing investment RE for ≥ 1 year within the last 3 years • Only 1 borrower has to meet the Experienced Investor definition		• Inexperienced Investor: Borrowers without history of owning & managing NOO occupied income-producing investment RE for ≥ 1 yr w/in the last 3 yrs • Allowed with the following: 80% Max CLTV 0x30x12 housing history (VOM/VOR) Min 3 mos. reserves, cash out cannot be used STR ineligible

Correspondent LSM FULL DOC, ALT DOC & DSCR CLOSED END SECOND (CES) GUIDELINES

CONCURRENT & STANDALONE CLOSE ELIGIBILITY MATRIX

			Select Full Doc ⁴			Core Full Doc					Alt Doc & DSCR				
			Cash-Out Refi			Purchase, Rate/Term & Cash-Out Refi									
Loan Amount	Occupancy	Property ^{2,3,5}	FICO to Max CLTV ¹			FICO to Max CLTV ¹					FICO to Max CLTV ¹				
			720+	700+	680+	740+	720+	700+	680+	660+	740+	720+	700+	680+	660+
\$350,000	Primary Residence	SFR/PUD/2-4 Unit/Condo	80%	80%	75%	85%	85%	85%	80%	75%	85%	85%	80%	75%	70%
\$500,000			75%			80%	80%	80%	75%	70%	75%	70%	70%	65%	60%
\$750,000			70%												
\$350,000	Investment	SFR/PUD/2-4 Unit/Condo				80%	80%	80%	75%	70%	75%	75%	70%	65%	60%
\$500,000						75%	75%	70%	65%	60%	65%	65%	60%	55%	50%
\$350,000	Second Home	SFR/PUD/Condo				80%	80%	80%	75%	60%	75%	75%	70%	65%	60%
\$500,000						70%	70%	70%	65%	60%	65%	65%	60%	55%	50%

¹ 5% CLTV reduction for declining market

² 75% max CLTV ≤ \$500,000, 65% max CLTV > \$500,000 on 2-4 Unit

³ 2-4 Unit ineligible on Select Full Doc

⁴ Standalone close transactions only on Select Full Doc, concurrent close transactions are ineligible

⁵ Condo (warrantable & non-warrantable) – 75% max CLTV. All FL Condos: Purchase & R/T Refi – 70% max CLTV, C/O Refi – 65% max CLTV

PRODUCT OFFERINGS

Closed End Second (CES)	10, 20, 30 year fixed rate

PRODUCT FEATURES

Closed End Second (CES)	- Defined as fixed term loan - Fully disbursed at closing, no draw feature - Eligible as 2nd lien only - Must be subordinate to eligible 1st mortgage from Correspondent when concurrent close, refer to Eligible First Liens - Qualifying rate is the note rate - Qualifying payment is the fully amortized payment

KEY PROGRAM PARAMETERS

All loans must comply with the requirements outlined in the guidelines below. [LSM NonQM Guidelines](#) prevail where this guide is silent. [FNMA Selling Guide](#) prevails where [LSM NonQM Guidelines](#) are silent.

Qualifying criteria in the program guidelines are subject to change without notice.

TABLE OF CONTENTS				
Age of Documents	Appraisal/Valuation Requirements	Asset Requirements	Cash-Out Requirements	Combined Liens
Compliance Requirements	Credit Requirements	Debt-to-Income (DTI)	Electronic Signatures/eSigning	Eligible Borrowers
Eligible First Liens	Eligible Properties	First Time Homebuyers	Fraud Guard	Geographic Restrictions
General Property Requirements	Income Documentation Options Table	Ineligible Borrowers	Ineligible First Liens	Ineligible Property Types
Ineligible Transactions	LTV/CLTV/HCLTV	Minimum Loan Amount	Mortgage Credit Certificate (MCC)	Mortgage Insurance
Multiple Financed Properties	Non-Arm's Length Transactions	Non-Occupant Co-Borrowers	Payment Shock	Power of Attorney (POA)
Property Flip - HPML Appraisal Rule	Qualifying Rate – Senior Liens	Recently Listed Properties	Reserve Requirements	Residual Income
Seasoning – First Liens	Solar Requirements	Tax Returns	Title Requirements	Underwriting
Income Documentation Options				
Select Full Doc	Core Full Doc – 24 Mos	Core Full Doc – 12 Mos	Full Doc 24/12 Mos – Other Sources of Income	Alt Doc – One Year Self-Employment
Alt Doc – 12 Mos Bank Statements	Alt Doc – Profit & Loss Plus 3 Mos Bank Statements	Alt Doc – VOE Only	Alt Doc – 1099 Only	Alt Doc – Asset Utilization
DSCR				

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS	
Age of Documents	- All underwriting and borrower credit documents, including the credit report, may not be more than 90 days seasoned at the Note date - Appraisal, title preliminary report/commitment may not be more than 120 days seasoned at the Note date - Owner's & Encumbrance Report may not be more than 60 days seasoned at the Note date	
Appraisal/Valuation Requirements	CONCURRENT CLOSE	STANDALONE CLOSE
	- Appraisal from first lien transaction used to determine property value - If a PIW is utilized on first lien, value is determined with the following: ≤ \$250,000 loan amount: - AVM, must meet all AVM required criteria, AND ext. Property Condition Report with acceptable findings, or - Exterior drive-by appraisal (2055), or - Full appraisal	- Property value determined with the following: ≤ \$250,000 loan amount: - AVM, must meet all AVM required criteria, AND ext. Property Condition Report with acceptable findings, or - Exterior drive-by appraisal (2055), or - Full appraisal > \$250,000 loan amount: - Full appraisal required - Transferred appraisal permitted, refer to Transferred

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS																
	▪ Note: If AVM is utilized the LTV/CLTV based on the lower of AVM or AUS value ○ > \$250,000 loan amount: ▪ Full appraisal required • Transferred appraisal permitted, refer to Transferred Appraisals for details (Not allowed on Select Full Doc loans) NOTE: HPML loans require a full appraisal regardless of loan amount	Appraisals for details (Not allowed on Select Full Doc loans) NOTE: HPML loans require a full appraisal regardless of loan amount															
	○ Full Appraisals must meet the following criteria: ▪ FIRREA and AIR compliant ▪ Completed within 120 days of the Note date ♦ After the 120-day period re-certification of value is allowed up to 180 days and meets or exceeds original value. After 180 days, a new appraisal in required. ○ AVMs must be ordered through an Approved AVM Vendor and must meet all the following required criteria: ▪ Confidence score ≥ .90 and acceptable forecast standard deviation (FSD) score ▪ Value date can be no greater than 1 month from note date ▪ AVMs are not allowed for the following, a full appraisal is required: ♦ DSCR loans ♦ Condos ♦ Properties in a FEMA declared disaster area <table><tr><th>Approved AVM Vendors</th><th>Acceptable FSD Score</th></tr><tr><td>Black Knight</td><td>≤ .08</td></tr><tr><td>Clear Capital</td><td>≤ .13</td></tr><tr><td>Collateral Analytics</td><td>≤ .10</td></tr><tr><td>CoreLogic</td><td>≤ .13</td></tr><tr><td>House Canary</td><td>≤ .10</td></tr><tr><td>Red Bell Real Estate</td><td>≤ .10</td></tr><tr><td>Veros</td><td>≤ .10</td></tr></table>		Approved AVM Vendors	Acceptable FSD Score	Black Knight	≤ .08	Clear Capital	≤ .13	Collateral Analytics	≤ .10	CoreLogic	≤ .13	House Canary	≤ .10	Red Bell Real Estate	≤ .10	Veros
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Veros	≤ .10																

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS												
	○ Transferred Appraisals are allowed on Core Full Doc, Alt Doc & DSCR loans only and must comply with the following: ▪ A transfer letter must be executed by the Lender that ordered the appraisal and must be signed by an authorized member of the company. The letter should include the following: ♦ Prepared on the letterhead of the original lender ♦ Current date ♦ Borrower name ♦ Property address ♦ Statement that the appraisal was prepared in compliance of Appraisal Independence Requirements ♦ Signed by an Authorized Representative ▪ Not allowed on Select Full Doc loans ○ Secondary Valuations are required on all appraisals ▪ Value variance must not be more than 10% below the appraised value, original value used to determine LTV/CLTV ▪ If value is more than 10% below the appraised value, the next review waterfall option must be followed, or ♦ If variance is between 10.01% to 15%, using the lower value without an additional report is acceptable <table border="1"> <thead> <tr> <th>Secondary Valuation Product Options</th><th>Requirements</th></tr> </thead> <tbody> <tr> <td>≤ 2.5 CU Score</td><td> • CU with passing score and SSR required ○ If the CU score is > 2.5 an AVM, enhanced desk review, field review or second appraisal to be provided </td></tr> <tr> <td>AVM</td><td> • Must meet AVM requirements listed above • If the AVM does not meet the required criteria an enhanced desk review, field review or second appraisal to be provided </td></tr> <tr> <td>Enhanced Desk Review</td><td> • The following options are available: ○ ARR (Appraisal Risk Review) from ProTeck/Stewart ○ CCA (Consolidated Collateral Analysis) from Consolidated Analytics • Value must be no more than 10% below appraised value • If value is more than 15% below appraised value, a field review or second appraisal to be provided </td></tr> <tr> <td>Field Review</td><td> • May not be from the same appraisal company or appraiser as the original report • Must be completed by an AIR compliant Appraisal Management Company </td></tr> <tr> <td>Exterior-Only Appraisal</td><td> • Must be completed by an AIR compliant Appraisal Management Company </td></tr> </tbody> </table>	Secondary Valuation Product Options	Requirements	≤ 2.5 CU Score	• CU with passing score and SSR required ○ If the CU score is > 2.5 an AVM, enhanced desk review, field review or second appraisal to be provided	AVM	• Must meet AVM requirements listed above • If the AVM does not meet the required criteria an enhanced desk review, field review or second appraisal to be provided	Enhanced Desk Review	• The following options are available: ○ ARR (Appraisal Risk Review) from ProTeck/Stewart ○ CCA (Consolidated Collateral Analysis) from Consolidated Analytics • Value must be no more than 10% below appraised value • If value is more than 15% below appraised value, a field review or second appraisal to be provided	Field Review	• May not be from the same appraisal company or appraiser as the original report • Must be completed by an AIR compliant Appraisal Management Company	Exterior-Only Appraisal	• Must be completed by an AIR compliant Appraisal Management Company
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Exterior-Only Appraisal	• Must be completed by an AIR compliant Appraisal Management Company												

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS	
	Full Appraisal	- May not be from the same appraisal company or appraiser as the original report - Must be completed by an AIR compliant Appraisal Management Company
Asset Requirements	CONCURRENT CLOSE	
	STANDALONE CLOSE	
	Loan must comply with the more restrictive of the first lien program guidelines or requirements below. - Account Statements should cover most recent one full month period of account activity (30 days) - Transaction histories may not be utilized in place of one full month account statement. Transaction histories may only be used in addition to the statement to evidence updated balances 100% access letter and an LOE is required if account has other names in addition to the borrower(s) - Eligible assets: - Stocks/Bonds/Mutual Funds/Annuities/Certificates of Deposit/Money Market Funds/Trust Accounts for which the borrower is a direct beneficiary - 100% - Vested Retirement Account funds – 60% - Large deposits, defined as any single deposit that exceeds more than 75% of the monthly average deposit balance, must be sourced - Cryptocurrency exchanged into US dollars permitted when all the following requirements are met: - Evidence funds originated from borrower's cryptocurrency account - Funds verified in US or state regulated financial institution prior to closing - Accounts in a minor's name where the borrower is named only as custodian of the funds is an ineligible asset - Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least three (3) days prior to closing. - Documenting Assets Held in Foreign Accounts: - Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table - A copy of the two (2) most recent statements of that account are required; if the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds Business Funds: May be used for down payment, closing costs, and for the purposes of calculating reserves; the borrower must be listed as sole owner of the account, and the account needs to be verified per requirements in Assets Documentation section of this Guide. If account has other names in addition to the borrower(s), a 100% access letter and an LOE are required. If the borrower owns 100% of the business or if the amount needed is less than their percentage of ownership, no access letter is required even if there are other names on the business account. - If Business funds are used, the borrower may use a maximum of their percentage of ownership as qualifying assets. - If funds needed exceed the maximum percentage of ownership, 100% access letter is required	

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS
	○ Underwriter must determine that the withdrawal of funds will not have a negative impact on the business by one of the following methods based upon the income documentation: ○ <u>Full Income Documentation (May use one of the following methods)</u> ▪ Underwriter must perform a business cash flow analysis to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business; Fannie Mae Form 1084 or a similar cash flow analysis form will be utilized to show the business can support the withdrawal of the funds, or ▪ The balance sheet (borrower or tax professional/CPA/Accounting-Bookkeeping Firm supervised by a Certified Accountant prepared) for the business must reflect positive working capital, OR ♦ Working capital is the difference between the current assets and current liabilities ♦ The result of working capital represents the maximum amount of business funds available to use towards down payment, closing cost and reserves, or ▪ CPA/Tax Professional/Accounting-Bookkeeping Firm supervised by a Certified Accountant Letter, signed and dated within 60 days of Note date, stating that the use of business funds would not have a negative impact on the business ○ <u>Self-Employed – 12 or 24 Month Business Bank (May use one of the following methods)</u> ▪ Business Expense Coverage: Using the most recent business bank statement(s) used for income documentation, perform the following calculation: Statement(s) Ending Balance - Transaction Down Payment - Transaction Closing Costs - Program Required Reserves <u>+Fund Available from Personal Account(s)</u> Funds Available for Business Expense Coverage ○ Funds Available for Business Expense Coverage must be a positive number and reflect a minimum of 2 months of average expenses as reflected on the P&L; or as determined by using the expense factor, or ○ The balance sheet (borrower or tax professional/CPA prepared) for the business must reflect positive working capital. (Working capital is the difference between the current assets minus current liabilities; the result represents the maximum amount of business funds available to use towards down payment, closing cost, and reserves), or ○ No balance sheet option: The Balance Sheet requirement can be waived by reducing the amount of available assets by 50%, or ○ CPA/Tax Professional/Accounting-Bookkeeping Firm supervised by a Certified Accountant Letter, signed and dated within 60 days of Note date, stating that the use of business funds would not have a negative impact on the business
Cash-Out Requirements	● Maximum cash-out cannot exceed second lien amount (Includes both 1st and 2nd loan proceeds on concurrent close refinance) ● Select Full Doc only – No more than one (1) cash-out refinance within the last twelve (12) months is allowed, seasoning is

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS	
	measured from the original Note date to the current second loan Note date Maximum of two cash-out refinances within the last twelve (12) months is allowed with a $\leq 75\%$ CLTV on current refinance	
Combined Liens	- Combined 1st and 2nd lien loan balances are restricted as follows: \$2.0MM: $> 80\% - 85\%$ CLTV \$2.5MM: $> 70\% - 80\%$ CLTV \$3.5MM: $> 60\% - 70\%$ CLTV \$5.0MM: $> 50\% - 60\%$ CLTV - No max limit: $\leq 50\%$ CLTV - Combined loan amounts over \$2.5MM: Primary residences only, min 700 FICO required - All existing subordinate/junior liens must be satisfied except solar panel liens/UCC filings, refer to Solar Requirements for eligibility requirements	
Compliance Requirements	- Loans may be designated as Non-Qualified or Qualified TRID loans. Both safe harbor and rebuttable presumption standards apply to these designations. - Loans are subject to general ability-to-repay (ATR) standards (12 C.F.R 1023.43(c)) and require the lender to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan. - The allowable points and fees threshold is the more restrictive of state law, as applicable, or 5.00%. - State and Federal High-Cost loans are not allowed - Higher Priced Mortgage Loans (HPML) allowed, must comply with all applicable requirements. - Note: Investment properties are exempt from HPML. - DSCR Business Purpose Loans are exempt from ATR/QM restrictions and rules	
Credit Requirements	CONCURRENT CLOSE	STANDALONE CLOSE
	Loan must comply with the more restrictive of the first lien program guidelines or requirements below.	Loan must comply with requirements below.
	General Requirements: - All credit inquiries made in the last 90 days require a letter of explanation - Any new debt must be included as a liability for qualifying - Gap/LQI/UDM report required on all loans (not applicable to DSCR) dated no more than 10 days prior to Note date - New debt and increases in balances/payments must be included when determining the DTI ratio Decision Score: Select Full Doc: - At a minimum, one borrower must have two credit scores (all three repositories must be attempted) - Single borrower: - Must have at least two credit scores (all three repositories must be attempted)	

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS
	◦ The decision score is the lower of the two credit scores or median of the 3 credit scores generated ♦ Multiple borrowers: ◦ Use the lowest decision score amongst the borrowers ◦ Core Full Doc, Alt Doc & DSCR: ▪ All borrowers must have a minimum 600 credit score ▪ As a minimum, one borrower must have two credit scores (all three repositories must be attempted) ♦ Single borrower: ◦ Must have at least two credit scores (all three repositories must be attempted) ◦ The decision score is the lower of the two credit scores or median of the 3 credit scores generated ♦ Multiple borrowers: ◦ Full and Alt Doc – Use the decision score for the primary wage earner ◦ DSCR - Use lowest decision score if only two scores or median of three scores amongst the borrowers • When vesting in an entity the decision score of the member with the highest percentage of ownership is used. If all members have equal share of ownership, the lowest decision score among the members is used. All members must have a minimum 600 credit score. • Standard Tradelines: ◦ If the primary wage earner has three (3) credit scores reporting, the minimum tradeline requirement is met. If the primary wage earner has less than three (3) credit scores, each borrower must meet the minimum tradeline requirement, unless the co-borrower is the spouse. ◦ DSCR only: ▪ If each borrower has three (3) credit scores reporting, the minimum tradeline requirement is met. If any borrower has less than three (3) credit scores, each borrower must independently meet the minimum tradeline requirement. ▪ When vesting in an entity, if the member with the highest percentage of ownership has three (3) credit scores reporting, the minimum tradeline requirement is met. If all members have equal share of ownership each borrower is evaluated individually. If any borrower has less than three (3) credit scores, each borrower must independently meet the minimum tradeline requirement. ◦ Note: Borrowers whose credit scores are primarily based on thin credit—such as authorized user accounts, self-reported accounts or recently opened accounts with limited activity—must still meet one of the standard tradeline requirements to qualify. ◦ The minimum standard tradeline requirements are as follows: ▪ Three (3) tradelines reporting for at least 12-months with activity in the last 12-months, or ▪ Two (2) tradelines reporting for at least 24-months with activity in the last 12-months, or ▪ Core Full Doc, Alt Doc & DSCR only: ♦ One (1) revolving tradeline reporting at least 60 months with activity in the last 12 months and a verified 12-month housing history 0x30, or ♦ One (1) installment tradeline reporting for at least 36 months with activity in the last 12 months and a verified 12-month housing history 0x30

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS
	▪ Married borrowers combined credit will be considered when evaluating acceptable tradelines and do not need to individually meet tradeline requirements ○ Mortgage accounts count toward required tradelines. VORs and VOMs from servicing companies and/or management companies count toward tradelines with a credit supplement. ○ The following are <u>not acceptable tradelines</u>: ▪ “Non-traditional” credit as defined by Fannie Mae ▪ Authorized user accounts ▪ Any liabilities in deferment status, accounts discharged through bankruptcy, charge-offs, collection accounts, foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales ○ Note: ITIN borrowers have different restrictions, Refer to the LSM NonQM Guidelines ITIN section. • Limited Tradelines (Not allowed on Select Full Doc loans): ○ If standard tradeline requirements are not met and borrower has a valid credit score the following restrictions apply: ○ Owner occupied and second home: All credit parameter must be met included minimum credit score ○ Investment and DSCR loans: Max 70% CLTV/LTV ○ Foreign nationals are ineligible ○ Note: ITIN borrowers have different restrictions, Refer to the LSM NonQM Guidelines ITIN section • Housing History: ○ Select Full Doc only - Borrower’s mortgage history must evidence 0x30 in the most recent 24 months, or since inception with a minimum 12 months required ○ Core Full Doc, Alt Doc & DSCR only -Borrower’s mortgage and/or rental history must evidence 0x30 in the most recent 12 months (0x30x12) ○ Credit reports where the mortgage history is blank or has a dash (-) is not considered evidence of payment • Installment Debt: ○ Excluding installment debt with less than 10 payments is not allowed. Installment debt must be paid in full, including paid in full at closing, to be excluded for qualification purposes. • Student Loans: ○ All student loan payments, whether in payment or deferment status, must be included in the liabilities and added to the DTI for qualifying ○ If a monthly payment is provided on the credit report, that amount may be used for qualifying ○ If the credit report does not reflect the correct monthly payment, the payment listed on the most recent student loan statement or student loan documentation may be used ○ If the monthly payment provided on the credit report is \$0, the required monthly payment must be verified with the most recent student loan statement or student loan documentation ○ For deferred loans or loans in forbearance, the payment is calculated as follows:

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS
	▪ Payment is equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or ▪ The fully amortizing payment using the documented loan repayment terms • Federal Income Tax Installment Agreement: ○ Delinquent tax debt that has not become a lien and does not impact title (open liens reflected on credit report will impact title and must be paid off) may remain open provided the following are met: ▪ Repayment agreement required ♦ Only one repayment agreement is allowed ▪ Evidence a minimum of 2 payments were made under the plan with all payments made on time and current ▪ Title company must provide written confirmation confirming (a) the title company is aware of the outstanding taxes with no exception to final title policy, and (b) there is no indication that a Notice of Federal Tax Lien has been filed against the borrower in the county which the subject property is located • Open (30 day) Accounts: ○ Open balances that are more than the net cash proceeds must be included as a liability and added to the DTI unless sufficient assets are verified to cover the open balance ▪ Payment amount to be verified with a currently monthly statement if not accurately reflected on the credit report ○ Open balances that are less than the cash proceeds do not need to be included as a liability and added to the DTI • Liabilities Paid by Others: ○ Non-mortgage debt may be excluded from the borrower's DTI ratio with the following: ▪ Evidence timely payments have been made by the party who is repaying the debt for the most recent 12 months ▪ No delinquencies in the past 12 months ○ Mortgage debt may be excluded from the borrower's DTI ratio with the following: ▪ Party making the payments is obligated on the mortgage debt ▪ Borrower is not using rental income from the referenced property to qualify ▪ Evidence of timely payments made by the obligated party for the most recent twelve (12) months ▪ No delinquencies in the past 12 months ▪ Referenced property must be included in the count of financed properties • Derogatory Credit: ○ Select Full Doc only ▪ All judgements, tax liens, collections and charge-offs (including medical) must be paid off prior to or at closing ○ Core Full Doc, Alt Doc & DSCR only ▪ All judgements and tax liens must be paid off prior to or at closing

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS																						
	- Collections and charge-offs with a cumulative balance > \$5,000 must be paid in full prior to or at closing unless they exceed state statute of limitations for debt collection - Medical collections/charge-offs may remain open - Payments for open charge-offs or collections must be included in the DTI (Subject to program DTI restrictions) - If there is no payment, use 5% of the balance DSCR Loans Only: Collections and Charge-offs can be left open when mortgages are paid as agreed and LTV is 65% or less																						
	<table> <tr> <th>Derogatory Event</th><th>Core Full Doc, Alt Doc & DSCR Seasoning Requirements</th><th>Select Full Doc Seasoning Requirements</th></tr> <tr> <td>Bankruptcy: Chapter 7, 11 or 13</td><td>4 years from discharge or dismissal</td><td>7 years from discharge or dismissal</td></tr> <tr> <td>Foreclosure</td><td>4 years from completion date</td><td>7 years from completion date</td></tr> <tr> <td>Deed-in-Lieu, Short Sale, Pre-Foreclosure or Mortgage Charge-off</td><td>4 years from completion date or sale</td><td>7 years from completion date or sale</td></tr> <tr> <td>Modification</td><td>4 years from agreement date</td><td>7 years from agreement date</td></tr> <tr> <td>Forbearance with missed payments</td><td>4 years after loan exited forbearance</td><td>7 years after loan exited forbearance</td></tr> <tr> <td colspan="3">Multiple events within the last 7 years are not allowed</td></tr> </table>	Derogatory Event	Core Full Doc, Alt Doc & DSCR Seasoning Requirements	Select Full Doc Seasoning Requirements	Bankruptcy: Chapter 7, 11 or 13	4 years from discharge or dismissal	7 years from discharge or dismissal	Foreclosure	4 years from completion date	7 years from completion date	Deed-in-Lieu, Short Sale, Pre-Foreclosure or Mortgage Charge-off	4 years from completion date or sale	7 years from completion date or sale	Modification	4 years from agreement date	7 years from agreement date	Forbearance with missed payments	4 years after loan exited forbearance	7 years after loan exited forbearance	Multiple events within the last 7 years are not allowed			
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Debt-to-Income (DTI)	CONCURRENT CLOSE	STANDALONE CLOSE																					
	- Loan must comply with the more restrictive of the first lien program maximum DTI limits or the following: ≤ 80% CLTV – 50% maximum DTI > 80% CLTV – 45% maximum DTI	≤ 80% CLTV – 50% maximum DTI > 80% CLTV – 45% maximum DTI																					
Electronic Signatures/ eSigning	- eSigning is allowed for most documents - eSigning is <u>not</u> allowed for: - Note - Note Rider(s) - Notice of Right to Cancel - Security Instrument - Security Instrument Rider(s)																						

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS		
Eligible Borrowers	- US Citizen - Permanent Resident Alien - Inter-Vivos Revocable Trust Core Full Doc, Alt Doc & DSCR only: - Foreign National - Non-Permanent Resident Alien - ITIN NOTE: Refer to LSM NonQM Guidelines for eligibility and documentation requirements		
Eligible First Liens	CONCURRENT CLOSE		STANDALONE CLOSE
	- LSM Agency fixed rate and ARMs - LSM Jumbo fixed rate and ARMs - LSM NonQM (NonQM) loans	All first lien transactions, except those listed in Ineligible First Liens – Standalone Close , are eligible.	
Eligible Properties	- Single family residences 2-4 unit (allowed on Core Full Doc, Alt Doc & DSCR only, second home ineligible) - PUD - Condo - Non-warrantable condo NOTE: Refer to LSM NonQM Guidelines for condo/non-warrantable condo eligibility and documentation requirements		
First Time Homebuyer	- A first time homebuyer (FTHB) is defined as an individual who: - Is purchasing a property, and - Has not owned or had ownership interest in a residential property (solely or jointly) in the past three (3) years - Eligible on concurrent close primary residence purchase transactions only - Second home, investment & DSCR loans not allowed - Max 45% DTI - Minimum 6 months reserves (included 1st PITIA & 2 PI) - All borrowers must meet housing history payment requirements - Payment shock limited as shown:		
	Credit Score	> 45% DTI	≤ 45% DTI
	≥ 700	Payment shock not applicable	Payment shock not applicable
	≥ 660	300% current housing	Payment shock not applicable
Fraud Guard	- Fraud guard findings with high alerts/deficiencies resolved are to be provided in every loan file - All parties to the transaction must be included in the fraud guard report		
Geographic Restrictions	Loans originated in US Territories and the following states are ineligible: MI, NJ, NY, TN, TX, WV		

Correspondent LSM FULL DOC, ALT DOC & DSCR CLOSED END SECOND (CES) GUIDELINES

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS				
General Property Requirements	- SFR: Minimum 600 square feet of gross living area - Condo: Minimum 500 square feet of gross living area 2-4 Unit: Minimum 400 square feet of gross living area per individual unit - Maximum acres: - Max 10 acres allowed on Select Full Doc - Max 25 acres allowed on Core Full Doc, Alt Doc & DSCR				
Income Documentation Options	Various forms of documentation are acceptable depending on the borrower's income type. Please click on the hyperlink in the Income Documentation Options column for the specific income's full eligibility and documentation requirements.				
	Income Documentation Options	Max CLTV	Income Documentation	Employment	Transcripts Required
	Select Full Doc	Refer to Closed End Second Matrix	♦ 2 years W2s ♦ 2 years tax returns ♦ Other sources of income	W2 or self-employed	Yes
	Core Full Doc - 24 Mos	Refer to Closed End Second Matrix	♦ 2 years W2s ♦ 2 years tax returns ♦ Other sources of income	W2 or self-employed	Yes
	Core Full Doc - 12 Mos	Refer to Closed End Second Matrix	♦ 1 year W-2s ♦ 1 year tax return ♦ Other sources of income	W2 or self-employed	Yes
	Alt Doc – One Year Self-Employed	♦ 5% CLTV reduction ♦ Refer to Closed End Second Matrix	♦ 12 months banks statements and prior year W2	Self-employed only	No
	Alt Doc - 12 Mos Bank Statements	Refer to Closed End Second Matrix	♦ 12 months personal ♦ 12 months business ♦ 3+ months business + P&L statement	Self-employed only	No (yes if blended with full doc)
	Alt Doc - 3+ Bank Statements + P&L	Refer to Closed End Second Matrix	♦ 3+ months business + P&L statement	Self-employed only	No
	Alt Doc - Asset Utilization	Refer to Closed End Second Matrix	♦ Amortized liquid assets for income or 100% Qualification	None, W2 or Self-employed	No (yes if blended with full doc)
	Alt Doc - VOE Only	♦ 5% CLTV reduction ♦ Refer to Closed End Second Matrix	VOE	W2	No

Correspondent LSM FULL DOC, ALT DOC & DSCR CLOSED END SECOND (CES) GUIDELINES

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS				
	Alt Doc - 1099 Only	♦ 5% CLTV reduction ♦ Refer to Closed End Second Matrix	1099(s)	Self-employed only	Yes, 1099 transcripts
	DSCR	Refer to Closed End Second Matrix	Rental income	None, W2 or Self-employed	No
	CONCURRENT CLOSE			STANDALONE CLOSE	
	Income must be underwritten to the first mortgage loan program requirements.			Refer to the Income Documentation Options table above for requirements.	
Ineligible Borrowers	• Blind Trusts • Borrower less than 18 years old • Borrowers which are party to a lawsuit • Borrowers with diplomatic immunity or otherwise excluded from US jurisdiction • Foreign Nationals (Select Full Doc ineligible) • Guardianships • Irrevocable Trusts • ITIN (Select ineligible) • Land Trusts • Life Estates • Non-Permanent Resident Aliens (Select Full Doc ineligible)				
Ineligible First Liens	CONCURRENT CLOSE			STANDALONE CLOSE	
	• FHA, VA or USDA mortgages • First liens originated with a lender other than Correspondent • High-LTV Refinance • HomeOne • HomePath • HomePossible • HomeReady with Reduced Mortgage Insurance Option • HomeStyle			• All Affordable Purchase, Refinance and Down Payment Assistance programs such as HomeStyle, Refi Now, HomePossible, HomeReady, etc. • ARM loans (Select Full Doc only) • Balloon notes or features • Construction or renovation loans • Cross Collateralized loans • Home equity line of credit or credit lines • Land Trusts • Loans in active forbearance or deferment • Negative amortization • Private mortgages • Renovation loans	

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS	
		• Reverse mortgages • Resident Transition Loan (RTL)
Ineligible Property Types	• 2-4 Unit properties (Select Full Doc only) • Agricultural zoned properties • Barndominiums • Bed and Breakfast • Boarding houses • Churches • Commercial and mixed-use commercial • Condo hotels and condotels • Container Homes • Co-Ops • Deed Restricted Properties (DSCR only) • Domes or geodesic domes • Dwelling with more than 4 units • Fractional ownership • Hawaii properties in lava zones 1 or 2 • Homes on Native American Lands • Hotel or motel conversions • Houseboats • Leasehold properties • Log homes • Manufactured or mobile homes	• Projects with registration services that offer rental units on a daily, weekly or monthly basis • Properties exceeding 25 acres • Properties not readily accessible by roads that meet local standards • Properties not suitable for year-round occupancy regardless of location • Properties offering individual room leases such as Single Room Occupancy (SRO), PadSplit, etc. • Properties with PACE obligations attached to property • Properties with private transfer fee covenants • Properties with zoning violations • Rural properties • Solar Panels that affect first lien position • Stilt homes which are defined as dwellings constructed on elevated platforms built above the ground or water. The foundation typically consists of series of columns or long pillars made up brick, stone, wood, or steel that support the weight of the home. • Unique properties • Vacant land or land development properties • Working farms and ranches
Ineligible Transactions	• Assumable loans • Community Seconds • Concurrent close with a lender other than the Correspondent • Escrow holdbacks • High Cost Mortgage Loans • Income produced, or in relation to, cannabis, hemp or the adult entertainment industry • Lien free properties; 1st lien mortgage secured against the subject property required on all standalone transactions • Property listed for sale within the last 6 months (refinance transactions only), measured from listing expiration date to new loan application date	

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS	
LTV/CLTV/HCLTV	CONCURRENT CLOSE	STANDALONE CLOSE
	Loan must comply with the more restrictive of the first lien program maximum LTV/CLTV/HCLTV requirement or Eligibility Matrix.	Refer to Eligibility Matrix.
Minimum Loan Amount	\$75,000	
Mortgage Credit Certificate (MCC)	Not permitted	
Mortgage Insurance	Reduced mortgage insurance is not allowed on concurrent 1 st liens transactions	
Multiple Financed Properties	CONCURRENT CLOSE	STANDALONE CLOSE
	Loan must comply with the more restrictive of the first lien program guidelines or requirements below.	Loan must comply with the requirements below.
	- Owner occupied and second home - Maximum 20 financed properties, including subject property. - LSM's exposure to a single borrower shall not exceed \$5,000,000 (not to exceed \$10,000,000 in high-cost areas) in current unpaid principal balance or six (6) properties - Investment and DSCR loans - No limit to the number of financed properties per borrower - LSM's exposure to a single borrower shall not exceed \$5,000,000 (not to exceed \$10,000,000 in high-cost areas) in current unpaid principal balance or six (6) properties	
Non-Arm's Length Transactions	- Loans made to principals or employees who are also a service provider cannot provide services on their own transactions (closing agent, title agent, appraiser, etc.) - On purchase transactions where the seller is a corporation, partnership, or any other business entity, it must be confirmed that the borrower is not one of the owners of the business entity selling the subject property	
Non-Occupant Co-Borrowers	- Eligible on concurrent primary residence purchase transactions only - Second home, investment & DSCR loans not allowed - Full doc income is required for the borrowers occupying borrower(s) and non-occupant co-borrower, alt doc income is not allowed - Occupying borrower(s) income must have a DTI ratio of $\leq 60\%$ - Non-occupant co-borrower cannot be considered the primary wage earner regarding credit decision score - ITIN borrowers not allowed - Not allowed on Select Full Doc loans	
Payment Shock	- Payment shock should not exceed 200% of the borrower's current housing payment unless DTI is $\leq 36\%$ - Payment shock = Proposed 2nd + current 1st housing payment / Current 1st and 2nd (if applicable) housing payments	

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS	
Power of Attorney (POA)	CONCURRENT CLOSE	STANDALONE CLOSE
	- POA allowed on purchase transactions for military personnel only - Loan must comply with the more restrictive of the first lien program guidelines or requirements below.	POA not allowed
Property Flipping – HPML Appraisal Rule	- May not be used if title is taken in a trust - Must comply with FNMA selling guide - Must be property specific - eSignature not permitted	
	- Concurrent transactions only: - HPML transactions require a second appraisal by a separate appraiser from an AIR compliant AMC when either of the following apply: - The seller acquired the property 90 or fewer days prior to the date of the borrower's agreement to acquire the property and the borrower's acquisition price exceeds the seller's acquisition price by more than 10 percent; or - The seller acquired the property 91 to 180 days prior to the date of the borrower's agreement to acquire the property and the borrower's acquisition price exceeds the seller's acquisition price by more than 20 percent - The second appraisal must be provided to the borrower in accordance with HPML requirements - Second appraisal must be dated prior to the closing date - Property seller on the purchase contract must be the owner of record - Increases in value should be documented with commentary from the appraiser and recent comparable sales - Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) may be required by the underwriter if the appraisal is deemed deficient - The borrower cannot be charged for the cost of the additional appraisal	
Qualifying Rate – Senior Liens	- The following must be used for qualifying: - TRID fixed rate: Note rate - TRID ARM: Greater of fully indexed rate or Note rate - TRID interest only: Fully amortized payment over term after IO period - Non-TRID fixed rate: Note rate - Non-TRID ARM: Note rate - Non-TRID interest only (IO): IO payment based in Note rate w/120 IO term	
Recently Listed Properties	Properties listed for sale with the last six (6) months are ineligible (refinances only)	
Reserve Requirements	CONCURRENT CLOSE	STANDALONE CLOSE
	Loan must comply with first lien program reserve requirements.	Reserves are not required on second lien transactions unless specifically noted as required within this guideline

Correspondent LSM FULL DOC, ALT DOC & DSCR CLOSED END SECOND (CES) GUIDELINES

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS	
Residual Income	- Residual income, which is the amount of monthly income remaining once a borrower has paid all monthly debt obligations, should not be less than \$ 2,500 per month unless the DTI is $\leq 36\%$ - Residual income = Gross monthly income minus total current and proposed monthly debt	
Seasoning – First Liens	CONCURRENT CLOSE	STANDALONE CLOSE
	Seasoning not required	6 months seasoning required on existing first mortgages - Seasoning is measured from the Note date of the existing first loan to the new second loan application date
Solar	Properties with solar panels may be allowed, refer to Solar Requirements for eligibility requirements	
Tax Returns	The following applies when personal and/or business tax returns, filed on an extension or amended, are used for to verify income: - The most recent year's tax returns, if filed on extension after the federal tax deadline, should be filed at least 60 days before the earlier of the application date or the credit report date - Amended tax returns must be filed at least 60 days before the earlier of the application date or the credit report date regardless of the current year federal tax deadline. When amended tax returns are provided, due diligence is to be used to determine if the amended tax return is acceptable. The following is to be provided in addition to the amended return: - Original tax return (for consistency comparison with previous filings) - Letter of explanation regarding the reasons for the amendment - Evidence of filing - Proof of payment, if applicable - If amended for income-related items documentation to support the increase in income	
Title Requirements	CONCURRENT CLOSE	STANDALONE CLOSE
	Select Full Doc (refinances only): All borrowers obligated on the first mortgage note must be obligated on the subject transaction and on listed on title as a vested owner (1st lien co-signer ineligible) with the following exceptions allowed: - Death of a borrower; death certificate required - Divorce; finalized divorce decree required - Legal separation; finalized separation agreement or separation agreement approved by the court required Core Full Doc, Alt Doc & DSCR loans (refinances only): - At least one borrower obligated on the first mortgage note must be obligated on the subject transaction and listed on title as a vested owner (co-signers ineligible) - Any additional borrowers on the subject transaction must be listed on title as a vested owner of the subject	Select Full Doc: All borrowers obligated on the first mortgage note must be obligated on the subject transaction and listed on title as a vested owner (1st lien co-signer ineligible) with the following exceptions allowed: - Death of a borrower; death certificate required - Divorce; finalized divorce decree required - Legal separation; finalized separation agreement or separation agreement approved by the court required Core Full Doc, Alt Doc & DSCR loans: - At least one borrower obligated on the first mortgage note must be obligated on the subject transaction and listed on title as a vested owner (1st

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS	
	property at time of application ○ Note: When the subject property is owned by more than one individual or trust, all owners must sign the security instrument as an additional signer • Borrower cannot be added to title at closing • Title Insurance and CPL required ○ Coverage must at a minimum be equal to the combined loan amounts	lien co-signers ineligible) ○ Any additional borrowers on the subject transaction must be listed on title as a vested owner of the subject property at time of application ○ Note: When the subject property is owned by more than one individual or a trust, all vested owners, who are non-borrowers, must sign the security instrument as an additional signer. • Borrowers cannot be added to title at closing. • The current first lien must be listed on the title report at application and cannot be added at closing. • ≤ \$250,000 loan amount require the following: ○ Owner & Encumbrance Property Report through an approved title insurer ○ Report must document all of the following: • Current owner • How property was conveyed to current owner(s) • Open mortgages • Liens and judgements • Tax information • Legal description • Loan balance • New lien will be subordinate to a first lien and that there are no other remaining liens or encumbrances • Must be dated within 60 days of Note date • > \$250,000 loan amount require ○ ALTA full title
Underwriting	CONCURRENT CLOSE • All loans must be underwritten to the more restrictive of the first lien program requirements or program guidelines • Income documentation must be the same for the 1st and 2nd lien • 1st lien terms must be included in the qualifying factors such	STANDALONE CLOSE • All loans must be manually underwritten to and meet all requirements outlined in the program guidelines ○ Automated underwriting is not allowed • 1st lien terms must be included in the qualifying factors such as CLTV/HLTV, DTI, etc., and documented with the

TOPIC	UNDERWRITING REQUIREMENTS AND OVERLAYS	
	as CLTC/HLTV, DTI, etc., and documented with the following: ○ 1st loan approval reflecting 2nd loan ○ DU/LPA approve findings, if applicable ○ Purchase agreement, if applicable ○ HOA statement, if applicable ○ Hazard insurance ○ Flood insurance, if applicable ○ Flood cert ● Closing instructions reflecting 2nd loan	following: ○ 1st mortgage Note ○ 1st mortgage statement dated within 60 days of Note date ○ HOA statement, if applicable ○ Hazard insurance ○ Flood insurance, if applicable

INCOME DOCUMENTATION OPTIONS	
Select Full Doc	Income and employment adhere to Fannie Mae underwriting requirements but require two years of income documentation. ● Wage or Salaried and Variable Income: ○ Most recent paystub reflecting 30 days of pay and YTD earnings ○ IRS W2 forms covering the most recent two-year period and W-2 transcripts ● Self-Employment Income: ○ VVOE, completed within ten (10) business days prior to the note date and two (2) business days prior to funding ● Self-Employment Income: ○ Most recent two (2) years tax returns and transcripts, personal and business, if applicable (including all schedules), signed and dated by each borrower ○ VVOE, completed within ten (10) business days prior to the note date and two (2) business days prior to funding ● Secondary Income: ○ Two (2) year history of employment must be verified ○ Most recent paystub reflecting 30 days of pay and YTD earnings ○ IRS W2 forms covering the most recent two-year period and W-2 transcripts ○ VVOE, completed within ten (10) business days prior to the note date and two (2) business days prior to funding ● Interest/Dividend Income: ○ Most recent two year personal tax returns (including all schedules) and transcripts, signed and dated by each borrower ○ Evidence of account ownership

INCOME DOCUMENTATION OPTIONS	
	• Rental Income: ○ Long Term Rental is defined as a property with an executed lease for an initial term of at least 6 months between the lessor and lessee. After the initial lease, a month-to-month option with no defined expiration is allowed ○ Rental income is documented with most recent two (2) years personal tax returns (including all schedules) and transcripts, signed and dated by each borrower ○ Lease agreements indicating long term rental rates are acceptable when the property is not listed on the Schedule E due to property being acquired after the most recent tax year or when there is limited rental history reported due to major renovations or repairs ▪ Evidence of receipt of security deposit and rents required if lease agreement is dated within 60 days of application dated ▪ Evidence supporting major renovations or repairs, as applicable ○ Note: Short term rental income (e.g., Airbnb, VRBO, etc.) is not allowed • Retirement/401k/Pension/Annuity Income: ○ Regular and continued receipt of the income to be verified by: ▪ Retirement award letters or letters from organization providing the income, or ▪ Most recent one (1) year personal tax return (including all schedules) and transcripts, signed and dated by each borrower, or ▪ IRS W2 or 1099 forms ▪ Proof of current receipt evidenced with the most recent one (1) month bank statement required ▪ If the retirement income is paid via a distribution from a 401k, IRA or Keogh account, verification of at least three years continuance after the closing date is required. Evidence borrower has unrestricted access without penalty must also be provided. • Unacceptable Income Sources: ○ Boarder income ○ Capital gains income; losses reporting on tax returns do not need to be subtracted from the borrower's income ○ Employer mortgage differential payments ○ Employment assets as income ○ Projected income, which includes employment offers or income from employment starting after the note date ○ Short term rental income (e.g. Airbnb, VRBO, etc.)
Core Full Doc – 24 Mos	• General Requirements: ○ Minimum two (2) year history of wage/salary or self-employed income is required • Wage or Salaried Borrowers: ○ Most recent paystub reflecting 30 days of pay and YTD earnings or a completed Request for Verification of Employment (Form 1005 or Form 1005(s)) ○ IRS W-2 forms covering the most recent two-year period and W-2 transcripts

INCOME DOCUMENTATION OPTIONS	
	○ In the case of investment property ownership, the most recent two years personal tax returns filed with the IRS must be provided ○ Verbal VOE completed within ten (10) business days prior to the note date and two (2) business days prior to funding ○ A completed, signed and dated IRS Form 4506-C is required for each borrower. If tax returns are present in the credit file, transcripts for the return will be required. • Self-Employed Borrowers: ○ Most recent two years of tax returns and transcripts, personal and business if applicable (including all schedules), signed and dated by each borrower. If tax transcripts verify information on tax returns, tax returns do not have to be signed and dated by the borrower(s). ▪ Any borrower that applied for a tax return extension must provide a copy of the extension along with the prior two years of tax returns ▪ A YTD P&L (borrower prepared acceptable, borrower required to sign the P&L) ○ If a gap exists between the tax return ending date and start of the YTD P&L, a gap year P&L is required ○ Underwriters must consider the financial strength of the borrower's business ○ P&Ls required for qualifying positive income only. A P&L is not required for negative income and/or business. ○ A complete, signed, and dated IRS Form 4506-C is required for each borrower and any business entity filing a separate return ▪ Forms are to be executed and transcripts included in the credit file. Tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address. ○ Existence of the business must be verified within 60 days of the note date to ensure the business is active when positive income is used for qualifying with one of the following: ▪ Phone listing and/or business address using directory assistance, internet search ▪ For self-employed independent contractors, either a letter from a third party company currently utilizing their service(s) or a business license procured through the internet reflecting active and not expired is required ♦ If a business reflects negative income and that negative income was used in the qualifying income, business verification will not be required ○ Verbal VOE, completed within ten (10) business days prior to the note date and two (2) business days prior to funding
Core Full Doc - 12 Mos	• General Requirements: ○ Minimum two (2) year history of wage/salary or self-employed income is required • Wage or Salaried Borrowers: ○ Most recent paystub reflecting 30 days of pay and YTD earnings or a completed Request for Verification of Employment (Form 1005 or Form 1005(S)) ○ IRS W-2 forms covering the most recent tax year and W-2 transcripts ○ In the case of investment property ownership, the most recent personal tax return filed with the IRS must be provided ○ Verbal VOE completed within ten (10) business days prior to the note date and two (2) business days prior to funding ○ A completed, signed, and dated IRS Form 4506-C is required for each borrower. If tax returns are present in the credit file, transcripts for the return will be required.

INCOME DOCUMENTATION OPTIONS	
	• Self-Employed Borrowers: ○ Most recent one year tax return and transcripts, personal and business, if applicable (including all schedules), signed and dated by each borrower. If tax transcripts verify information on tax returns, tax returns do not have to be signed and dated by the borrower(s). ▪ Any borrower that applied for a tax return extension must provide a copy of the extension along with the prior year tax return ○ A YTD P&L (borrower prepared acceptable, borrower required to sign the P&L) ○ If a gap exists between the tax return ending date and start of the YTD P&L, a gap year P&L is required ○ Underwriters must consider the financial strength of the borrower's business. ○ P&Ls required for qualifying positive income only. A P&L is not required for negative income and/or business. ○ A complete, signed, and dated IRS Form 4506-C is required for each borrower and any business entity filing a separate return ▪ Forms are to be executed and transcripts included in the credit file. Tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address. ○ Existence of the business must be verified within 60 days of the note date to ensure the business is active when positive income is used for qualifying with one of the following: ▪ Phone listing and/or business address using directory assistance, internet search ▪ For self-employed independent contractors, use either a letter from a third party company currently utilizing their service(s) or a business license procured through the internet reflecting active and not expired ♦ If a business reflects negative income and that negative income was used in the qualifying income, business verification will not be required ○ Verbal VOE, within ten (10) business days prior to the note date and two (2) business days prior to funding
Full Doc 24 or 12 Mos - Other Sources of Income	The following sources of income must be verified using FNMA requirements. Bonus and overtime are permitted with full Income (12 months) documentation and generally calculated over the 12-month period. • Annuity • Auto allowance • Bonus • Child support and alimony • Commission • Disability (with proof of 3-year continuance) • Foreign income is income earned by a borrower who is employed by a foreign corporation or a foreign government and is paid in foreign currency • Housing income • Interest and dividends • Investment • Military or government assistance • Overtime

INCOME DOCUMENTATION OPTIONS	
	• Part-time/variable (uninterrupted and stable for past two years)* • Rental income: Income from long term rentals is documented through Schedule E of the borrower's tax returns; if the property has not previously been rented, then income will be calculated based on the lower of the lease agreement indicating long term rental rates or 1007 with a 25% vacancy factor applied to the gross rents ○ The most recent two months' rent must be verified and documented as received in the most recent two months before funding ○ A complete, signed, and dated IRS Form 4506-C is required for each borrower and form to be executed and transcripts included in the credit file ○ Short term rental income (e.g. Airbnb, VRBO, etc.) is not allowed • Retirement /or social security • Trust income ○ Copy of the trust agreement or trustee's statement required to confirm amount, frequency and duration of payments ▪ Trust must document at least a three (3) year continuance of income ▪ One (1) month history of receipt required ○ If trust income is the borrower's sole source of income, additional assets may be required at underwriter's discretion ○ Document trust account funds, both of the following must be obtained: ▪ Written documentation of the value of the trust account from either the trust manager or the trustee; and ▪ The conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the borrower for the current mortgage transaction * For Part-time employment, a minimum two (2) year history is generally required; however, a shorter period of no less than twelve (12) months may be considered case-by-case if positive factors are present to offset shorter history. • Unacceptable Income Sources: ○ Boarder income ○ Capital gains income; losses reporting on tax returns do not need to be subtracted from the borrower's income ○ Employer mortgage differential payments ○ Employment assets as income ○ Projected income, which includes employment offers or income from employment starting after the note date ○ Short term rental income (e.g., Airbnb, VRBO, etc.)
Alt Doc – One Year Self-Employed	• Borrower must be self-employed for a minimum of 12 months, which follows a full year of W-2 employment in the same profession. • Self-employment income must be earned from a field/line of work that provides the same products or services as the previous W-2 position or in an occupation with similar responsibilities to those undertaken in connection with the previous business • Borrower must be the sole owner of the business • Two years income documentation required ○ Most recent 12 months bank statements (following Alt-Doc Bank Statement guidelines for income calculation)

INCOME DOCUMENTATION OPTIONS

- Bank statements must show a topline revenue (via deposits) greater than or equal to the previous year's W-2 earnings. Up to a 10% variance in income allowed if the borrower's DTI is $\leq 45\%$
- Previous full year W-2 with 4506-C verification (W-2 transcript only)
 - If borrower's last W-2 year is not a full year of income, a previous full year of W-2 income must be provided and evaluated
- Any of the following documents can be used to prove self-employment and a full 12 months of activity:
 - Business license
 - Articles of Incorporation
 - Underwriter internet search
 - CPA letter

Alt Doc – 12 Mos Bank Statements

- At least one borrower must be self-employed, a borrower with at least 25% ownership interest in a business is considered self-employed
- Net income from the bank statement analysis must be multiplied by the borrower's ownership percentage to determine the borrower's qualifying income
- Existence of the business must be verified within 60 days of the note date to ensure the business is active with one of the following:
 - Letter from the business tax professional certifying two years of self-employment in the same business,
 - License from regulatory agency or licensing bureau reflecting license is still active and not expired; or
 - Internet search that verifies business phone number or address
 - For self-employed independent contractors a letter from third party company currently utilizing their service(s)
- Tax returns and 4506-C are not required. If tax returns and/or transcripts are provided, the loan will be ineligible

NOTE: Businesses that function as non-profit enterprises are ineligible.

BANK STATEMENT TYPES	12-MONTH INCOME/EXPENSE DOCUMENTATION OPTIONS
Personal* - Reflecting borrower's personal income and expenses	• Most recent 12 months personal bank statements • Most recent 2 months business bank statements
Business* - In the name of the business, reflecting only business income and expenses	• Business Expense Factor from the Fixed Expense Factor Table or one of the Rebuttal Options; OR • 12 Month P&L statement prepared by CPA, Enrolled Agent, properly licensed accounting-bookkeeping firm supervised by a certified accountant or the Chief Financial Officer (CFO) of the company providing the bank statements when 10+ employees are verified to work for company via narrative. ○ 3 most recent months bank statements required • One year self-employed, most recent 12 months of bank statements and previous full year W-2 with transcript
Co-mingled* - Personal and business activity combined in one account	
* Additional bank statements or expense analysis documents may be requested as needed.	

INCOME DOCUMENTATION OPTIONS

- **Service and Tip Industry**
 - Borrowers in the service and tip industry may utilize the bank statement program to determine tip income with the following:
 - Full documentation required for employment, base salary is verified with paystubs and W2s
 - Bank statement analysis used to determine income, qualified tips/deposits will be averaged
 - Borrowers who obtain income primarily in the form of service fees or tips (adult entertainer, musician, club hostess, etc.) are not required to have a business license
 - ♦ At least one business reference letter is required to validate employment
 - P&L or expense factor letter not required if the borrower provides personal bank statements
- **Personal Bank Statements**
 - Income is calculated based on a 12 month average or 24 month average of total deposits minus any inconsistent deposits not justified
 - Pattern of deposits and payments should be consistent, as determined by the type of business
 - For example, a Real Estate sales self-employed borrower may not have sold a property every month, so consistent would be deposits made a few times in a 12 or 24 month period
 - ATM deposits/PayPal or similar deposits may be included if a consistent pattern of such deposits is present
 - Changes in deposit pattern must be scrutinized
 - Income documented separately but comingled must be backed out of deposits
 - If other individual(s) work for the company and/or are part owners of the company, they must be on the loan for the income to be used. If the individual(s) work elsewhere but earn the income provided in the statements, they must also be on the loan for the income to be used. Otherwise, whatever percentage is owned by the borrower(s) must be used for qualification.
 - Two months most recent business bank statements required
 - Must evidence activity to support business operations
 - May reflect transfers to the personal account
 - If the personal bank statements include names of individuals other than the borrower(s), the following is required:
 - Must be direct relative(s) only (Refer to FNMA guide)
 - 100% Access Letter from individual(s) whose names appear on personal bank statements
 - LOE from individuals explaining the relationship with the borrower(s), whether they are employed or not, whether they are associated with the business, and whether they contribute income to the bank account
 - Any deposits in the names of the other individual(s) must be excluded
 - Business License and the most recent company formation information for LLC, Corp, or S-Corp
- **Business and Co-mingled Bank Statements Fixed Expense Factor**
 - Underwriter will evaluate the type of borrower/business using the [Fixed Expense Factor Table](#) below, applied to business-related deposits. The expense factor will be determined via review of the completed business narrative or any other borrower business narrative. If the expense factor allows the borrower to qualify, then no further expense analysis is required.

INCOME DOCUMENTATION OPTIONS

1. Determine the gross monthly qualifying income
Total allowable monthly deposits = Net qualifying deposits ÷ 12 (or 24) months
2. Determine the business net income.
Gross monthly qualifying income x (100% - fixed expense ratio from table below)
3. Determine the borrower's monthly qualifying income
Business net income X borrower's percentage of ownership in the business

FIXED EXPENSE FACTOR TABLE

Number of Full-time Employees/Contractors	0—1	2—10	11+
Service Business Examples: Accounting, Consulting, Counseling, Financial Planning, Insurance, Law, Therapy, etc.	30%	50%	60%
Product Business Examples: Clothing/Jewelry, Construction, Food Service/Restaurant, Manufacturing, Retail, Trucking, etc.	40%	60%	70%
Real Estate Business* Examples: Real Estate Investors (without a schedule of current real estate), Property Developers and Property Flippers. *CPA letters will not be accepted for a lower expense ratio	70%	75%	80%

- If the type of business has a materially different expense factor per the broker or borrower, two rebuttal options are listed below. Should the underwriter uncover any red flags that require further review, the underwriter may request additional documentation.
- **Rebuttal Option 1 – Business expense statement letter** from a tax professional or a properly licensed accounting/bookkeeping firm supervised by a certified accountant
 - Net income is determined by total deposits per bank statements, less total expenses
 - Total expenses are calculated by multiplying total deposits by the expense factor provided by a CPA, tax preparer, or a properly licensed accounting/bookkeeping firm supervised by a certified accountant
 - Any expense factor lower than 15% will require a basic understanding of the borrower's business by a tax professional, which supports the expense factor noted, along with a borrower business narrative
 - ♦ Business narrative provided by the borrower should be reviewed to determine if the business provides a service or produces/manufactures goods. Underwriter's review of the narrative should conclude that the expense factor is reasonable based on the information provided.
 - ♦ If the business has a website, it should be reviewed to gain additional information on the business and its size

INCOME DOCUMENTATION OPTIONS

- **Rebuttal Option 2 – 12 month profit and loss statement (P&L) Statement** (24-month if required by the underwriter) from a tax professional or a properly licensed accounting/bookkeeping firm supervised by a certified accountant.
 - P&L sales/revenue must be supported by the provided bank statements, total deposits per bank statements, minus any inconsistent deposits, and must be no more than 10% below revenue reflected on the P&L
 - Bank statements and the P&L must cover the same time period
 - Additional bank statements or expense analysis documents may be requested as needed
- **NSF (Non-Sufficient Funds)/Overdrafts** - Non-sufficient funds (NSF) or negative balance(s) reflected in the bank statement must be considered.
 - NSF activity within the last 12 months (or 24, if required; depending on the program) requires a satisfactory explanation by the borrower
 - Any occurrence that happens on the same day is counted as a one-time occurrence. For example, if there are multiple NSFs or overdrafts on one day, it will only count as 1 in the tolerance levels
 - Multiple NSFs are viewed adversely and may affect qualification, especially at higher LTVs
 - Excessive NSFs will be scrutinized and may cause the loan to be deemed ineligible
 - Up to 12 occurrences in the most recent 12 months is acceptable. Any occurrence in the most recent 90 days will be scrutinized by the underwriter.
 - Any tolerance violations must be second signed and must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by underwriter supporting the viability of income
 - Overdraft protection fees associated with pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist:
 - The linked account balance/limit at the time of the transfer exceeded the amount of the overdraft transfer, and
 - There were no fees charged for the overdraft
 - Returned checks are considered separately; returned checks that do not result in a negative balance are not considered NSFs
 - Underwriter may consider the financial strength of a self-employed borrower's business and the bank statement trends:
 - Ending balances should show a trend that is stable or increasing
 - Low ending balances must be explained and could require additional documentation
 - Additional bank statements or expense analysis documents may be requested by the Underwriter as needed
- **Rental Income**
 - **Primary Income** - When long term rental income is the borrower's primary income source, bank statements may be used to calculate income when meeting all the following:
 - Borrower must attest rental income is the only line of revenue and rental income is deposited into one or more bank accounts

INCOME DOCUMENTATION OPTIONS	
	▪ 12 months bank statements evidencing receipt of rental income into borrower's co-mingled or business bank account required. Deposits must support the lease/rental amounts. Only rental income deposits will be used. A 25% expense factor will be applied to the aggregate rental income deposits. ▪ Schedule of Real Estate owned (URLA) must be completed for all investment properties where the borrower is held personally liable. PITIA/TIA to be entered in the REO section and included as a liability in the DTI calculation. ▪ Fully executed lease/rental agreements indicating loan term rental rates for all properties required. Lease/rental agreements must support lease/rental amounts. Any variances are to be explained and may require additional documentation. ▪ If the above documentation is provided, the income calculation will NOT follow the standard bank statement income calculation listed in the bank statement section. ○ Secondary Income - When rental income is the borrower's secondary or supplemental source of income, bank statements may be used to calculate income and the primary source of income calculation utilized when the following are provided: ▪ Schedule of Real Estate owned (URLA) completed for all investment properties. ▪ Fully executed lease/rental agreements indicating long term rental rates for all properties ▪ If the required items cannot be provided, use the following calculation: ♦ Income calculation MUST follow the standard bank statement income calculation and fixed expense factor listed in the Alt Doc Bank Statements for Real Estate Investor, Developer ○ Note: Short term rental income (e.g., Airbnb, VRBO, etc.) is not allowed
Alt Doc – Profit and Loss Plus 3 Mos Bank Statements	• 12-month or 24-month profit and Loss (P&L) statement prepared by a Certified Public Accountant (CPA), Enrolled Agent (EA), California Tax Education Council (CTEC) or Tax Attorney. ○ Preparer's current license must be provided • 3 months bank statements (or more when requested by an underwriter) ○ Pattern of deposits and payment should be consistent, determined by type of business: ▪ Example: Real estate sales self-employed borrower may not have sold a property every month, so consistent would be if deposits were made a few times in 12 months (or 24 months if requested by the Underwriter) ▪ Other examples include but are not limited to: A convenience store owner, gas station owner, or restaurant owner may make large amounts of cash deposits; if deposits are ordinary for the type of business, they will not be backed out of the deposit calculations and sourcing is not required ○ ATM/PayPal/Square/Venmo deposits may be considered and analyzed for consistency ○ Income documented separately but comingled must be backed out of deposits ○ NSF's/overdrafts not allowed • P&L Sales/Revenue must be supported by the bank statements provided, total deposits per bank statements, minus any inconsistent deposits with no more than 10% below revenue reflected on the P&L ○ If this 10% tolerance is not met, continuous bank statements may be added to the analysis until the tolerance is met • Qualifying income is the net income from the P&L divided by the number of months it covers (12 or 24) multiplied by the borrower's ownership percentage • Expenses must be reasonable for the type of business

INCOME DOCUMENTATION OPTIONS	
	○ An expense factor lower than 15% will require a basic understanding of the borrower's business by the tax professional, to support the expense factor noted • The following may be added back to the qualifying net income calculation: ○ Depreciation ○ Depletion ○ Amortization/casualty • A 24-month P&L, additional Bank Statements or Expense Analysis documents may be requested by the Underwriter as needed • Tax returns and 4506-C are not required for this program. If tax returns and/or transcripts are provided, the loan will be ineligible
Alt Doc – VOE Only	When wage earner/W-2 is the only source of income/employment, a written VOE only is allowed in lieu of the actual W2. Subject to the following: • Owner occupied primary residence only • Two-year history with same line of work required • No paystubs, tax returns, 4506-C or W-2s are submitted • No charge-offs, collections, or tax liens in the last 3 years • Must be completed by human resources, payroll department, or officer of the company • Written VOE completed by Lender • Verbal VOE to be done by Lender prior to funding to support the written VOE • Two months personal bank statements, dated within 60 days of closing, required to support the account after all FICA deductions were made • LoanStream will take steps as deemed necessary to perform due diligence on the business. Things to consider, but not limited to are confirming existence of the business, borrower has no relation to the owners of the business or other factors that could impact the stability of the income.
Alt Doc – 1099 Only	When a 1099 is the only source of income/employment for an individual borrower and the borrower has been in the same profession or job and received 1099 income for at least 2 years, 1099(s) only can be used subject to the following restrictions: • Borrower must be employed with the same employers for at least 12 months • The individual borrower's name must be listed as the "Recipient Name" on the 1099(s), business listed as the recipient on the 1099(s) are ineligible • Borrower cannot have any ownership percentage in the business from which 1099 income was received • Two-year history in the same profession • No tax returns, only two years 1099s are required • 1099 transcripts are required to validate 1099 filings for 2 most recent tax years • At least one business reference letter is required to validate 1099 continuous employment • Two most recent personal or business bank statements are required to support the 1099 reported income

INCOME DOCUMENTATION OPTIONS	
	- Borrower prepared, CPA prepared or tax professional P&L with business narrative required or CPA, CTEC, PTIN or EA Expense factor letter is acceptable - Income calculations: - Based on NOI from P&L or Expense Factor Letter - Must be supported by two most recent bank statements evidencing the same level of income - If the amount is less than calculated the borrower may provide additional bank statements to support the average income. 10% variance is allowed. Example 1: 2 years 1099's show \$300,000 in income, P&L shows NOI of \$200,000 for two-year period. $\\$200,000 / 24 \text{ months} = \\$8,333.33$ in monthly income Example 2: 2 years 1099's show \$300,000 in income, Expense Factor shows 15% expense factor as an independent contractor. $\\$300,000 \times 85\% = \\$255,000$ in Net Income / 24 Mo. = $\\$10,625$ in monthly income
Alt Doc - Asset Utilization	Asset Utilization is a calculation used to generate monthly income from a borrower's personal assets. Assets can be used for all qualifying income or blended income. Asset Utilization for Use as Income (DTI) Blended Income - May be combined with other income such as W-2, Self-employment, 12 months Bank Statements, Social Security, Pension, or other investment income - If Asset Utilization income is 25% or less of the total qualifying income, primary income parameters (LTV, loan amount, etc.) are to be followed - There is no age restriction Asset Utilization - 100% of the Income - Income is calculated income from assets to cover the monthly debt ratio - Employment information is not required Asset Utilization calculation (for use with Blended Income or 100% Income qualification): - Income listed in the employment section on the URLA will not be considered as the sole income calculation - Qualifying asset monthly income is the total balance of assets eligible minus all funds used for down payment, closing costs and reserves divided by 60 months irrespective of the amortized term of the loan Example of Asset Income for a 30-Year loan: - Savings Account balance is \$100,000 (\$100,000 usable toward the calculation) - Stock Fund Balance is \$100,000 (\$90,000 usable toward the calculation) - Mutual Fund Balance is \$10,000 (\$9,000 usable toward the calculation) - Total usable is $\\$199,000 \div 60 = \\$3,316.66$ monthly income - Installment debts with less than 10 payments remaining may not be excluded from the liabilities

INCOME DOCUMENTATION OPTIONS

- **Asset Utilization without DTI (Residual Assets Method):**
 - Debt ratio calculation is not required when Asset Utilization can cover the new subject property debt, all costs, reserves and all other reported debt on the credit report. A calculated residual assets amount is required.
 - Asset Utilization calculation (for use with 100% Coverage):
 - Eligible assets available before closing must be sufficient to cover all of the following:
 - ♦ New loan amount
 - ♦ Down payment
 - ♦ Closing costs
 - ♦ Any required reserves, per program requirements
 - ♦ Five years (60 months) of all other current monthly obligations
 - ♦ Five years of taxes and insurance
 - Sufficient liquid assets to pay off the loan in full would be considered fulfilling the DTI / Residual income prong of the ATR test.
- **Asset Utilization Eligibility Requirements:**
 - Available for primary residence, second homes, and investment property (N/O/O)
 - Borrower and co-borrower must be individual or co-owners of all asset accounts with no other account holders listed on the documentation
 - 100% of eligible assets must be verified
 - All assets must be in a U.S. financial institution—no foreign assets
 - The sum of eligible assets as defined are net of any discounts and minus any funds used for closing and/or minimum reserves required for the program
 - Full asset documentation is required
 - All pages of the most recent three (3) months account statement required
 - Asset levels in the verified accounts are expected to be consistent and sustained over the three (3) month period. Increases or decreases of greater than 15% over the three (3) month period (i.e., compare month 1 to month 3) must be explained by the borrower.
 - ♦ Additional supporting documentation may be required. Large month-to-month changes in asset totals during the three (3) month period may require additional explanation and documentation.
- **Eligible Assets:**
 - The following readily marketable assets, which must be available to the borrower with no penalty, are eligible and limited as follows (after deduction of any funds used for down payment, closing costs, or reserves):
 - Bank Deposits – checking, savings, money market accounts = 100%
 - Publicly traded stocks and bonds = 90% (stock options not allowed)
 - Mutual funds = 90%
 - Retirement accounts:
 - ♦ 401(k) plans or IRA, SEP or KEOUGH accounts = 80% (these can only be used if distribution is not already set up)

INCOME DOCUMENTATION OPTIONS	
	- Any debt tied to an eligible asset must be netted out. Example: Stocks bought on margin or 401(k) loan against the 401(k) account - Assets must be in liquid or semi-liquid form, no privately held stock, deferred compensation or non-regulated financial companies - Additional documentation may be requested to validate the origin of the wealth. Ineligible Assets (all income or blended income): - Any asset that produces income already included in the income calculation - Business funds - Equity in real estate - Life insurance - Other non-liquid assets - Privately traded or restricted/non-vested stocks - Restricted stock units (RSUs) - Non-vested retirement assets
DSCR	DSCR is calculated by gross rents divided by qualifying PITIA or ITIA 100% of the rents can be used, and no vacancy factor is required - Refer to matrix for current DSCR ratios allowed EXAMPLE Debt Service Coverage Ratio (DSCR): Single-family Purchase Money Transaction Monthly PITIA = \$650 Estimated Monthly Market Rent (from Form 1007) = \$850 Existing Lease Monthly Rent = Not Available Gross Market Rent = \$850 (Estimated Monthly Market Rent when a lease is not available for Purchase transaction) RATIO CALCULATION: Gross Income ÷ PITIA = DSCR (Ratio) RATIO: \$850 ÷ \$650 = 1.30 Borrower Income - Proof of income is not required - Income section of the loan application (URLA) must be left blank - Employment section of the loan application (URLA) should be left blank - Tax returns and IRS form 4506-C are not required; if tax returns and/or transcripts are provided, loan is ineligible Asset Documentation - Most recent 30-days of asset verification required, no seasoning requirements apply - Large deposits should be sources if underwriter determines there is a red flag - Business funds may be used for the down payments, closing costs and reserves

INCOME DOCUMENTATION OPTIONS

- Borrower must be listed as the sole owner of the account,
 - ♦ If not sole owner, borrower may only use a maximum of their percentage of ownership as qualifying assets
- The remaining asset documentation standards in the guideline apply
- **Credit**
 - Mortgage/rental ratings are required for the borrower's primary residence (including primary residences owned in an entity) and for the subject property
 - All other REOs owned by the borrower, Corporation, or LLC, unless reported on the credit report are not required
 - If other mortgages are reflected on the credit report, they are required to meet credit ratings (0x30x12)
 - Commercial property (including 4+ Units) can be excluded from REO, but if mortgages appear on the credit report, they must meet ratings per the NonQM Matrix
- **Experienced Investor** is defined as:
 - Borrower(s) with history of owning and managing non-owner occupied income-producing investment real estate for at least 1 year within the last 3 years
 - Ownership history can be documented with, but not limited to, the following:
 - Mortgage history on credit report
 - ♦ Tradelines for mortgages reflected on the credit report and have been paid off or sold in the last 12 months may be used to meet the above requirements
 - Property profile report
 - Other 3rd party documentation such as Fraud Report, Settlement Statement, Closing Disclosure
 - Only one borrower has to meet the Experienced Investor definition; all other borrowers can either be Inexperienced
 - First Time Homebuyers are not allowed
- **Inexperienced Investor** is defined as borrowers who do not meet the Experienced Investor definition.
 - Inexperienced Investors are allowed with the following restrictions:
 - 80% maximum CLTV
 - Minimum 3 months reserves required, cash-out cannot be used to meet the reserve requirement
 - 0 x 30 x 12 housing history (VOM/VOR) required
 - Minimum six (6) months seasoning required for any borrower added to title only
 - Short Term Rental ineligible
 - Ownership history can be documented with, but not limited to, the following:
 - Mortgage history on credit report
 - Property profile report
 - Other 3rd party documentation such as Fraud Report, Settlement Statement, Closing Disclosure
 - All borrowers must meet inexperienced definition; no first-time homebuyers are allowed with inexperienced

INCOME DOCUMENTATION OPTIONS

- **Property Income Documentation Requirements and Determination (DSCR)**
 - Purchase
 - Form 1007
 - Existing lease/rental agreement(s), if applicable. (If current rents are more than markets rents, the lesser of actual rents or 125% of market rents may be utilized)
 - ♦ When using a new lease, canceled checks must be from renter listed on the rental agreement
 - Refinance
 - Form 1007
 - ♦ Existing lease/rental agreement(s). (If current rents are more than market rents, the lesser of actual rents or 125% of market rents may be utilized)
- **Income Analysis**
 - Gross income is the lower of:
 - Gross rents indicated on the lease agreement(s) and
 - Form 1007
 - ♦ If the lease agreement(s) reflect(s) higher rents than the 1007, the lease amount(s) may be used for gross rents if two months proof of receipt is verified—OR—if new lease, copy of agreement with validated proof of security deposit and 1st month's rent (new lease with no security deposit will not be allowed for this agreement to be used). Canceled checks must be from renter listed on the rental agreement
 - ♦ On purchase transactions without an existing lease the gross rents indicated on the 1007 may be used without the lease agreement(s).
 - If current rents are more than market rents, the lesser of actual rents or 125% of market rents may be utilized
 - **Leased Properties**
 - Purchase transactions:
 - ♦ Rents provided on the comparable rent schedule from the appraiser are used
 - Rental agreement can be used is the subject property is currently rented, and purchase contract is assigning rental agreement to proposed buyers
 - Refinance transactions:
 - ♦ The most recent leases/rental agreements are to be used
 - New lease is allowed with a validation of security deposit and first month's rent. New lease/rental agreement with no security deposit is ineligible.
 - ♦ ADU Leases cannot be used unless verified by appraiser and lease agreement and supported by rental comps 1007 (comps need to reflect ADU income comps market rent)
 - Lease not required on refinance transactions if loans amount ≤ \$1MM and LTV ≤ 65%
 - ♦ Utilize rents from appraisal, 1007, or Rent Survey) – leased properties only per appraisal
 - ♦ Not available on short term leases

INCOME DOCUMENTATION OPTIONS

- **Vacant/Unleased Properties** are properties where one of the following exist:
 - A lease or month-to-month rental agreement does not exist, and rent is being collected only on a verbal agreement (if lease/rental agreement is expired, will not consider a verbal agreement; need a copy of the expired agreement) and/or
 - Home is vacant
 - Leases that start more than 60 days after the note date
 - All required leased documentation cannot be provided
- Vacant/Unleased properties are eligible on purchase transactions only with the following restrictions:
 - No more than 1 vacant/unleased allowed on 2-3 Unit properties
 - No more than 2 vacant/unleased allowed on 4 Unit properties
 - Vacant units are to be actively marketed for rent. Evidence of rental listing to be provided
 - Properties with vacant units actively marketed for greater than 3 months are ineligible
- **Income Documentation Requirements**
 - Purchase
 - Form 1007
 - Existing lease/rental agreement(s), if applicable
 - Refinance:
 - ♦ Form 1007, and
 - ♦ Existing lease/rental agreement(s). (If current rents are more than market rents, the lesser of actual rents or 125% of market rents may be utilized)
- **Short Term Rental (STR)** (e.g., Airbnb, FlipKey, VRBO) are properties that are leased on a nightly, weekly, monthly, or seasonal basis
 - Eligibility
 - Experienced investors only, with at least 12 months STR history in last three (3) years
 - ♦ If 12 months of STR history cannot be provided, a 5% LTV reduction is required
 - Inexperienced and first-time investors ineligible
 - 1 unit single family residence, 2-4 unit, PUD and condo eligible
 - No deed restricted properties
 - Declining market (value):
 - ♦ When a declining market is identified by the underwriter or listed on the appraisal, the max LTV is 65%
 - Declining market (rent):
 - ♦ When declining market rent is identified by the underwriter or listed on the appraisal, one of the following must occur:

INCOME DOCUMENTATION OPTIONS

- Reduce the LTV to 65%, OR
 - Achieve a minimum 1.25 DSCR ratio
- Income – purchase and refinance transactions
 - 5% LTV reduction applies to all loans qualified with short-term rental income
 - DSCR is calculated as follows - $(\text{Gross Rents} \times 0.80) \div \text{PITIA} = \text{DSCR}$
 - When AirDNA is utilized DSCR is calculated as follows – $\text{Projected revenue} / 12 \times .80 / \text{PITIA} = \text{DSCR}$
 - ♦ Monthly Gross Rents based on a 12-month average to account for seasonality required
 - ♦ Refinance transaction: 12 months (or 6 months minimum, if owned less than 12 months) used and averaged accordingly
 - ♦ Extraordinary costs:
 - Use actual extraordinary costs (i.e., management fees, advertising, furnishing, cleaning) listed on the 3rd party management/rental statement, OR
 - Use the gross rents reduced by 20% to reflect extraordinary costs (i.e., management fees, advertising, furnishing, cleaning) associated with operating short-term rental property compared to non-short-term property, if actual not provided
- Documentation: Either of the following methods can be used to determine gross monthly rental income. Priority will be given to recent documented rental income when choosing a method.
- **Purchase or Refinance:**
 - Form 1007 Single Family Comparable Rent Schedule/Form 1025 Small Residential Income Property Appraisal Report prepared by the appraiser reflecting long term market rents along with:
 - ♦ Most recent 12-month rental history statement from the third-party rental/management service (may be provided by the seller if a purchase transaction)
 - ♦ Statement must identify the subject property/unit, rents collected for the previous 12 months and all vendor management fees
 - ♦ AirDNA Rentalizer and Overview Report is acceptable on transactions when:
 - Subject property is new construction with an occupancy cert issued within the last 60 days, **OR**
 - Renovation of an existing property was completed in the last 60 days as evidenced by supporting documentation
 - 60 days seasoning is measured from renovation completion or occupancy cert issued dated to application date
 - **NOTE:** AirDNA and Overview Report must meet all requirements below. Cash-out refinances must follow vacant property guidelines.
- **Purchase Only:**
 - Form 1007 Single Family Comparable Rent Schedule/Form 1025 Small Residential Income Property Appraisal Report prepared by the appraiser reflecting long term market rents along with:

INCOME DOCUMENTATION OPTIONS

- AirDNA Rentalizer and Overview reports (must meet the following requirements):
 - ♦ Rentalizer
 - Forecast period must cover 12 months from Note date
 - Occupancy rate threshold:
 - ≥ 50 requires a min 1.00 DSCR
 - < 50 requires a min 1.20 DSCR
 - Must have six (6) comparison properties
 - Must be within two (2) miles of the subject property
 - Must be similar in size, room count, amenities, availability, and occupancy
 - ♦ Overview Report
 - Market score by zip code
 - Market score threshold:
 - ≥ 60 requires a min 1.00 DSCR
 - ≥ 50-59 requires a min 1.20 DSCR

Solar Requirements

General

The ownership and debt financing structure commonly found with solar panels are essential to determining whether panels are personal property of the homeowner, third party owned or a fixture to the real estate. Common ownership or financing structures include:

- Borrower owned panels
- Financed solar panels where the panels serve as collateral for the debt separate from any existing mortgage
- Lease agreements/power purchase agreements

Properties with solar panels may be eligible. Due diligence to determine ownership and any financing structure of the subject property's solar panels is needed to determine initially if the property with solar panels is eligible and subsequently correctly underwrite the loan

Underwriters must ensure all the following:

- Borrower's credit report is reviewed for solar-related debt and all solar-related documentation provided
- Title report is reviewed to determine if the related debt is reflected in the land records associated with the subject property
- Appraiser has accurate information about the ownership structure of the solar panels
- Appraisal appropriately addresses any impact to the property's value
 - Any contributory value for owned or financed solar panels must be noted in the Improvements Section of the Appraisal Report
- Where solar panels are eligible the property maintains access to an alternate source of electric power that meets community standards

Solar Requirements	
	○ If a full appraisal is required, the appraiser is to comment if the property is connected to a traditional electrical power source. ○ If a full appraisal is not required, other alternative documentation, such as an electric bill, evidencing the property is connected to a traditional electrical power source to be provided If insufficient documentation is not available and the ownership status is unclear, no value for the panels may be attributed to the property value on the appraisal unless a UCC “personal property” search is provided and confirms the solar panels are not claimed as collateral by any non-mortgage lender. A UCC financing statement that covers personal property and is not intended as a fixture filing* must be filed in the office identified in the relevant state’s adopted version of the UCC. <i>* A fixture filing is a UCC-1 financing statement authorized and made in accordance with the UCC adopted by each state in which the related real property is located. It covers property that is, or will be, affixed to improvements such as real property. It contains both a description of the collateral that is, or is to be, affixed to that property, and a description of the real property. It is filed in the same office that mortgages are recorded under the law of the state in which the real property is located. This filing in the land records provides notice to third parties, including title insurance companies, of the existence and perfection of a security interest in the fixture. If properly filed, the security interest in the described fixture has priority over the lien of a subsequently recorded mortgage.</i> The sections below identify the additional specific requirements that must be followed based on the ownership or financing structure.
Free and Clear or Included in the Home Purchase	Solar panels that were a cash purchase and owned free and clear without outstanding debt or were included in the home purchase price and secured by the existing first mortgage. • Properties with solar panels that meet the above definition are eligible and standard requirements must be followed (appraisal, insurance and title). • Appraiser to include the solar panels in the value of the property (based on standard appraisal requirements)
Financed and Collateralized (UCC on title)	Solar panels were purchased with financing. The solar panels are collateral for the separate debt used to purchase the panels and a UCC fixtured filing has been filed for the panel as evidenced on the title report. Properties with solar panels that meet the above definition are eligible when complying with the following requirements: • Credit report, title report, appraisal (if applicable) and related promissory note and security agreement that reflect the terms of the secure loan to be obtained and reviewed • Appraiser to include the solar panels in the value of the property (based on standard appraisal requirements) as long as the documents provided evidence the panels cannot be repossessed for default on the financing terms,

Solar Requirements	
	- Debt obligation to be included in the debt-to-income ratio (DTI) calculation and LTV/CLTV because a UCC fixture filing is of record - The UCC filing must be subordinated: - Debt obligation must be included in the DTI and LTV/CLTV - If the UCC filing was recently terminated, the subordination agreement is waived with recorded copy of termination - Debt obligation must be included in the DTI unless evidenced the debt has been paid off in full (UCC termination is not evidence the debt has been paid in full.) - CLTA endorsement 150.06 is not allowed in lieu of a subordination agreement or UCC termination
Financed and Collateralized (UCC not on title)	The solar panels were purchased with financing and treated as personal property not affixed to the home. The UCC filing does not appear on the title report. Properties with solar panels that meet the above definition are eligible when complying with the following requirements: - Review documentation such as the credit report, title report, UCC financing statement, related promissory note or security agreement to confirm the terms of the secured loan - Debt obligation to be included in the debt-to-income (DTI) calculation - Confirm the appraiser did not include contributory value of the solar panels toward the appraised value - The loan secured by the solar panels is not to be included in the LTV/CLTV ratio - If a previously filed UCC was temporarily removed from title through a UCC termination, evidence must be provided that the UCC was paid in full - If the financed balance is not paid in full it must be included in the LTV/CLTV - Note: a Notice of Independent Solar Energy Producer Contract on title is not to be treated as a UCC fixture filing.
Financed with a PACE loan	Solar panels financed with a PACE loan paid through an assessment in their annual property tax bill. - Properties with solar panels financed with a PACE loan are ineligible unless paid in full at or prior to closing - If the property tax statement indicates a PACE loan the outstanding loan must be paid in full prior to or at closing - Proceeds from the second lien may be used to pay off the existing PACE loan Note: In some cases, PACE loans are also referred to as HERO loans and must adhere to PACE loan requirements.
Leased or Covered by a Power Purchase Agreement	Solar panels are leased from or owned by a third party under a power purchase agreement or similar lease arrangement. Properties with solar panels that meet the above definition are eligible when complying with the following requirements: - Lease or power purchase agreement to be obtained and reviewed - Monthly payment must be included in the debt-to-income (DTI) calculation unless the lease/agreement is structured to: - Provide delivery of a specific amount of energy at a fixed payment during a given period, AND - Have a production guarantee that compensates for the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease/agreement for that period

Solar Requirements

- Payments under the power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI calculation
- Confirm the appraiser did not include value of the solar panels in the appraised value
- Value of the solar panels must not be included in the LTV/CLTV even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority
 - A “precautionary” UCC filing is one that lessors may file to put third parties on notice of their claimed ownership interest in the property described within the filing and is allowed when meeting all of the following:
 - The only property described in the UCC filing as collateral is the solar equipment covered by the lease or power purchase agreement and not the underlying land
 - Loan is underwritten in accordance with “Leased or Covered by a Power Purchase Agreement” section of the guidelines
- The lease or power purchase agreement must indicate the following:
 - Any damage that occurs as a result of installation, malfunction, manufacturing defect or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (such as sound and watertight conditions that are architecturally consistent with the home)
 - The owner of the solar panels must agree not to be named as insured and/or loss payee on the property owner’s property insurance policy covering the residential structure on which the panels are attached.
 - Acceptable alternative documentation is a current copy of the property owner’s property insurance policy verifying the owner of the solar panels is not currently named as the insured or loss payee.
- In the event of a foreclosure, the lender or assignee has the right to:
 - Terminate the lease/agreement and require the third-party to remove the equipment, or
 - Transfer, without payment of any transfer or similar fee, the beneficiary of the borrower’s lease/agreement with the third party, or
 - Enter into a new lease/agreement with the third party under terms no less favorable than the prior owner
 - NOTE: If the required verbiage above is not present in the original lease/agreement a fully executed addendum to the lease/agreement identifying the requirements is acceptable
- If a UCC filing is on record and will remain, the solar title endorsement is required



Correspondent Non-Del LoanStream DSCR 5-8 Unit Matrix

LSCorrespondent.com							Effective Date: 7.08.25 Revised Date: 7.08.25	
5 – 8 Unit Residential Single Investment Property								
Loan Amount	DSCR				Loan Programs	• 15-Year Fixed (180 Months) • 30-Year Fixed (360 Months) • 30-Year Fixed IO (120 mos IO + 240 mos Amort) Maximum loan term cannot exceed 30 years		
	FICO to Max LTV/CLTV							
	FICO	Purchase	Rate/Term	Cash-Out				
\$1,500,000	720	75%	75%	65%	Product Type	Residential 5-8 Units		
	700	75%	75%	65%	Interest Only	Eligible, qualify with IO payment based on 10yr IO term		
	680	70%	65%	60%				
\$2,000,000	720	70%	70%	65%	Loan Purpose	Purchase, Rate/Term and Cash-Out		
	700	70%	65%	65%	Occupancy	Investment		
	680	65%	65%	60%	Loan Amounts	• Min: \$250,000 • Max: \$2,000,000		
DSCR					Geographic Restrictions	• See State Licensing Map on website • Subject properties located in Essex County, NJ and Baltimore City, MD are ineligible (Subject properties in Baltimore County, MD remain eligible)		
• Minimum DSCR ≥ 1.00 • DSCR = Eligible monthly rents/PITIA (loans with an interest only feature may use the ITIA payment) • Reduce qualifying rents by any management fee reflected on the appraisal report								
Cash In Hand					\$1.0MM max, 65% max LTV			
General Requirements					Property Requirements			
Investor Experience	Experienced Investor: Borrower(s) with history of owning & managing non-owner occupied income-producing investment real estate for at least 1 year within the last 3 years First Time Investor/Inexperience Investor Ineligible				Appraisals	• Appraisals to be dated no more than 120 days prior to Note date • New appraisal required if dated more than 120 days prior to Note date • Full interior inspection of all units with photos required • Acceptable appraisal forms: ◦ FHLMC 71A • Transferred appraisals not allowed • Attachments required for appraisal reports: ◦ Rent Roll ◦ Income and Expense Statement ◦ Photos of subject including exterior/interior and street scene ◦ Aerial photo ◦ Sketch or floor plan of typical units ◦ Area map ◦ Plot plan or survey ◦ Appraiser qualifications		
Borrowers	• U.S Citizens, Permanent Resident Aliens, Non-Permanent Resident Aliens • Foreign Nationals, ITIN, DACA are not allowed							
Housing History	0 x 30 x 24							
Credit Event	BK/FC/SS/DIL/Mod: ≥ 36 Mos seasoning							
Interested Party Contributions (IPC)	May not exceed 3%							
Prepayment Penalty	Refer to PPP Matrix for state specific details							
Income Requirements					Review Product	Commercial Sales and Income BPO (exterior) is required on all properties • Appraised value used when BPO is greater than or no more than 10% below appraised value • BPO value used when BPO is more than 10% below appraised value		
Income	• Leased - Use lower of estimated market rent or lease agreement • Reduce qualifying rents by any management fee reflected on the appraisal report. Purchases only - 8% fixed expense factor applied if management fee is not listed. • Use 75% of market rents for vacant unit, no more than 2 vacant units allowed • STR income ineligible, considered a vacant unit and no income used				Property Restrictions	• Properties > 2 acres not allowed • Rural properties and Leaseholds ineligible (Contact AE for complete list of ineligible property types and transactions)		
Leased Units	• Existing leases with ≥ 6 mos initial term to be provided • Month-to-month leases allowed w/prior lease of ≥ 6 months & most recent 2 mos receipt • Individual room leases, Single Room Occupancy (SRO) or boarder leases ineligible • Commercial use of the unit is not allowed • STR income not permitted, considered a vacant unit and no income used				Property Condition	• No fair or poor ratings • No environmental issues (storage or use of hazardous material e.g., Dry Cleaners, Laundromat) • No health or safety issues (e.g., broken windows, stairs) • No excessive deferred maintenance that could become a health or safety issue for tenants • No structural deferred maintenance, (e.g., foundation, roof, electrical, plumbing)		
Unleased Units	Maximum 2 vacancies							
Seasoning Requirements								
Rate/Term Refinance					Cash-Out Refinance			
• Acquired ≤ 6 months - Lesser of the current appraisal value or purchase price plus documented improvements (if any) is used • Acquired > 6 months - Appraised value is used					• Acquired > 6 months & < 12 months - Lesser of the current appraisal value or purchase price plus documented improvements (if any) is used • Acquired > 12 months - Appraised value used			
Underwriting Requirements								
Reserves		Standard Tradeline Requirements						
• 6 months • > \$1.5MM loan amount: 9 months • Cash out may not be used to satisfy requirement		• At least three (3) tradelines reporting for a minimum of 12- months with activity in the last 12-months, or • At least two (2) tradelines reporting for a minimum of 24-months with activity in the last 12-months, or • At least 1 revolving tradeline reporting for 60 months with activity in the last 12 months and a verified 12-month housing history 0x30; or • At least 1 installment tradeline reporting for 36 months with activity in the last 12 months and a verified 12-month housing history 0x30 • If each borrower has 3 credit scores, the minimum tradeline requirement is met. Any borrower with less than 3 credit scores must independently meet the minimum tradeline requirement. When closing in an entity, if the member with highest percentage of ownership has 3 credit scores, the minimum tradeline requirement is met. If all members have equal ownership shares each borrower evaluated individually. • Limited tradeline option is not allowed NOTE: Borrower's credit scores primarily based on thin credit—such as authorized user accounts, self-reported accounts, or recently opened accounts with limited activity—must still meet one of the standard tradeline requirements						
Credit Score		Document Age		Assets		Escrows		
• Lowest decision score • When vesting in an entity, decision score of the member with the highest percentage of ownership used		90 days		• Min of 30 days asset verification required • Gift funds ineligible		Escrows for insurance and taxes required		



Correspondent LoanStream NonQM DSCR Matrix

Effective Date: 07/08/25 | Revised: 07/08/25

NonQM Investor Programs*

Non-Owner Occupied Investment Properties, 1-4 Units only

*Subject properties located in Essex County, NJ and Baltimore City, MD are temporarily ineligible (Subject properties in Baltimore County, MD remain eligible)

Select DSCR - Ratio 1.25					Core DSCR - Ratio 1.0					Sub1 DSCR - Ratio ≥ .75 - < 1.0					No Ratio DSCR - Ratio < .75						
FICO to Max LTV/CLTV					FICO to Max LTV/CLTV					FICO to Max LTV/CLTV					FICO to Max LTV/CLTV						
Loan Amount	Credit Score	Purchase	Rate/Term	Purchase	Loan Amount	Credit Score	Purchase	Rate/Term	Cash-Out	Loan Amount	Credit Score	Purchase	Rate/Term	Cash-Out	Loan Amount	Credit Score	Purchase	Rate/Term	Cash-Out		
\$ 1,000,000	720+	75%	75%	75%	\$ 1,000,000	720+	85%	85%	75%	\$ 1,000,000	720+	75%	70%	65%	\$ 1,000,000	720+	70%	65%	60%		
	700+	75%	75%	75%		700+	80%	80%	75%		700+	70%	70%	65%		700+	65%	65%	60%		
	680+			680+		80%	80%	75%	680+		70%	70%	65%	680+							
	640+			640+		75%	75%	70%	640+		70%	70%	65%								
	620+			620+		70%	70%	65%	620+					640+							
\$ 1,500,000	720+	75%	75%	75%	\$ 1,500,000	720+	85%	85%	75%	\$ 1,500,000	720+	65%	65%	60%	\$ 1,500,000	720+	65%	65%	55%		
	700+	75%	75%	75%		700+	80%	80%	75%		700+	65%	65%	60%		700+	60%	60%	55%		
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\$ 2,000,000	740+	75%	75%	75%	\$ 2,000,000	740+	80%	80%	75%	\$ 2,000,000	740+	60%	60%	55%	\$ 2,000,000	740+	60%	60%	55%		
	720+	70%	70%	70%		720+	80%	80%	75%		720+	60%	60%	55%		720+	60%	60%	55%		
	700+	70%	70%	70%		700+	75%	75%	70%		700+	60%	60%	55%		700+	55%	55%	50%		
	680+			680+		75%	75%	70%	680+		60%	60%	55%	680+							
	640+			640+		70%	70%	65%	640+		60%	60%	55%	660+							
620+	620+			60%	60%	55%	620+				640+										
\$ 2,500,000	740+	75%	75%	75%	\$ 2,500,000	740+	80%	80%	75%	\$ 2,500,000	740+	55%	55%	50%	\$ 2,500,000	740+	55%	55%			
	720+	70%	70%	70%		720+	80%	80%	75%		720+	55%	55%	50%		720+	55%	55%			
	700+	70%	70%	70%		700+	75%	75%	70%		700+	55%	55%	50%		700+	55%	55%			
	680+			680+		75%	75%	70%	680+		55%	55%	50%	680+							
	640+			640+		70%	70%	65%	640+		55%	55%	50%	660+							
620+	620+			60%	60%	55%	620+				640+										
\$ 3,000,000	740+	65%	65%	65%	\$ 3,000,000	740+	75%	75%	70%	\$ 3,000,000	740+	50%	50%	45%	\$ 3,000,000	740+					
	720+	60%	60%	60%		720+	75%	75%	70%		720+	50%	50%	45%		720+					
	700+	60%	60%	60%		700+	70%	70%	65%		700+	50%	50%	45%		700+					
	680+			680+		70%	70%	65%	680+		50%	50%	45%	680+							
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\$ 3,500,000	740+				\$ 3,500,000	740+	65%	65%	60%	\$ 3,500,000	740+				\$ 3,500,000	740+					
	720+					65%	65%	60%	720+												720+
	680+								680+												680+
	660+								660+												660+

	Select DSCR	Core DSCR	Sub1 DSCR	No Ratio DSCR
Max LTV	Condo - 75% (FL Condo - 70%) NW Condo -NA 2-4 Unit - NA Rural - NA	Condo - 80% (FL Condo - 70%) NW Condo (Max \$3.0M) - 75% (FL Condo - 65%) 2-4 Unit - 80% Rural - 65%	Condo - 60% (FL Condo - 50%) NW Condo - 60% (FL Condo - 50%) 2-4 Unit - 60% Rural - NA	Condo - 60% (FL Condo - 50%) NW Condo - 60% (FL Condo - 50%) 2-4 Unit - 60% Rural - NA
Min Loan Amount	\$250,000	\$100,000	\$100,000	\$100,000
DSCR	1.25 min ratio	1.00 min ratio > 80% 1.20 min ratio	0.75 min ratio	No min ratio
Interest Only (IO)	• Qualify on IO Payment ALL States • Reserves based on IO Payment • 640 min FICO • 80% max LTV			
Housing History	0 x 30 x 12	1 x 30 x 12 Inexperienced Investors: 0 x 30 x 12	0 x 30 x 12	0 x 30 x 12
Credit Event (BK,SS,FC,DIL,CCC)	48 months	36 months - FC/CCC 12 months - BK Ch 13 w/pay history 24 months - SS/DIL/BK Ch 7	36 months	36 months
Short Term Rentals	Not allowed	• 5% reduction • 80% max LTV • 70% max LTV - C/O	Not allowed	Not allowed
Reserves	3 mos, cash-out cannot be utilized	> 65% LTV: 3 mos, cash-out can be utilized	6 mos, cash-out cannot be utilized	6 mos, cash-out cannot be utilized
	Inexperienced Investors: 3 mos, cash-out cannot be utilized Loan Amt: > \$3.0M, 12 mos, > \$2.0M, 6 mos, cash-out cannot be utilized Additional financed properties - Not applicable			
Recently Listed w/C/O (< 6 Mos Off Mkt)	Delisted ≥ 30 days and leased allowed Value is lower of lowest listing price w/in 180 days or appraised value 3 mos reserves (not from C/O), 1 yr min PPP required, 70% max LTV		Not Allowed	Not Allowed
ITIN	Not Allowed	• 700 min FICO • \$1.5M max • 75% max LTV • 70% max LTV - C/O	Not Allowed	Not Allowed
Foreign National	Not Allowed	• 700 min FICO • 75% max LTV • 65% max LTV - C/O • \$2.0M max LA • 12 mos min reserves required	Not Allowed	Not Allowed
DACA	Not Allowed	• 80% max LTV • 75% max LTV - C/O	Not Allowed	Not Allowed

DSCR LOAN PROGRAMS		DEBT SERVICE COVERAGE RATIO REQUIREMENTS	
Fixed	• 15 Year Fixed • 30 Year Fixed • 40 Year Fixed • Nonstandard Terms Available	Qualifying Ratio Gross Income ÷ PITIA or ITIA, Qualify on cash flow of subject property Gross Income = Lower of estimated market rent from Form 1007 or monthly rent from existing lease with 2 mos proof of receipt (If current rents are more than markets rents, the lesser of actual rents or 125% of market rents used)	
ARM	• 5/6 SOFR (2/1/5 Cap) • 7/6 SOFR (5/1/5 Cap)		
Interest Only (IO)	• 30 Year Fixed IO (120 mos IO + 240 mos Amortization) • 40 Year Fixed IO (120 mos IO + 360 mos Amortization) • 5/6 IO SOFR (2/1/5 Cap) • 7/6 IO SOFR (5/1/5 Cap)		

Experienced / Inexperienced Investor

Experienced Investor:	Inexperienced Investor:
- Borrower(s) with history of owning & managing NOO income-producing investment real estate for at least 1 yr within the last 3 yrs - Only 1 borrower has to meet the Experienced Investor definition - Living rent free allowed - Mortgages Tradelines reflected on credit report that have been paid off or sold in the last 12 mos can be used to meet the above requirements. NOTE: All properties to meet above definitions must be domiciled in the US (Foreign National excluded)	- Borrower without history of owning & managing NOO income-producing investment real estate for at least 1 yr within the last 3 yrs 80% Max LTV \$1,500,000 Max LA 60% Max LTV for Sub1 < 1.00 0x30x12 housing history (VOM/VOR) C/O not allowed for Sub1 Min 3 mos reserves, cash out cannot be utilized No Ratio, STR and 5-8 ineligible - All borrowers must meet inexperienced definition, FTHB and/or living rent free not allowed NOTE: All properties to meet above definitions must be domiciled in the US (Foreign National excluded)



Correspondent LoanStream NonQM DSCR Matrix

Effective Date: 07/08/25 | Revised: 07/08/25

Additional Product Details

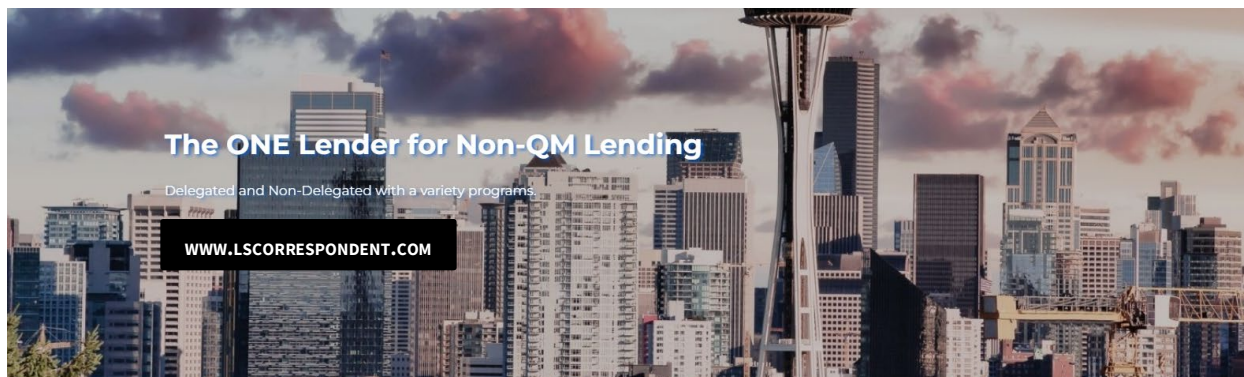
Appraisals ≤ \$2,000,000 Loan Amount: CU ≤ 2.5 = No add'l requirements CU > 2.5 or no score = Enhanced desk review (ARR, CCA or CDA) required, 10% variance allowed > \$2,000,000 Loan Amount: 2 appraisals required Enhanced desk review (ARR, CCA or CDA) required on lower valued appraisal		Standard Tradeline Requirements • 3 tradelines reporting 12 months with activity in last 12 months , or • 2 tradelines reporting for 24 months with activity in last 12 months, or • 1 revolving tradeline reporting for 60 months with activity in the last 12 months and a verified 12-month housing history 0x30, or • 1 installment tradeline reporting for 36 months with activity in the last 12 months and a verified 12-month housing history 0x30 If each borrower has 3 credit scores, minimum tradeline requirement is met • Borrower with less than 3 credit scores must independently meet tradeline requirement. • Closing in an entity - if member with highest percentage of ownership has 3 credit scores, minimum tradeline requirement is met. If all members have equal ownership shares each borrower evaluated individually NOTE: Borrower's credit scores primarily based on thin credit—such as authorized user accounts, self-reported accounts, or recently opened accounts with limited activity—must still meet one of the standard tradeline requirements Limited tradelines: If standard tradelines are not met and borrower has a valid credit score Max 70% LTV Not available on Select DSCR, Sub1 DSCR and No Ratio DSCR Foreign National ineligible	
Vacant / Unleased Properties • Purchase Transactions follow Program Max • Refinance Rate/Term: ◦Loan Balance ≤ \$1,000,000 – 70% Max LTV ◦Loan Balance ≤ \$2,000,000 – 65% Max LTV • Refinance Cash-Out : ◦Loan Balance ≤ \$1,500,000 – 60% Max LTV • LOE for cause of vacancy • No Ratio Ineligible (refinances only)		Short Term Rentals • Purchase or Refi (R/T & C/O) • 1 Unit SFR, 2-4 Unit, PUD and Condo eligible • Experienced investors only with 12+ mos STR rental history in last 3 years ◦If < 12 months STR rental history, 5% LTV reduction required • 20% Management Fee Reduction Applied to Income • Income documented with 1007/1025 supported by 12 mos history of payments OR AirDNA/Overview Report • Vacant allowed • Rural ineligible • No Ratio ineligible	Cash In Hand Limit (Based on LTV & FICO) ≤ 70% LTV & ≥ 700 FICO: \$1.5M max cash in hand* ≤ 65% LTV & < 700 FICO: \$1.0M max cash in hand* > 65% - ≤ 70% LTV & < 700 FICO: \$500k max cash in hand* > 70% LTV: \$500k max cash in hand (Free & Clear ineligible) Vacant Properties: \$750K max cash in hand *Free & Clear Properties: Must follow FICO requirements, 70% max LTV No Ratio: \$500,000 maximum cash in hand
Cash Out Restrictions	LTV is the lower of max LTV based on FICO, loan amount, occupancy and property type or program specific max LTV as applicable		
Declining Markets	> 70% LTV: Areas designated declining value on the appraisal will take a 5% LTV reduction from program Max LTV		
Delayed Financing	> \$1.5M loan amount, 70% max LTV/CLTV Vacant/unleased > 3 mos must follow unleased property LTV/CLTV restrictions and Cash in Hand Limit - Vacant Properties		
First Time Home Buyer	Not Allowed		
Geographic Restrictions	Georgia DSCR \$2,000,000 max loan amount Subject properties located in Essex County, NJ and Baltimore City, MD are ineligible (Subject properties in Baltimore County, MD remain eligible)		
Gift Funds	• 100% allowed with 10% LTV reduction from program Max LTV (see above) • No LTV reduction required with min 5% buyer own funds • Gift of Equity not allowed for Select DSCR		
Impound Waivers	Allowed (see rate sheet)		
Interested Party Contributions (IPC)	≤ 80% LTV = 6% Max > 80% LTV = 4% Max		
Minimum Square Footage	SFR: 700 sq. ft. Condo: 500 sq. ft. 2-4 Units: 400 sq. ft. each		
Occupancy	Non-Owner Eligible for investment properties only where permitted by applicable state law and regulations		
Pre-Payment Penalty	Eligible for investment properties only where permitted by applicable state law and regulations		
Private Party VOR's	LTV ≤ 80% & ≥ 660 FICO LTV ≤ 70% & ≥ 600 FICO		
Seasoning	Cash-Out: ≥ 6 months ownership, > 6 months since a prior Cash-Out, < 6 mos seasoning allowed when all borrowers on the original Note at acquisition must be on the current Note, LTV based off lesser of purchase price + documented improvements or appraised value ITIN: ≥ 12 months ownership for Cash-Out, ≥ 6 months ownership for Rate/Term		
Temporary Buydowns	Ineligible		

*All Adjustments on this matrix are cumulative, all LTV calculations start from the highest LTV allowed per product.

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NonQM Product Details	
Appraisals ≤ \$2,000,000 Loan Amount: ICU ≤ 2.5 = No add'l requirements CU > 2.5 or no score = Enhanced desk review (ARR, CCA or CDA) required, 10% variance allowed > \$2,000,000 Loan Amount: 2 appraisals required Enhanced desk review (ARR, CCA or CDA) required on lower valued appraisal	Cash In Hand Limit (Based on LTV & FICO) ≤ 70% LTV & ≥ 700 FICO: \$1.5M max cash in hand* ≤ 65% LTV & < 700 FICO: \$1.0M max cash in hand* > 65% - ≤ 70% LTV & < 700 FICO: \$500k max cash in hand* > 70% LTV: \$500k max cash in hand (Free & Clear ineligible) Vacant Properties: \$750k max cash in hand *Free & Clear Properties: Must follow FICO requirements, 70% max LTV
Standard Tradeline Requirements • 3 tradelines reporting 12 months with activity in last 12 months, or • 2 tradelines reporting for 24 months with activity in last 12 months, or • 1 revolving tradeline reporting for 60 months with activity in the last 12 months and a verified 12-month housing history 0x30, or • 1 installment tradeline reporting for 36 months with activity in the last 12 months and a verified 12-month housing history 0x30 <u>TRID</u> • If primary wage earner has 3 credit scores reporting, the minimum tradeline requirement is met. • If primary wage earner has less than 3 credit scores, each borrower must meet the minimum tradeline requirements <u>Non-TRID Business Purpose</u> • If each borrower has 3 credit scores, minimum tradeline requirement is met • Any borrower with less than 3 credit scores must independently meet tradeline requirement. • Closing in an entity - if member with highest percentage of ownership has 3 credit scores, minimum tradeline requirement is met. If all members have equal ownership shares each borrower evaluated individually. NOTE: If borrower's credit scores primarily is based on thin credit—such as authorized user accounts, self-reported accounts, or recently opened accounts with limited activity—must still meet one of the standard tradeline requirements Limited Tradelines: If standard tradelines are not met and borrower has a valid credit score 80% max LTV - Primary and Second Homes, 70% max LTV - Investment Not available on Select NonQM Foreign nationals ineligible ITIN - See ITIN Guides	
Additional Product Details	
50.01% - 55% DTI	Full doc 6 months reserves 80% max LTV 660 min FICO Primary only Purchase only \$1.5M max LA
Debt Consolidation	Follows R/T Refi LTV w/80% max LTV, Owner Occupied only (5k max cash in hand)
Declining Markets	> 70% LTV: Areas designated declining value on the appraisal will take a 5% LTV reduction from program max LTV
Delayed Financing	≤ \$1.5M LA: follow program max > \$1.5M LA: 70% max LTV/CLTV
Gift Funds	100% allowed w/10% LTV reduction from max LTV (see above), no LTV reduction required with min 5% buyer own funds Gift of Equity not allowed on Select NonQM
Financed Property Limits	20 financed properties including subject OCMBC exposure - \$5.0M or 6 properties
First Time Homebuyers	Primary Residence and Investment Properties allowed (2nd Homes ineligible) Investment - Purchase & Refinance: Full Doc only, Max 80% LTV, Min 660 FICO, Max 50% DTI, \$1.5M Max LA, Max 300% payment shock
Foreign National	Asset Utilization only for 2nd Home & NOO 12 mos reserves all occupancy types
Impound Waivers	Owner/2nd Home: Allowed if NOT HPML loan Non-Owner allowed (see rate sheet)
Interested Party Contribution (IPC)	≤ 80% LTV = 6% max > 80% LTV = 4% max
Minimum Square Footage	SFR: 700 sq. ft. Condo: 500 sq. ft. 2-4 Units: 400 sq. ft. each
Non-Occupant Co-Borr	Purchase, Rate & Term & Core NonQM only
Pre-Payment Penalty	Eligible for investment properties only where permitted by applicable state law and regulations
Private Party VOR's	LTV ≤ 80% & ≥ 660 FICO LTV ≤ 70% & ≥ 600 FICO
Residual Income	\$1250/month + \$250 1st + \$125 others
Seasoning	Cash-Out: ≥ 6 months ownership, > 6 months since a prior Cash-Out. < 6 mos seasoning allowed when all borrowers on the original Note at acquisition must be on the current Note, LTV based off lesser of purchase price + documented improvements or appraised value ITIN: ≥ 12 months ownership for Cash-Out, ≥ 6 months ownership for Rate/Term
Geographic Restrictions	Texas Cash-Out: 80% max LTV (Owner-Occ, per TX 50(a)(6)) Subject properties located in Essex County, NJ and Baltimore City, MD are ineligible (Subject properties in Baltimore County, MD remain eligible)
Temporary Buydowns	2:1 and 1:0 30 year fixed, Purchase transactions only Primary & Second Home eligible, non-TRID Investment loans ineligible
*All Adjustments on this matrix are cumulative, all LTV calculations start from the highest LTV allowed per product. © 2025 All rights reserved LoanStream Mortgage is a registered DBA of OCMBC, Inc. NMLS ID #2125. Equal Housing Lender. All rights reserved. Some products may not be available in all states. Programs and rates are subject to change without notice. Turn time estimates are not warranted or guaranteed. Some restrictions may apply. Underwriting terms and conditions apply and not all applicants will qualify. This is not a commitment to lend. For more licensing information, visit the Nationwide Multistate Licensing System's Consumer Access website www.nmlsconsumeraccess.org. For our licensing information and lists please visit: www.ocmbc.com/licensing/.	



Delegated LoanStream Correspondent Guide

REV 6/25/2025

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SECTION 1.0. PROGRAMS

1.1 OVERVIEW

The LoanStream ONE program guidelines are structured to guide towards making common sense lending decisions on loans to borrowers who may have limited access to credit. These borrower's situations generally require the underwriter to consider alternative forms of documenting income and/or compensating factors which offset risk indicated by a recent credit event or elevated debt-to-income ratio. The borrower's ability to repay must be proven in all instances.

LoanStream Mortgage has a zero-tolerance policy for fraud. LoanStream follows the current established fraud and identity procedures on every loan to prevent and detect fraud (including, but not limited to, Social Security number verification, Verification of Assets, Verbal Verifications of Employment, processing of 4506-C(Ts), Fraud Guard, etc.). Loans containing misrepresentations will be immediately declined and forwarded to our Legal/QC Team for further review/action(s).

1.2 ELIGIBLE LOAN TERMS

1.2.1 TRID (NON-BUSINESS PURPOSE) LOAN TERMS

Fully Amortized ARM

- Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the loan term at the greater of the Fully Indexed Rate or Note Rate
 - 5/6 SOFR:
 - Caps: 2/1/5
 - 30-Year (360 Months)
 - 40-Year (480 Months)
 - 7/6 SOFR:
 - Caps: 5/1/5
 - 30-Year (360 Months)
 - 40-Year (480 Months)

Fully Amortized Fixed (Nonstandard terms available)

- Qualifying Ratios = Note Rate
- 15-Year Fixed (180 Months)
- 30-Year Fixed (360 Months)
- 40-Year Fixed (480 Months)

Interest-Only

- Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the scheduled remaining loan term at the time of recast after the interest-only period has expired, qualified at the greater of the Fully Indexed Rate or Note Rate with a 120 Month Interest Only Term
- Refer to applicable **NonQM Matrix** for FICO qualifications or restrictions

- 5/6 SOFR: (2/1/5 Cap Structure)
 - 30-Year (360 Months)
 - 40-Year (480 Months)
- 7/6 SOFR: (5/1/5 Cap Structure)
 - 30-Year (360 Months)
 - 40-Year (480 Months)

Fully Amortized Fixed Interest Only

- 30-Year Fixed (360 Months)
- 40-Year Fixed (480 Months)

Programs and terms are subject to change. See matrix and rate sheet for currently available loan terms.

1.2.2 NON-TRID (BUSINESS PURPOSE) LOAN TERMS

Fully Amortized ARM

- Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the loan term at Note Rate
- 5/6 SOFR:
 - Caps: 2/1/5
 - 30-Year (360 Months)
 - 40-Year (480 Months)
- 7/6 SOFR:
 - Caps: 5/1/5
 - 30-Year (360 Months)
 - 40-Year (480 Months)

Fully Amortized Fixed (Nonstandard terms available)

- Qualifying Ratios = Note Rate
- 15-Year Fixed (180 Months)
- 30-Year Fixed (360 Months)
- 40-Year Fixed (480 Months)

Interest-Only

- Qualifying Ratios are based on ITIA at Note Rate with a 120 Month Interest Only Term
- Refer applicable **NonQM Matrix** for FICO qualifications or restrictions
- 5/6 SOFR: (2/1/5 Cap Structure)
 - 30-Year (360 Months)
 - 40-Year (480 Months)
- 7/6 SOFR: (5/1/5 Cap Structure)
 - 30-Year (360 Months)
 - 40-Year (480 Months)
- 30-Year Fixed (360 Months)
- 40-Year Fixed (480 Months)

Programs and terms are subject to change. Refer to matrix and rate sheet for currently available loan terms.

1.3 UNDERWRITING

The Underwriter is required to perform a manual underwrite of the credit file and document the file based upon the criteria contained in this manual. Where this document is silent, please refer to Fannie Mae definitions, documentation and underwriting guidelines.

1.4 LOAN AMOUNTS

Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions.

1.4.1 LOAN AMOUNT > \$3.0MM

- **FTHB:** 24-month income documentation options only; gifts not allowed; payment shock max of 200%
- **Gifts:** Owner-occupied only, after 10% from borrower's own funds
- **Housing History:** All information must be verifiable
- **Limited Tradelines:** Not eligible
- **Listed for Sale:** Properties listed in the last 6 months not allowed
- **Non-Occupants:** Not allowed; housing history must be verifiable
- **Reserve Waiver:** Not allowed, and cash-out to cover reserves not allowed
- **Seasoning:** 6 months seasoning required on cash-out loans

1.5 MINIMUM FICO

Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions.

1.6 MAXIMUM LTV/CLTV

Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions.

1.7 INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS)

Interested party contributions (IPC) may only be used for closing costs and prepaid expenses (Financing Concessions) and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If IPCs are present, both the appraised value and sales price must be reduced by the concession amount that exceeds the limits referenced below. IPC includes funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the Real-Estate transaction held to the following.

LTV	Maximum Interested Party Contributions (IPC)
	TRID (Non-Business Purpose) & Non-TRID (Business Purpose)
> 80%	4%
≤ 80%	6%

1.8 ESCROWS - IMPOUND ACCOUNTS

1.8.1 OWNER OCCUPIED PRIMARY RESIDENCE/SECOND HOME

Impound accounts must be established for all Loans greater than 90% LTV(CA) & 80% LTV (all other states). Impounds are required on all HPML (higher priced mortgage loans) loans and may never be waived, regardless of LTV.

1.8.2 INVESTMENT PROPERTIES OR NON-TRID BUSINESS PURPOSE LOANS

Impound accounts are optional on Investment properties and not required.

NOTE: Refer to rate sheet for any costs associated with buyout.

1.9 SECONDARY FINANCING

Secondary financing must be institutional. Underwriters must employ reasonable underwriting judgment to determine whether the borrower has applied for another credit transaction secured by the same dwelling. Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation the line of credit is past its draw period.

Seller Carry Backs are not allowed. Refer to [the applicable NonQM Matrix](#) for additional restrictions.

1.10 ALLOWABLE AGE OF CREDIT DOCUMENTS

Underwriting and borrower credit documents may not be more than 90 days seasoned at the Note Date. The credit report should be dated no more than 120 days prior to the Note Date.

The Appraisal should be dated no more than 120 days prior to the Note Date. After a 120-day period, a re-certification of value is acceptable up to 180-days. After 180-days, a new appraisal report is required.

1.11 FEES

Refer to the **LoanStream Mortgage seller Guide/Section 8.9** for applicable fees.

1.12 BORROWER STATEMENT OF OCCUPANCY

1.12.1 TRID (NON-BUSINESS PURPOSE)

Borrower must acknowledge the intended purpose of the subject property ("Primary Residence" or "Second Home" or "Investment Property") by completing and signing an occupancy certification form. Refer to [Exhibit A](#) of this guide.

1.12.2 NON-TRID (BUSINESS PURPOSE)

Borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the "Borrower Certification of Business Purpose" in [EXHIBIT I](#) of this Guide.

1.13 AUTOMATIC PAYMENT AUTHORIZATION (ACH)

It is recommended that the borrower execute an assignable Automatic Debit Payment Agreement (ACH) Form. The ACH form must include the bank routing number, account number, and type of account, similar to [Exhibit B](#).

1.14 BORROWER CONTACT CONSENT FORM

To assist the loan servicer in contacting the borrower in a timely manner, LSM is required to obtain a valid phone number for the borrower(s). The phone number can be collected on the 1003 loan application or by using the Borrower Contact Consent Form (Refer to [Exhibit F](#)).

1.15 ABILITY TO REPAY/QUALIFIED MORTGAGE RULE

1.15.1 TRID (NON-BUSINESS PURPOSE)

Loans may be designated as Non-Qualified or Qualified Loans. Both safe harbor and rebuttable presumption standards apply to these designations. Loans are subject to general ability-to-repay (ATR) standards (12 C.F.R 1023.43(c)) and require the lender to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan. The following eight underwriting factors are considered when making this determination:

- I. Current or reasonably expected income or assets
- II. Current employment status
- III. The monthly payment on the covered transaction
- IV. The monthly payment on any simultaneous loan
- V. The monthly payment for mortgage-related obligations
- VI. Current debt obligations, alimony and child support
- VII. The monthly debt-to-income ratio or residual income
- VIII. Credit history

1.15.2 NON-TRID (BUSINESS PURPOSE)

Business Purpose Loans are exempt from ATR/QM Restrictions & Rules.

1.16 INTEREST CREDIT

Loans closed within the first 7 days of the month may reflect an interest credit to the borrower.

1.17 STATE AND FEDERAL HIGH-COST LOANS

State and Federal High-Cost Loans are not allowed. The allowable points and fees threshold is the more restrictive of state law, as applicable, or 5.00%

1.18 PREPAYMENT PENALTY

1.18.1 OWNER OCCUPIED, SECOND HOMES AND INVESTMENT PROPERTIES WHERE CASH-OUT IS USED FOR CONSUMER PURPOSE

Prepayment penalties are not allowed.

1.18.2 INVESTMENT PROPERTIES BUSINESS PURPOSE

- Prepayment penalties are eligible for investment properties only where permitted by applicable state law and regulations. Prepayment penalties are not allowed on primary residence or second home transactions.

1.19 PROPERTIES LISTED FOR SALE

1.19.1 TRID (NON-BUSINESS PURPOSE)

Rate and Term Refinance:

- The property must be delisted at least one day prior to application date

Cash-out Refinance:

- The property must be delisted for at least 180 days (6 Months), measured from the listing expiration date to the new loan application date

1.19.2 NON-TRID (BUSINESS PURPOSE)

Rate and Term Refinance:

- The property must be delisted at least one day prior to application date

Cash-out Refinance (One of the Following)

- The property must be delisted for at least 180 days (6 Months), measured from the listing expiration date to the new loan application date
- Properties delisted less than 180 days are allowed with the following requirements:
 - Property must be leased with current lease
 - Fully executed lease and receipt of security deposit into borrower's account to be provided
 - Three (3) months reserves required, cash out proceeds cannot be used as reserves
 - Minimum one year prepayment penalty
 - Property must be delisted at least thirty days prior to the application date
 - Value is based on the lower of the lowest list price (within the last 180 days) or appraised value. Increased value due to documented major renovations completed in the last 180 days will be reviewed on an exception basis.
 - Maximum LTV is the lower of 70% or program requirement

1.20 ASSUMABILITY

Adjustable-Rate Notes may be assumable based upon the Note. In general, Fannie Mae Notes contain an assumable clause. If the Note shows an assumable clause, the verbiage in the Note and Closing Disclosure must match.

Fixed-Rate Notes are not assumable.

1.21 HOUSING COUNSELING

All borrowers who are paying off an existing reverse mortgage with a new first (forward) mortgage must complete a homeownership education course provided by a HUD-approved agency. Proof of course completion is required prior to closing.

1.22 PROPERTY INSURANCE

1.22.1 COVERAGE REQUIREMENTS

Property insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion.

Policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain property insurance policies that include such limitations or exclusions unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions.

Additional insurance requirements apply to properties with solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement. Please refer to Fannie Mae Selling Guide [B7-03-02](#) for more detailed information.

For insurance not addressed in this section, such as condo, walls-in, etc., defer to Fannie Mae requirement Section B.7-3 Property and Flood Insurance for requirements for property and flood insurance, including coverage types, amounts and evidence.

The insurance coverage must reflect one of the following:

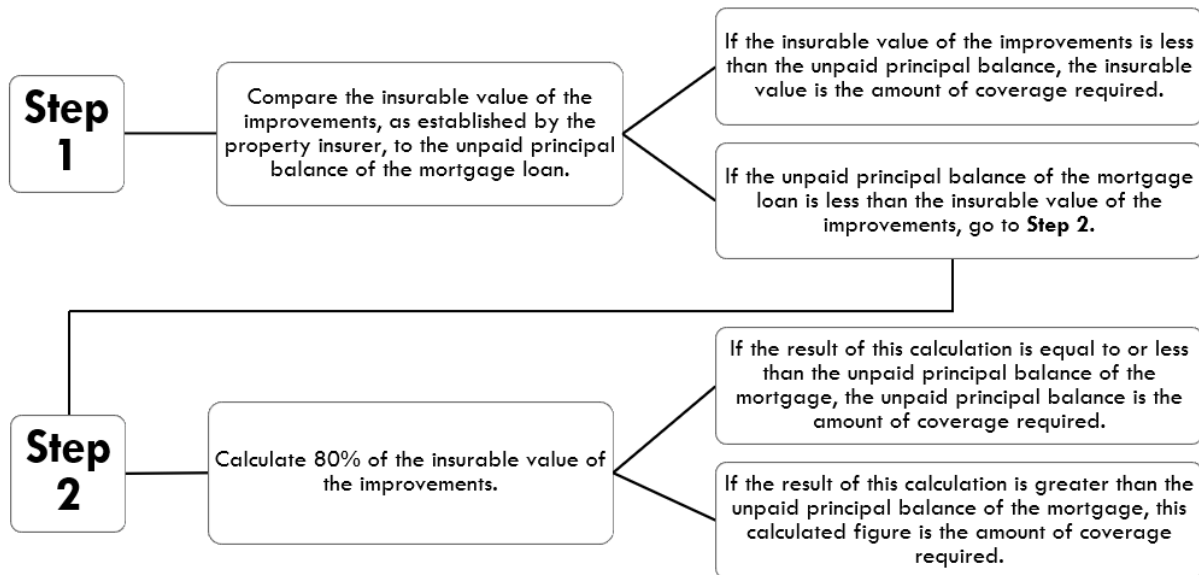
- 100% of the insurable value of the improvements, as established by the property insurer; or
- Determining the Amount of Required Property Insurance

The following table describes how to calculate the amount of required property insurance coverage:

STEP	DESCRIPTION
1	Compare the insurable value of the improvements as established by the property insurer to the unpaid principal balance of the mortgage loan.
1A	If the insurable value of the improvements is less than the unpaid principal balance, the insurable value is the amount of coverage required.
1B	If the unpaid principal balance of the mortgage loan is less than the insurable value of the improvements, go to Step 2.
2	Calculate 80% of the insurable value of the improvements.
2A	If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance is the amount of coverage required.
2B	If the result of this calculation is greater than the unpaid principal balance of the mortgage, this calculated figure is the amount of coverage required.

Examples

Category	PROPERTY A	PROPERTY B	PROPERTY C
Insurable Value	\$90,000	\$100,000	\$100,000
Unpaid Principal Balance	\$95,000	\$ 90,000	\$ 75,000
80% Insurable Value	—	\$ 80,000	\$ 80,000
Required Coverage	\$90,000	\$ 90,000	\$ 80,000
Calculation Method	Step 1A	Step 2A	Step 2B

**SECTION 2.0. PROPERTY****2.1 APPRAISAL REQUIREMENTS**

LoanStream may, at its discretion, examine all valuation reports, including review products, to verify the accuracy of the subject property's value. If the value is deemed unsupported, LoanStream reserves the right to adopt a lower value determined through an internal desk review of the appraisal(s) and review product.

Full Interior/ Exterior appraisal required. Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465 or 2090 must be used. The appraisal must comply with all applicable regulations and standards including but not limited to USPAP, FIRREA, AIR and HVCC compliance. . The licensed appraiser must complete an interior inspection of the subject property.

The Appraisal should be dated no more than 120 days prior to the Note Date. After a 120-day period, a re-certification of value is acceptable up to 180 days. After 180 days, a new appraisal report is required.

- Not eligible for approval:
 - Properties for which the appraisal indicates condition ratings of C5 or C6 or a quality rating of Q6, each as determined under the Uniform Appraisal Dataset (UAD) guidelines
 - LSM will consider if issue has been corrected prior to loan funding with proper documentation
- All properties must:
 - Be improved real property
 - Be accessible and available for year-around residential use
 - Represent the highest and best use of the property
 - Not contain any health and safety issues

2.1.1 SECOND APPRAISAL

Second Appraisal is required when:

- Loan amount exceeds \$2,000,000
 - Enhanced Desk Review from approved vendor is required on the lower valued appraisal regardless of the SSR score
- The transaction is an HPML (Higher-Priced Mortgage Loan) and a flip as defined in the [Property Flipping – HPML Appraisal Rule](#) section of this guide
- As required under the [Appraisal Review Products](#) section of this guide

When a second appraisal is required, the “Appraised Value” will be the lower of the two appraisals. The second appraisal must be from a different appraiser than the first appraisal.

Underwriter has discretion to accept differences between the two appraisals, as each appraiser may appraise a property differently, for example one appraiser may call a room an office when the other appraiser may call the same room a bedroom or one appraisal may state that there is 1000 sq ft. and the other appraiser measured out 980 sq ft. The Underwriter needs to assure that the qualifying value used to calculate the final LTV/CLTV is supported.

2.1.2 TRANSFER OF APPRAISAL

To transfer an appraisal, a transfer letter must be executed by the Lender that ordered the appraisal and must be signed by an authorized member of the company. The letter should include the following:

- Prepared on the Letterhead of the original Lender
- Current Date
- Borrower Name
- Property Address
- Statement that the appraisal was prepared in compliance of Appraisal Independence Requirements
- Signed by an Authorized Representative

2.2 APPRAISAL REVIEW REQUIREMENTS

2.2.1 APPRAISAL REVIEW PRODUCTS

An appraisal review product is required on every loan file for loan amounts $\leq$ \$2,000,000 unless the SSR Report shows a Fannie Mae Collateral Underwriter Score of 2.5 or less. Refer to [Second Appraisal](#) for loan amounts $>$ \$2,000,000 appraisal review product requirements. The options for review products include are below.

Submission Summary Report (SSR)

- Not available for multi-unit properties

Collateral Underwriter

- The appraisal report must be submitted to the UCDP Application and SSR reports should be generated
- Scoring:
 - If a CU score is present (will not show for units) and it is at 2.5 or below we may proceed without an enhanced desk review product unless required by underwriting
 - If the CU score is above 2.5, there is no score or the property is a 2-4 Unit, an enhanced desk review is required

Enhanced Desk Review

- Approved enhanced desk review products:
 - ARR (Appraisal Risk Review) from ProTeck/Stewart
 - CCA (Consolidated Collateral Analysis) from Consolidated Analytics
 - CDA from Collateral Desktop Analysis from Clear Capital
- A field review, drive by appraisal (Form number 2055) or second appraisal is acceptable
- The field review or 2nd appraisal may not be from the same company or appraiser as the original report

If the Appraisal Review Product reflects a value more than 10% below the appraised value or cannot provide a validation, the next option in the review waterfall must be followed:

- The next option is either a field review or second appraisal, and both must be from a different appraisal company and appraiser than the original appraisal; or
- If variance is between 10.01% to 15%, using the lower value without an additional report, is acceptable

2.2.2 MINIMUM SQUARE FOOTAGE

Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions.

2.2.3 ACCESSORY DWELLING UNITS

An Accessory Dwelling Unit (ADU) is generally an additional living area independent of the primary dwelling that may have been added to, created within, or detached from the primary dwelling. ADUs must be subordinate in size to the subject property, must be on the same parcel and may be either site constructed or modular. When giving value if modular, the dwelling must be on a permanent foundation.

When reporting the living area of an ADU, it should not be included with the Gross Living Area calculation of the primary dwelling. It should be reported and adjusted for on a separate line in the grid, unless the ADU is contained within or part of the primary dwelling with interior access and above grade. If a standalone structure does not meet the ADU minimum requirements, it should be treated as any other ancillary structure and included as a separate line item in the sales comparison approach then adjusted based on its contributory value to the subject property.

Whether a property is defined as a one-unit property with an ADU or a two- to four-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utility meter(s), a unique postal address, and whether the unit can be legally rented. The appraiser must determine compliance with this definition as part of the analysis in the Highest and Best Use section of the appraisal. When there is an ADU, the appraisal report must include a description of the ADU and analysis of any effect it has on the value or marketability of the subject property. The appraisal report must demonstrate that the improvements

are acceptable for the market. An aged-settled sale will qualify as a comparable, and an active listing or under contract sale will qualify as a supplemental exhibit to show marketability.

Examples of ADUs Include (but are not limited to)

- Living area over a garage
- Living area in a basement, it must have outside access
- Small addition to the primary dwelling with outside access
- A modular home (legally classified as real property)

Zoning for an ADU:

If it is determined that the property contains an ADU that is not allowed under zoning (where an ADU is not allowed under any circumstance), the property is eligible under the following additional conditions:

- The lender/borrower confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property
- The illegal use conforms to the subject neighborhood and to the market
- The property is appraised based upon its current use
- The appraisal report states that the improvements represent a use that does not comply with zoning (“illegal” use)

The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least two comparable sales with the same non-compliant zoning use. Aged, settled sale(s) with the same non-compliant zoning use are acceptable if recent sales are not available. At a minimum, the appraisal report must include a total of three settled sales.

Calculating Income from ADU:

See [Income Section](#) for income qualifying on ADU Income.

2.2.4 RURAL PROPERTY

A property could be classified as rural if the following conditions exist:

- The property is classified as rural by the appraiser
- Two of the three comparable properties are more than 5-miles from the subject property
- Less than 25% of the surrounding area is developed

The Underwriter has the discretion to determine if the subject property is a rural property by scrutinizing some of these following characteristics:

- Property is located on a gravel road
- The majority of comparable properties are more than 5 miles from the subject property
- Less than 25% of the surrounding area is developed
- Distance to schools and amenities is greater than 25 miles
- Surrounding area is Forest
- Surrounding area is Agricultural
- Does not have adequate utilities available in service
- Property located in remote, isolated area

2.2.5 PERSONAL PROPERTY

Any personal property transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and/or the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.

2.2.6 ESCROW HOLDBACKS

Escrow holdbacks are not allowed. Any repair or maintenance required per the appraiser must be completed prior to closing.

2.2.7 MIXED USE PROPERTIES

Owner Occupied & Second Home Occupancy

Mixed use properties are allowed per Fannie Mae Guidelines.

(Examples: Business use in addition to residential use, such as property with space set aside for a day care facility, a beauty or barber shop, or a doctor's office):

- The property must be a one-unit dwelling that the borrower occupies as a principal residence or 2nd Home
- The borrower must be both the owner and the operator of the business
- The property must be primarily residential in nature
- The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residential property

The property must meet appraisal requirements for mixed use properties under Fannie Mae Section [B4-1.4-07](#). Appraisal must indicate:

- A detailed description of the mixed-use characteristics of the subject property
- That the mixed use of the property is a legal, permissible use of the property under the local zoning requirements
- Any adverse impact on marketability and market resistance to the commercial use of the property
- Market value of the property based on the residential characteristics, rather than of the business use or any special business-use modifications that were made

2.2.8 INVESTMENT MIXED USE PROPERTIES

- Not allowed
 - Sober Living Homes are allowed in California per recent California Supreme Court Decisions and Legal Opinions. State law reinforces federal law prohibiting housing discrimination against persons with disabilities, including alcoholics and addicts in recovery. Under The Fair Housing Act (1988), The American with Disabilities Act (1990), Fair Employment and Housing Act (1959), Government Code 65008 (a), (b) and (d)(2), and under the Code of Federal Regulations §100.201, it requires the states to abide by Federal Regulations and allows for the placement of these individuals in community settings rather than institutions. This section defines "handicapped" status protected by FHA, Fannie Mae, and ADA to include recovering alcoholics and addicts and prohibits mortgage lenders from discriminating from homeowner's that run such facilities. We, therefore, will allow for the financing of single and multi-family properties with the following restrictions:
 - 1007 market rents will be used for qualifying purposes (lease agreements between multiple parties will not be considered or used)
 - No modifications to the home unless allowed under the ADA are allowed
 - Sober Living Homes outside the state of California are not permitted

Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions.

2.2.9 PROPERTIES WITH SOLAR PANELS

The ownership and debt financing structure commonly found with solar panels are essential to determining whether panels are personal property of the homeowner, third party owned or a fixture to the real estate. Common ownership or financing structures include:

- Borrower owned panels
- Financed solar panels where the panels serve as collateral for the debt separate from any existing mortgage
- Lease agreements/power purchase agreements

Properties with solar panels may be eligible. Due diligence to determine ownership and any financing structure of the subject property's solar panels is needed to determine initially if the property with solar panels is eligible and subsequently correctly underwrite the loan.

Underwriters are to ensure all the following:

- Borrower's credit report is reviewed for solar-related debt and all solar-related documentation provided
- Title report is reviewed to determine if the related debt is reflected in the land records associated with the subject property
- Appraiser has accurate information about the ownership structure of the solar panels
- Appraisal appropriately addresses any impact to the property's value
 - Any contributory value for owned or financed solar panels must be noted in the Improvements Section of the Appraisal Report
- Where solar panels are eligible the property maintains access to an alternate source of electric power that meets community standards
 - If a full appraisal is required, the appraiser is to comment if the property is connected to a traditional electrical power source.
 - If a full appraisal is not required, other alternative documentation, such as an electric bill, evidencing the property is connected to a traditional electrical power source to be provided

If insufficient documentation is not available and the ownership status is unclear, no value for the panels may be attributed to the property value on the appraisal unless a UCC "personal property" search is provided and confirms the solar panels are not claimed as collateral by any non-mortgage lender.

A UCC financing statement that covers personal property and is not intended as a fixture filing* must be filed in the office identified in the relevant state's adopted version of the UCC.

** A fixture filing is a UCC-1 financing statement authorized and made in accordance with the UCC adopted by each state in which the related real property is located. It covers property that is, or will be, affixed to improvements such as real property. It contains both a description of the collateral that is, or is to be, affixed to that property, and a description of the real property. It is filed in the same office that mortgages are recorded under the law of the state in which the real property is located. This filing in the land records provides notice to third parties, including title insurance companies, of the existence and perfection of a security interest in the fixture. If properly filed, the security interest in the described fixture has priority over the lien of a subsequently recorded mortgage.*

The sections below identify the additional specific requirements that must be followed based on the ownership and financing structure.

Free and Clear or Included in the Home Purchase

Solar panels that were a cash purchase and owned free and clear without outstanding debt or were included in the home purchase price and secured by the existing first mortgage.

- Properties with solar panels that meet the above definition are eligible and standard requirements must be followed (appraisal, insurance and title).

- Appraiser to include the solar panels in the value of the property (based on standard appraisal requirements)

Financed and Collateralized (UCC on Title)

Solar panels were purchased with financing. The solar panels are collateral for the separate debt used to purchase the panels and a UCC fixtured filing has been filed for the panel as evidenced on the title report.

Properties with solar panels that meet the above definition are eligible when complying with the following requirements:

- Credit report, title report, appraisal (if applicable) and related promissory note and security agreement that reflect the terms of the secure loan to be obtained and reviewed
- Appraiser to include the solar panels in the value of the property (based on standard appraisal requirements) as long as the documents provided evidence the panels cannot be repossessed for default on the financing terms,
- Debt obligation to be included in the debt-to-income ratio (DTI) calculation and LTV/CLTV because a UCC fixture filing is of record
- The UCC filing must be subordinated:
 - Debt obligation must be included in the DTI and LTV/CLTV
 - If the UCC filing was recently terminated, the subordination agreement is waived with recorded copy of termination
 - Debt obligation must be included in the DTI unless evidenced the debt has been paid off in full (UCC termination is not evidence the debt has been paid in full.)
- CLTA endorsement 150.06 is not allowed in lieu of a subordination agreement or UCC termination

Financed and Collateralized (UCC not on Title)

The solar panels were purchased with financing and treated as personal property not affixed to the home. The UCC filing does not appear on the title report.

Properties with solar panels that meet the above definition are eligible when complying with the following requirements:

- Review documentation such as the credit report, title report, UCC financing statement, related promissory note or security agreement to confirm the terms of the secured loan
- Debt obligation to be included in the debt-to-income (DTI) calculation
- Confirm the appraiser did not include contributory value of the solar panels toward the appraised value
- The loan secured by the solar panels is not to be included in the LTV/CLTV ratio
- If a previously filed UCC was temporarily removed from title through a UCC termination, evidence must be provided that the UCC was paid in full
 - If the financed balance is not paid in full it must be included in the LTV/CLTV

Note: a Notice of Independent Solar Energy Producer Contract on title is not to be treated as a UCC fixture filing

Financed with a PACE loan

Solar panels financed with a PACE loan paid through an assessment in their annual property tax bill.

- Properties with solar panels financed with a PACE loan are ineligible unless paid in full at or prior to closing
- If the property tax statement indicates a PACE loan the outstanding loan must be paid in full prior to or at closing
 - Proceeds from the second lien may be used to pay off the existing PACE loan

Note: In some cases, PACE loans are also referred to as HERO loans and must adhere to PACE loan requirements.

Leased or Covered by a Power Purchase Agreement

Solar panels are leased from or owned by a third party under a power purchase agreement or similar lease arrangement.

Properties with solar panels that meet the above definition are eligible when complying with the following requirements:

- Lease or power purchase agreement to be obtained and reviewed
- Monthly payment must be included in the debt-to-income (DTI) calculation unless the lease/agreement is structured to:
 - Provide delivery of a specific amount of energy at a fixed payment during a given period, AND
 - Have a production guarantee that compensates for the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease/agreement for that period
- Payments under the power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI calculation
- Confirm the appraiser did not include value of the solar panels in the appraised value
- Value of the solar panels must not be included in the LTV/CLTV even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority
 - A “precautionary” UCC filing is one that lessors may file to put third parties on notice of their claimed ownership interest in the property described within the filing and is allowed when meeting all of the following:
 - The only property described in the UCC filing as collateral is the solar equipment covered by the lease or power purchase agreement and not the underlying land
 - Loan is underwritten in accordance with “Leased or Covered by a Power Purchase Agreement” section of the guidelines
- The lease or power purchase agreement must indicate the following:
 - Any damage that occurs as a result of installation, malfunction, manufacturing defect or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (such as sound and watertight conditions that are architecturally consistent with the home)
 - The owner of the solar panels must agree not to be named as insured and/or loss payee on the property owner’s property insurance policy covering the residential structure on which the panels are attached.
 - Acceptable alternative documentation is a current copy of the property owner’s property insurance policy verifying the owner of the solar panels is not currently named as the insured or loss payee.
- In the event of a foreclosure, the lender or assignee has the right to:
 - Terminate the lease/agreement and require the third-party to remove the equipment, or
 - Transfer, without payment of any transfer or similar fee, the beneficiary of the borrower’s lease/agreement with the third party, or
 - Enter into a new lease/agreement with the third party under terms no less favorable than the prior owner
 - NOTE: If the required verbiage above is not present in the original lease/agreement a fully executed addendum to the lease/agreement identifying the requirements is acceptable
- If a UCC filing is on record and will remain, the solar title endorsement is required

2.3 INELIGIBLE PROPERTY TYPES

- A-Frame Homes
- Agricultural properties, including farms, ranches, and orchards

- Properties zoned agricultural/residential are eligible as long as not being used as agricultural
- Assisted living facilities with medical services or other types of assisted care facilities
- Barndominiums
- Boarding House or Bed & Breakfast
- Commercial Properties
- Condominium hotels (condotels)
- Container Homes
- Co-op/Timeshare Hotels
- Cooperative Share
- Deed Restricted Properties (DSCR only)
- Dome or Geodesic Homes
- Fractional Ownership
- Hawaii properties located in lava zones 1 and/or 2
- Homes on Native American Land (Reservations)
- Hotel or motel conversions (or conversions of other similar transient properties)
- Houseboats
- Log homes
- Manufactured or Mobile Homes
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy regardless of location
- Properties offering individual room leases such as Single Room Occupancy (SRO), PadSplit, etc.
- Properties with zoning violations
- Stilt homes which are defined as dwellings constructed on elevated platforms built above the ground or water. The foundation typically consists of series of columns or long pillars made up brick, stone, wood, or steel that support the weight of the home.
- Vacant land or land development properties

2.4 PROPERTY LIMITATIONS

- Log façade homes considered with like comparables and upper management review

2.5 ACREAGE LIMITATIONS

- Maximum 25 acres
- Truncating not allowed

2.6 PROPERTY FLIPPING – HPML APPRAISAL RULE

- On all HPML transactions, obtaining an additional appraisal by a separate appraiser is required if:
 - The seller acquired the property 90 or fewer days prior to the date of the consumer's agreement to acquire the property and the price in the consumer's agreement exceeds the seller's acquisition price by more than 10 percent; or
 - The seller acquired the property 91 to 180 days prior to the date of the consumer's agreement to acquire the property and the price in the consumer's agreement exceeds the seller's acquisition price by more than 20 percent

For properties purchased by the seller that meet the above, the second appraisal must be provided to the borrower in accordance with HPML requirements.

- Second appraisal must be dated prior to the closing date
- Property seller on the purchase contract must be the owner of record
- Increases in value should be documented with commentary from the appraiser and recent comparable sales
- Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) may be required by the underwriter if the appraisal is deemed deficient
- The borrower cannot be charged for the cost of the additional appraisal

2.7 TITLE VESTING & OWNERSHIP

2.7.1 OWNER OCCUPIED & SECOND HOME

Ownership must be fee simple, except as noted in the [LEASEHOLD PROPERTIES](#) section.

On a refinance, at time of application, both the application and the preliminary title report must reflect at least one of either the borrower(s) or entity that plans to take title at closing. If a new spouse is being added, it can be done at the time of closing.

If the property is vested in the name of the entity (Corporation, LLC, or Partnership), the borrower must be 100% owner of the entity if vesting is changing to borrower's name through the loan transaction. Only investment property loans can be vested in a Corporation or LLC. Not available for leasehold condominiums.

Acceptable Forms of Vesting

- Individuals
- Inter-Vivos Revocable Trust
- Joint tenants
- Tenants in common

Land trusts and IRAs are not eligible.

2.7.2 INVESTMENT PROPERTIES

Ownership must be fee simple, except as noted in the [LEASEHOLD PROPERTIES](#) section.

On a refinance, at time of application, both the application and the preliminary title report must reflect at least one of either the borrower(s) or entity which plans to take title at closing. If a new spouse is being added, it can be done at the time of closing.

If the property is vested in the name of the entity (LLC, Corporation or Partnership), borrower must be 100% owner of the entity if vesting is changing to borrower's name through the loan transaction. Borrower and spouse with combined 100% ownership are eligible.

Acceptable Forms of Vesting

- Individuals
- Inter Vivos Revocable Trust
- Joint tenants
- Tenants in common

2.7.3 LIMITED LIABILITY COMPANY, PARTNERSHIP, CORPORATION

LLCs, Partnerships, Corporations, and S Corporations collectively referred to as an Entity.

Requirements for Vesting In an Entity

- Purpose and activities are limited to ownership and management of real property
- Layered Entities are not permitted
- Non-TRID Business Purpose Loans only
- Entity must be domiciled in the United States
- Any business structure is limited to a maximum of 4 owners or members
- All members, partners, or shareholders of the Entity, as the case may be, (each, a “Member,” and up to a maximum of 4 members per Entity) must provide personal guarantees of the obligations of the Entity in a form satisfactory to LSM
 - Personal guarantee requirement may be waived for member(s) representing aggregate ownership of 15% or less
- Personal guarantor(s) must:
 - Have authority to execute loan documents on behalf of the entity
- All borrower member(s) must be physically present at signing/closing. Power of Attorney (POA) is not allowed.
- Each Entity Member providing a personal guarantee must complete a credit application indicating clearly that such document is being provided in the capacity of guarantor
- The application of each Member and such person’s credit score and creditworthiness will also be used to determine qualification. The decision score of the member with the highest percentage of ownership is used. If all members have equal share of ownership, the lowest decision score among the members is used. All members must have a minimum credit score of 600.
- No brokers or lenders shall suggest or encourage the formation of an Entity for the purpose of obtaining a mortgage loan. Such structures shall be initiated and arranged by the Members of the Entity
- All Member(s)/Officer(s) of the Entity must receive notice of the loan and acknowledge its terms prior to closing including members who are not providing a personal guarantee
- **The following entity documentation must be provided:**
 - **Corporation**
 - Certificate/Articles of Incorporation (filed)
 - Bylaws
 - Evidence of active/good standing for the state in which the entity was formed
 - Tax Identification Number
 - Borrowing Resolution/Corporate Resolution granting authority of signer to enter the loan obligation
 - **Limited Liability Company (LLC)**
 - Entity Articles of Organization, Partnership, and Operating Agreements, if any
 - Evidence of active/good standing for the state in which the entity was formed
 - Tax Identification Number
 - Certificate of Authorization for the person executing all documents on behalf of the Entity
 - **Partnership**
 - Partnership Agreement
 - Partnership Certificate, if filed
 - Evidence of active/good standing for the state in which the entity was formed
 - Tax Identification Number
 - Limited partner consents (where required by partnership agreement)
- **Documents must be completed and signed as follows:**

- **Loan Application (1003)**
 - Completed for each Individual
 - Section labeled “Title will be held in what Name(s)” should be completed with only the Corporation/LLC/Partnership name.
 - Signed by Individuals
- **Disclosures (GFE, TIL, Notice of Intent to Proceed, Servicing Disclosure, etc.)**
 - Completed and signed by Individual(s)
- **HUD-1**
 - Completed and signed by Individual(s) Other Closing Documents (Final TIL, Borrower Certification of Business Purpose, etc.)
 - Completed and signed by Authorized Member(s)
- **Personal Guarantee**
 - Completed and signed by Individual(s)
- **Signed (at least) by Authorized Signer for the Entity who must also be a personal guarantor**
 - Note, Deed of Trust/Mortgage, and all Riders

2.7.4 EXAMPLES – SIGNATURE REQUIREMENTS

[Authorized Signatory] may be replaced by other label as specified in the Member Consent (e.g., Managing Member, Member, etc.).

Sample 1

Borrower: JJ Investors, LLC and James Johnson
Single Member of LLC: James Johnson

Note, Security Instrument & all Riders:

Signature Block

JJ INVESTORS, LLC a [_____] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

Sample 2

Borrower: JJ Investors, LLC, James Johnson, and Jane Nelson 2
Members of LLC: James Johnson and Jane Nelson
Both Members are Authorized Signatories of LLC

Note, Security Instrument & all Riders:

Signature Block

JJ INVESTORS, LLC a [_____] limited liability company

James Johnson,

By: James Johnson

Title: [Authorized Signatory]

and

JJ INVESTORS, LLC a [] limited liability company

Jane Nelson

By: Jane Nelson

Title: [Authorized Signatory]

2.7.5 INTER VIVOS REVOCABLE TRUST

An Inter Vivos revocable trust is permitted when the trust has an ownership interest in the subject property for all transaction types. The following requirements should be followed. Not all requirements may be addressed here; Fannie Mae requirements should be followed where these guides are silent.

The trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. The trust must become effective during the lifetime of the person establishing the trust. 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.

The trustee must include either:

- The individual establishing the trust (or at least one of the individuals, if 2 or more); or
- An institutional trustee that customarily performs trust functions in and is authorized to act as trustee under the laws of the applicable state.

The trustee must have the power to hold the title and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage.

The following documentation is required:

- The trust was validly created and is duly existing under applicable law
- Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all the following:
 - The trust is revocable,
 - The borrower is the settler of the trust and the beneficiary of the trust,
 - The trust assets may be used as collateral for a loan,
 - The trustee is:
 - Duly qualified under applicable law to serve as trustee,
 - The borrower,
 - The settler,
 - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets

In lieu of the above, a complete copy of the trust documents certified by the borrower to be accurate, or a copy of the abstract or summary for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents instead of the trust agreements can be provided in the loan file. The Attorney needs to also verify that the trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect.

If the property is located in the following states, a trust certification is acceptable (The below does not represent the LSM approved states list. Please Refer to [LSM Licensed States](#) list):

Alabama	Arizona	Arkansas	California	Washington
Delaware	District of Columbia	Idaho	Iowa	Wyoming
Kansas	Maine	Michigan	Minnesota	
Missouri	Nebraska	Nevada	New Hampshire	
New Mexico	North Carolina	Ohio	Oregon	
Pennsylvania	South Carolina	South Dakota	Tennessee	
Texas	Utah	Vermont	Virginia	

2.8 LEASEHOLD PROPERTIES

In areas where leasehold properties are commonly accepted and documented via the Appraisal, loans secured by leasehold properties are eligible. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold properties and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender's title policy. Leasehold not available on condominiums.

Leaseholds must meet all Fannie Mae eligibility requirements (i.e. the term of the lease).

2.8.1 RESTRICTIONS

- SFR only
- Not allowed on Indian Leased Land

2.9 TEXAS TRANSACTIONS

2.9.1 OWNER OCCUPIED

Texas Purchase Loan

- Power of Attorney is not permitted
- All transactions must require a valid survey

Rate/Term Loan

Defined as the borrower receiving no cash in hand at closing – All brokers/MLOs eligible to originate rate/term transactions provided the loan meets standard eligibility criteria, all the necessary disclosures are provided to the borrower(s), existing loans meet the seasoning requirements, and recession time-periods are followed per the Texas Constitution.

Texas Equity 50(a)(6) Loan

Texas law determines whether or not a loan is a Texas Section 50(a)(6) loan.

- Loan may not close until 12 days after the latter of:
 - The date the borrower signs a loan application, and
 - The date the customer signs the "Notice Concerning Extension of Credit"
- The Borrower must be given a complete and accurate copy of the final HUD-1/HUD-1A or Closing Disclosure (CD) no later than one business day prior to loan closing; borrowers must sign Borrower's Certification of Receipt of Settlement Statement and the Accuracy Thereof at closing
- Both spouses must execute the mortgage; however, both spouses are not required to be parties to the Promissory Note (all individuals on title and their spouses must sign all Texas Cash out Documents)

- Borrowers must be given a copy of all documents signed at closing and sign the Texas Home Equity Receipt of Copies; the documents may not contain blank spaces
- All loans must contain a Texas Home Equity Loan Closing Instructions Addendum
- Loan must be closed by an attorney or Title Company or the Lender's office; closings by mail or phone are not permitted
- The following forms must be executed and included in the final funding package:
 - Texas Home Equity Affidavit Agreement
 - Texas Home Equity Discount Point Acknowledgment, if applicable
 - Federal Notice of Right to Rescind
 - In addition to the borrower, the lender must sign the Acknowledgment of Fair Market Value of Homestead Property at closing with an appraisal attached to the Acknowledgment
 - Rural Homestead Affidavit, if the property is more than 10 acres
 - Notice of No Oral Agreements signed by lender and borrower
 - Texas Home Equity Receipt of Document Copies
 - Signed Affidavit Confirming Borrower Receipt of Final Itemized Disclosure of Fees
- Use the following forms at closing:
 - Texas Home Equity Security Instrument
 - Texas Home Equity Note
 - Texas Home Equity Condo Rider, if applicable
 - Texas Home Equity PUD Rider, if applicable
- Title Policy must include T42 and T42.1
- Borrowers are legally permitted to obtain a Texas Cash Out Home Equity Loan **one time per year**, but 20% equity must always remain. 80% max LTV
- The Texas Constitution only regulates cash out home equity loan on a primary residence where there is a declared homestead as shown on title (these rules **do not apply** to 2nd homes or investment property)

Reduced Fee Limitations: The Texas State Legislature has revised the Texas Home Equity Law. The Texas Constitution has reduced the fee limitation from 3% of the original principal amount of the loan to 2%, but exclude from the calculation of fees for an appraisal performed by a third party appraiser, fees incurred for a property survey performed by a state registered or licensed surveyor, and fees incurred for a state base premium for a loan policy of title insurance with endorsements established in accordance with state law or fees incurred for a title examination report if that cost is less than the state base premium for a loan policy of title insurance without endorsements established in accordance with state law. Refer to amended section 153.5 of Texas 50(a)(6) regulations.

Non-Texas Section 50(a)(6) Loan

A seasoned Texas Section 50(a)(6) loan can be refinanced into a non-Texas Section 50(a)(6) loan if certain conditions are met. A Non-Texas Section 50(a)(6) loan is eligible for purchase provided the loan meets standard eligibility criteria and the requirements of the Texas Constitution, including:

- The refinanced loan is created at least one year after the initial Texas Equity 50(a)(6) loan was closed;
- The loan amount only covers the actual cost of the refinancing, and does not provide the borrower with additional funds;
- The LTV/CLTV does not exceed 80 percent of the fair market value;
- The lender provides the borrower with certain disclosures within 3 business days of application and 12 or more days before the loan is closed; and
- An affidavit that conforms to Section 50(f-1) Article XVI of the Texas Constitution must be prepared and recorded

2.9.2 SECOND HOME, INVESTMENT & BUSINESS PURPOSE NON-TRID LOANS

The Texas Constitution only regulates cash-out home equity loans on a primary residence; the above rules do not apply to investment property.

2.10 LIMITATIONS ON FINANCED PROPERTIES/CONCENTRATED RISK

2.10.1 OWNER OCCUPIED & SECOND HOME

- LSM allows up to 20 financed properties including the subject property. All properties should be covered and included in the DTI calculations (commercial real estate excluded from DTI calculations)
- LSM's exposure to a single borrower shall not exceed \$5,000,000 (not to exceed \$10,000,000 in high-cost areas) in current UPB or six (6) properties
- All financed properties, other than the subject property, require an additional two (2) months PITIA in reserves for each property. Reserves are based upon the PITIA of the subject property (ITIA for interest-only loans)
 - Total reserve requirement is not to exceed twelve (12) months
 - Not applicable to DSCR loans
- Refer to LSM reserve matrix for additional reserve requirements

2.10.2 INVESTMENT & BUSINESS PURPOSE NON-TRID LOANS

- No limit to the number of financed properties per borrower
- LSM's exposure to a single borrower shall not exceed \$5,000,000 (not to exceed \$10,000,000 in high-cost areas) in current UPB or six (6) properties
- All financed properties, other than the subject property, require an additional two (2) months PITIA in reserves for each property
 - Reserves are based upon the PITIA of the subject property (ITIA for interest-only loans)
 - Total reserve requirement is not to exceed twelve (12) months
 - Not applicable to DSCR loans
 - Refer to reserves on LSM matrix for additional reserve requirements

2.10.3 CONCENTRATED RISK

Further scrutiny is warranted whenever a single borrower or entity is financing three (3) or more investment properties in the same area i.e., development, tract or neighborhood. Form 1007 Single Family Comparable Rent Schedule to support each property has a minimum 1.00 DSCR to be provided. Executed lease agreements, additional assets, and/or additional documentation may be required. Maximum LTV is 70%.

2.11 DISASTER AREAS

The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site at <https://www.fema.gov/disaster/declarations>. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed. Where this guidance is silent, please refer to the OCMBC (LoanStream) Disaster Area Policy.

Guidelines for disaster areas should be followed for 90 days after the disaster period end date as published by FEMA.

2.11.1 APPRAISALS COMPLETED ON OR BEFORE INCIDENT PERIOD END DATE

A final exterior inspection of the subject property is required.

- The appraiser should indicate if the subject property is in the same condition as the original date of appraisal, is free from any damage and the marketability and value remain the same
- Inspection report must include photographs of the subject property and street view
- Any damage must be repaired and re-inspected prior to closing

2.11.2 APPRAISALS COMPLETED AFTER INCIDENT PERIOD END DATE

- Appraiser must indicate the property was not impacted by the disaster and certify that there has been no change in housing values in the immediate area

2.12 CONDOMINIUMS

All projects deemed Warrantable must meet the appropriate standards set in Fannie Mae B4-2.1 General Information on Project Standards, and all applicable subpoints (except for LoanStream's warrantable overlays below). Any projects not deemed Fannie Mae Warrantable can be considered under LoanStream Mortgage's Non-Warrantable projects.

2.12.1 INELIGIBLE PROJECTS

- Assisted living facilities or any project where unit owners contract in advance for a lifetime commitment from the facility to care for them regardless of future health or housing needs
- Common-interest Apartment
 - Project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building
 - The project or building is often owned by several owners as tenants in common or by a homeowners' association
- Condo Conversion completed less than two years
- Condominium hotel (condotel)
 - Condominium project in which any unit owner or the homeowner's association is a party to a revenue-sharing agreement with either the developer or another third-party entity
 - Condominium project where the unit is not the lessee's residence
 - Project that is managed and operated as a hotel or motel, even though the units are individually owned
 - Project with the names that include the words "hotel," "motel," "resort," or "lodge"
 - A project that includes registration services and offers rentals of units on a daily, weekly, or monthly basis
- Hotel or motel conversions regardless of length of time since conversion
- Fragmented or segmented ownership
 - Ownership is limited to a specific period on a recurring basis i.e. timeshare
- Houseboat project
- Manufactured Home project
- Multi-family units where single deed has ownership of more than one or all of the units
- Non-conforming zoning (cannot be rebuilt to current density)
- Project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, or habitability

- Project in which a single entity owns more than 25% of the total number of units; for projects that have 5-19 units, one owner is allowed to own two units
- Project that is not well maintained or in poor physical or financial condition
 - Excessive special assessments, low reserves, neglected repairs
- Project that is subject to the rules and regulations of the U.S. Securities Exchange Commission
- Project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association
- Project units sold with excessive seller contributions that may affect the value of the subject property
- Project with adverse environmental issue(s) involving safety, soundness, or habitability
- Project where more than 50% of total square footage in the project, or in the building that the project is located in, is used for non-residential purposes
- Project where the developer (or its affiliates) owns the common and/or limited elements and leases the elements back to the HOA
- Timeshare or project that restricts the owner's ability to occupy the unit

2.12.2 GENERAL PROJECT CRITERIA

Project Reviews

- Follow Fannie Mae guidelines

Comparable Property Selection

- When the appraisal(s) use one or more comparable sales of units conveyed from the condo developer to private parties (or entities not controlled by the developer) then the appraiser must include additional comparables from competing condominium projects AND any unit owner resales of comparable units in the subject property project
- When the appraisal(s) use only sales reflecting unit owner resales of comparable units in the subject property then all sales comparables may come from the subject property project

Two to Four Unit Condo

- Projects will not require a project review provided the following are met:
 - The project is not a Condotel, houseboat, or timeshare or segmented ownership project
 - The priority of common expense assessments applies. The maximum number of months of common expense assessments allowed is 12 as shown in the condo cert or the CC&Rs
 - The standard insurance requirements apply
- Project has been created and exists in full compliance with applicable local jurisdiction, State and all other applicable laws and regulations
- Project meets all Fannie Mae Insurance requirements for property liability and fidelity coverage
- Borrower must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit unless "walls in" coverage with betterments and improvements is included in the Master Insurance policy
- Underwriter to confirm Project documents do not give a unit owner or any other party priority over the rights of the 1st mortgagee

Condos in Florida

- For loans secured by a condominium unit in the state of Florida, if the project is three (3) stories or more in height and is over 30 years old (or 25 if within 3 miles of the coast), a structural inspection is required per Florida statute 533.889
 - For projects not in compliance with this statute, financing is not eligible
- High Rise Condos must adhere to the following additional overlays:
 - Sales comparables from within the neighborhood must support and reflect the same positive and negative location characteristics
 - High Rise projects are only eligible with one of the following:
 - Existing Fannie Mae PERS or HUD Review Approval Process (HRAP) full project approval OR
 - Internal approval subject to project meeting Full Condo Review standards (Full Review HOA Cert, Budget/Balance Sheet, CC&Rs required at all LTVs.)
- **Lender reserves the right to limit LTVs on condos in Florida when market conditions warrant (see Matrix)**

Site Condos

- Site Condos meeting the FNMA definition are eligible (and follow guides as a single family dwelling)
- Condo reviews are waived (appraisal needs to support single family residence)

Single Owner/ Investor Entity Concentration

- Maximum of 25% of project owned by any Single Owner / Investor Entity
- Maximum of 2 units owned by any Single Owner / Investor Entity if the project has fewer than 10 units

New Projects

A Project is considered New if any of the following apply: project is not fully completed or is subject to additional phasing or annexation, Fewer than 90 percent of the total number of units in the project have been conveyed to owners other than the developer, or control of the homeowner's association has not been turned over to the unit owners.

Projects that have a Fannie Mae PERS approval (or show as Fannie Mae approved in CPM) for the subject property Building, Phase or Unit can close per matrix recommendations and can be priced as "Warrantable".

Projects that do not show as Fannie Mae approved in CPM but are at least 50% sold/closed, but not yet 90% sold/closed (established) can be closed under the following "Non-Warrantable" terms:

- Up to 70% max LTV if ALL Amenities and ALL buildings/phases are 100% completed (except for buyer preference items)
- Up to 60% max LTV if ALL Amenities and Subject Property phase is 100% completed (except for buyer preference items)

All units closed under this policy must have an unconditional Certificate of Occupancy (or local equivalent)

NEW CONDOMINIUM PROJECTS THAT MEET ALL THE FOLLOWING REQUIREMENTS ARE ELIGIBLE.

- **Assessments:** Developer must be responsible for assessments on unsold units built but not yet closed
- **Budget:** A minimum of 10% of the association's annual budget must provide for funding of replacement reserves for capital expenditures and deferred maintenance
 - Budget must reflect adequate funding for insurance deductible

- **Commercial Space** of up to 35% of building space is allowed when pre-sale exceeds 70%, otherwise limited to 25%; Commercial entity cannot control HOA
- **Delinquent Assessments:** Delinquent assessments greater than 60 days cannot exceed 15% of the total number of units
- **Occupancy:** A minimum of 50% of the total number of units in the project are conveyed or under contract to purchaser other than developer or successor as Primary or second home OR a minimum of 50% of the units in subject phase plus all prior legal phases must have been conveyed or under contract as Primary or Second Home
- **Subject Legal Phase** and any prior legal phases where units have been offered for sale are substantially complete, meaning that a certificate of occupancy or its equivalent has been issued and all units in the subject unit building are complete

Required Documentation for New Project Approval

- Completed Condo Project Questionnaire and Developer/Builder Questionnaire, or similar
- Current Annual Budget
- Current Balance sheet (dated within the last 60 days)
- Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines
- Project legal documents: Declarations, Bylaws and any Amendments

Established Projects

Established Projects, as defined by Fannie Mae, which meet all the following requirements are eligible for purchase.

- **OCCUPANCY:**
 - There is no non-owner-occupancy requirement if the subject unit will be Owner Occupied
 - If property will be used as an Investment property, a minimum of 50% of the total number of units (Fannie Mae Warrantable) or 30% of the total number of units (LoanStream Criteria) in the Project must be conveyed to owners who occupy their unit as a Primary Residence or Second Home
 - The Project may not have delinquencies greater than 15%
 - The Project Reserve Fund must represent a minimum of 100% of Project's annual budget and
 - Appraisal must support rental market
 - If project does not meet the above requirements non-owner occupied limited to 49%
- **BUDGET AND RESERVE FUND BALANCE** (A minimum Reserve Fund balance of 30% of annual budget must be in place)
 - A minimum of 10% of the association's annual budget should provide for funding of replacement reserves for capital expenditures and deferred maintenance; if not, a lower percentage of annual income may be considered if the appraisal notes no major repairs and Reserve Fund balance supports a lower allocation as follows:
 - 7% to 9.99% requires a Reserve Fund balance of 50% of annual budget
 - 5% to 6.99% requires a Reserve Fund balance of 75% of annual budget
 - 3% to 4.99% requires a Reserve Fund balance of 100% of annual budget. Refer to the non-warrantable section in regard to the 3% exception
- **DELINQUENT ASSESSMENTS**
 - Delinquent assessments greater than 60 days may not exceed 15% of the total number of units in the project
 - 60-day delinquency up to 20% may be allowed as non-warrantable if HOA Reserve Fund represents 120% of its annual budgeted income

- Commercial space limited to 50% of building space
 - Commercial entity cannot control HOA

Required Documentation for Established Full Project Approval (> 90% LTV Primary and > 75% LTV NOO & Second Home) Established Project Certification:

- Current Annual Budget
- Current Balance sheet (dated within the last 60 days)
- Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines

Required Documentation for Established Limited Project Approval (≤ 90% LTV Primary and ≤ 75% LTV NOO & Second Home):

- Established Project Certification
- Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines

NOTE: Limited Review HOA Certifications that identify special assessments for property repairs, budget issues or litigation on property defects or structural repair items will require full project approval documentation

2.12.3 NON-WARRANTABLE CONDOMINIUM PROJECTS

Refer to [the applicable NonQM Matrix](#) for Max LTV/CLTV, Max Loan Amounts, FICO, LTVs, and other restrictions.

- **Commercial Space** up to 50% (see restrictions on new projects)
- **Investor Concentration** up to 50% in an Established project
- **Reserve Requirements** down to below 3% in an established Project (Refer to restrictions under [Established Projects](#))
- The following are examples of what could be considered also non-warrantable:
 - If CPM shows project as “Unavailable”
 - If project has not been pre-approved by FNMA
 - If project is only approved by FHA (HUD) or VA
- NOTE: Stacking of risk is not allowed (Only 1 Non-Warrantable factor per project)

2.12.4 CONDO DESK ESCALATIONS

For Condo projects being referred by Underwriter, to LSM main condo desk or LSM outside due diligence partner:

- Project ID must be requested prior to upload of Project Documents (email NanQcondoreview@lsmortgage.com)
- The subject line should state **Condo Project ID Request**
- In the body of the email, the lender should provide the following information:
 - Project Name
 - Project Address
 - Review Type Full Established or New Construction
 - Total Number of Units
 - LSM Loan Number (if any)

Once received, the condo review team will respond with instructions on how to upload your condo review our portal.

- Please upload the required documents (any amendments, supplements, etc. to the project legal documents) using the naming convention: **PROJECT ID#_Condo_Questionnaire**

SECTION 3.0. TRANSACTION TYPES

3.1 ELIGIBLE TRANSACTIONS

3.1.1 PURCHASE

- Proceeds from the transaction are used to finance the acquisition of the subject property
- LTV/CLTV based upon the lessor of the sales price or appraised value

3.1.2 RATE/TERM REFINANCE

- Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property
- Any subordinate loan not used in the acquisition of the subject property provided one of the following apply:
 - Closed end loan, at least 12 months of seasoning has occurred
 - HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than \$2,000
- Buying out a co-owner pursuant to an agreement
 - Property must have been owned by current owners for the last 6 months. No recent changes in property or entity (LLC, Partnership or Corporation) ownership allowed
- Paying off an installment land contract executed more than 12 months from the loan application date
- Cash back in an amount not to exceed the lesser of 2% of the new loan amount or \$5,000 can be included in the transaction
- LTV/CLTV based upon the appraised value

3.1.3 CASH-OUT – OWNER OCCUPIED & SECOND HOME

- A refinance that does not meet the definition of a rate/term transaction
- Meets ownership seasoning requirements of ≥ 6 months
- Prior cash-out transactions over 6 months seasoning are allowed
- If the property was owned prior to closing by a Limited Liability Corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted toward meeting the borrower's six (6) month ownership requirement in order to close, ownership must be transferred out of the LLC and into the name of the individual borrower(s)]
- Free and clear properties must verify housing for six (6) months with proof ITIA has been paid on time by borrower
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash out
- All cash-out transactions must be of benefit to the borrower
- Net Cash-Out (Cash-In-Hand) proceeds can be used for required reserves
- Power of Attorney (POA) is not allowed

- Loans not eligible for cash-out:
 - Properties listed for sale in the past six (6) months
 - A prior cash out transaction in the past six (6) months (except for the below exception)
 - A draw on a HELOC in the past 6 months will not be considered cash out for the 6 month seasoning requirement
 - Eligible only for 24 Months full doc transactions, with a max DTI of 43% with borrower's reserves of at least six (6) months PITIA (cash out cannot be used as reserves); enhanced appraisal review required
- Refer to [the applicable NonQM Matrix](#) for cash-out limits and other restrictions

Cash-Out Seasoning

Defined as the difference between the Note date of the new loan and prior financing Note date. In lieu of having the Note, the date may be based on when the loan was recorded. If the loan meets seasoning requirements the appraised value will be used to calculate the qualifying LTV/CLTV.

- Seasoning is waived when borrower documents ownership of the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership)
- Properties must be owned for at least six (6) months to be eligible for cash-out programs
- Cash-out transactions with less than 6 months seasoning are allowed when meeting all the following requirements:
 - All borrowers on the original Note at acquisition must be on the current Note
 - Additional borrowers may not be added for qualifying
 - LTV is determined by the lesser of the purchase price plus documents improvements or current appraised value
- An additional occupying borrower may be added under the following circumstances:
 - At least one occupying borrower already on title over six (6) months remains on title and on the new loan transaction
 - The added borrower has been occupying the property for six (6) or more months
- Sole occupying borrower may be added and qualified as the sole borrower under the following circumstances:
 - Verification of occupancy for six (6) or more months, and
 - Verification the borrower has made the mortgage payments directly to the mortgage company (must cover the time on title, minimum of six (6) months, maximum per program guidelines)
 - If the home is free & clear, verification the borrower has paid the property taxes directly to the taxing authority is required
 - Must cover the time on title, minimum of six (6) months, maximum per program guidelines
 - If no taxes were due/paid within the prior six (6) months, the loan is ineligible
 - Taxes cannot be paid within 30 days prior to the application date
 - There cannot be any outstanding delinquent taxes

3.1.4 CASH-OUT – INVESTMENT & BUSINESS PURPOSE NON-TRID

- A refinance that does not meet the definition of a rate/term transaction
- A mortgage secured by a property owned free and clear is considered cash-out
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash out
- If the property was owned prior to closing by a Limited Liability Corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted toward meeting the borrower's

six (6) month ownership requirement. In order to close, ownership must be transferred out of the LLC and into the name of the individual borrower(s)

- The borrower(s) must indicate the purpose of the cash-out proceeds. Cash-out proceeds must be for business purposes.
- Net Cash-Out (Cash-In-Hand) proceeds can be used for required reserves
- Power of Attorney (POA) is not allowed
- Loans not eligible for cash-out:
 - Properties listed for sale in the past six months unless requirements in section 1.19 meet (required pre-payment penalty)
 - A prior cash-out transaction in the past six months (except for the below exception)
 - A draw on a HELOC in the past 6 months will be considered cash out for this 6 month seasoning requirement
 - Eligible only for 24 Months full doc transactions, with a max DTI of 43% with borrower's reserves of at least 6 Months PITIA (cash out cannot be used as reserves); enhanced appraisal review required
- Refer to [the applicable NonQM Matrix](#) for cash-out limits

Cash-Out Seasoning

Defined as the difference between the Note date of the new loan and prior financing Note date. In lieu of having the Note, the date may be based on when the loan was recorded. If the seasoning requirements are met the appraised value will be used to calculate the qualifying LTV/CLTV.

- Properties must be owned for over six (6) months to be eligible for Cash-Out loan programs
- Seasoning is waived when borrower documents ownership of the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership)
- Cash-out transactions with less than six (6) months seasoning are allowed when meeting all the following requirements:
 - All borrowers on the original Note at acquisition must be on the current Note
 - Additional borrowers may not be added for qualifying
 - LTV is determined by the lesser of the purchase price plus documents improvements or current appraised value
- Additional borrower(s) may be added under the following circumstances:
 - At least one borrower already on title over 6 months, remains on title, and on the new loan transaction

3.1.5 DEBT CONSOLIDATION PROGRAM - OWNER OCCUPIED

A cash-out transaction meeting the below requirements follows the Rate/Term LTVs on [the applicable NonQM Matrix](#).

- Mortgage and non-mortgage debts (including delinquent taxes) are paid off and total monthly revolving and installment debt payments are lowered by at least 10%
- Closing costs are recouped within 60 months
- Cash in hand may not exceed \$5,000 or 2% of the loan balance, whichever is lower
- The closing documents must reflect the paid off debts
- Reserves reduced to 1 month PITIA when all above requirements are met

Investment & Business Purpose Non-TRID Loans Ineligible

3.1.6 DELAYED FINANCING-OWNER OCCUPIED & SECOND HOME

Borrowers who purchased the subject property within the last six (6) months (measured from the date purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all the following requirements are met (Refer to [FNMA B2.1.3.03 DELAYED FINANCING EXCEPTION](#)).

Requirements for Delayed Financing

- The Original Purchase Transaction was an arm's-length transaction
- Borrower(s) must meet Fannie Mae's borrower eligibility requirements as described in [B.2.2.01 GENERAL BORROWER ELIIBILITY REQUIREMENTS](#) of the FNMA Seller Guide
- The original purchase transaction is documented by a settlement statement, which confirms no mortgage financing was used to obtain the subject property (a recorded Trustee's Deed or similar alternative confirming the amount paid by the Grantee to the Trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at the time of sale)
 - Preliminary title search or report must confirm there are no existing liens on the subject property
- Sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or HELOC on another property)
- If source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds are used to pay off or pay down, as applicable, the loan used to purchase the property
 - Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculations for the refinance transaction
 - Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan
- The new loan amount cannot be more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage (subject to the maximum LTV/CLTV/HCLTV ratios for the cash-out transaction based on the current appraised value)
- All other cash-out refinance eligibility requirements are met (cash-out pricing is applicable; Refer to [the applicable NonQM Matrix](#) for cash in hand restrictions)
- Delayed Financing NOT available for Foreign National borrowers and Foreign National loan programs

3.1.7 DELAYED FINANCING - INVESTMENT & BUSINESS PURPOSE NON-TRID LOANS

Borrowers who purchased the subject property within the last six (6) months (measured from the date on which purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the following requirements are met. (Refer to FNMA B2-1.3-03 Delayed Financing Exception.)

Requirements for Delayed Financing

- The Original Purchase Transaction was an arm's-length transaction
- For this refinance transaction, the borrower(s) must meet Fannie Mae's borrower eligibility requirements as described in B2-2-01, GENERAL BORROWER ELIGIBILITY REQUIREMENTS of the FNMA seller guide
- The original purchase transaction is documented by a settle statement, which confirms that no mortgage financing was used to obtain the subject property

A recorded trustee's deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale

The Preliminary title search or report must confirm that there are no existing liens on the subject property

- The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property)
- If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property
 - Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction
 - Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan
- The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the current appraised value)
- All other cash-out refinance eligibility requirements are met. Cash-out pricing is applicable. Refer to [the applicable NonQM Matrix](#) for cash in hand restrictions
- Business Purpose Non-TRID (DSCR) Loans only - Properties unleased/vacant for greater than three (3) months must follow Unleased Property LTV/CLTV Restrictions and Cash in Hand Limit for Vacant Properties. Refer to [the applicable NonQM Matrix](#).
- Delayed Financing NOT available for Foreign National borrowers and Foreign National loan programs

3.1.8 HEMP FARMING ACT OF 2018

The Hemp Farming Act of 2018 was passed on December 20, 2018 and enacted into law. The law has removed hemp (defined as cannabis with less than 0.3% THC) from schedule 1 controlled substances and makes it an ordinary agricultural commodity.

- The Act has allowed hemp farmers to Refer to USDA and all forms of Government financing for their homes and farms
- The Act has availed hemp farmers and allowed for water rights, federal agricultural grants, and makes the national banking system accessible to farmers and others involved with this industry
- The Act allows for the production of recognized crops, allows for the marketing and sale of the crops, agronomy research, and crop insurance

LoanStream Mortgage will treat any borrowers in hemp production, marketing, and employment that meets federal requirements as eligible for all loan products.

Cannabis/Marijuana businesses are ineligible for financing due to federal restrictions.

3.1.9 LEASE WITH OPTION TO BUY – OWNER OCCUPIED & SECOND HOME

Lease with Option to Buy (also called Lease Option or Lease Option to Purchase) is an agreement to lease a property for a specified period of time at an agreed-upon monthly rent payment, in which a portion of the payments, in excess of market rents, is applied toward the down payment. Once the potential buyer has satisfied the terms of the down payment, he/she may execute the option to purchase the property at the sales price agreed upon in the Lease Option to Purchase Agreement.

Lease Option Stipulations

All Lease Option to Purchase transactions require all of the following:

- All parties to the transaction must execute the agreement
- The agreement must disclose the time period of the option to purchase, amount of earnest money deposit/down payment, and the terms of the monthly rental payments
- The terms of the monthly rental payments must include a specific and reasonable amount (dollar amount or percentage) in excess of the monthly rent payments that will be credited toward the down payment via comparison to fair market rents (Single Family Comparable Rent Schedule [Fannie Mae Form 1007](#))
- Proof of the borrower's earnest money for down payment via a deposit (canceled check)
- Copy of canceled checks (front/back) for the monthly rent payment covering the most recent twelve (12) months

Lease Option LTV Calculation

A Lease Option is always a purchase transaction; therefore, is required to issue a Purchase Loan Estimate (LE) and Closing Disclosure (CD) (versus the Refinance version of these disclosures). LoanStream will calculate a Lease Option LTV using the current reconciled market value in lieu of the purchase price.

- The value used for calculating LTV is the lesser of the Purchase Price or Appraised Value if:
 - The borrower's Earnest Money Deposit (EMD) is less than three percent (3%) of the sales price, or
 - The Lease Option Agreement was executed within the last twelve (12) months
- The value for determining the LTV is the current Reconciled Market Value if:
 - The borrower has occupied the subject property for the last twelve (12) months; and
 - The Lease Option Agreement was executed more than twelve (12) months ago; and
 - The borrower has equal to or greater than three percent (3%) of the sales price invested by:
 - EMD/Down Payment, or
 - The borrower provided property improvements with receipts for materials as well as a detailed list of all such improvements and time to complete

Lease Option Restrictions

Lease Option transactions that do not involve an EMD/Down Payment or property improvements including receipt(s) for materials and/or monthly rent in excess of proven market rents are not considered a Lease Option to Purchase and must comply with standard purchase transaction requirements.

Investment & Business Purpose Non-TRID Loans are ineligible.

3.1.10 DEPARTURE RESIDENCE

A departure property is defined as the owner-occupied residence the borrower resided in prior to the purchase of the current owner-occupied residence. Seventy-five percent (75%) of the market rents may be used to offset the PITIA or TIA (if the property is owned free and clear) payment of this property and is determined by form 1007 Market Rent Survey completed by a licensed appraiser. Surplus rents in excess of the PITIA or ITIA payment may be used as income.

One hundred percent (100%) of the rents may be used to offset the PITIA or TIA payment. Surplus rents in excess of the PITIA or TIA may be used as income. Actual rents are documented with both of the following:

- Copy of executed rental agreement; and
- Proof of receipt of security deposit.

Investment & Business Purpose Non-TRID Loans are ineligible.

3.1.11 TEMPORARY BUYDOWNS

Product Eligibility

- 30 year fixed rate only
- Primary residences and second homes eligible
- Purchase transactions only, not permitted on refinances
- Eligible property types are single family residences, 2-4 Units, PUDs and condos
- Seller/builder funded only

Buydown Terms

2:1 and 1:0 temporary buydowns allowed

- 2:1 Buydown:
 - Term of the temporary buydown is 24 months
 - The initial interest rate is temporarily reduced two (2) percent below the note rate for year one (1) and reduced one (1) percent below the note rate for year two (2). The non-reduced note rate applies for years three (3) through thirty (30).
- 1:0 Buydown:
 - Term of the temporary buydown is 12 months
 - The initial interest rate is temporarily reduced one (1) percent below the note rate with the non-reduced note rate applying for years two (2) through thirty (30)

Underwriting Criteria

- Borrowers qualify using the note rate, not the buydown rate
- Reserves are calculated using the note rate, not the buydown rate
- Standard interested party contribution guidelines apply

3.2 NON-ARM'S LENGTH AND INTERESTED PARTY TRANSACTIONS

3.2.1 NON-ARM'S LENGTH TRANSACTION

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with subject property Builder, Developer, or Seller. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales and flip transactions.

When the property seller is a corporation, partnership or any other business entity it must be ensured that the borrower is not an owner of the business entity selling the property.

A non-arm's length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required as well as the payment history pattern (VOM on the Seller's mortgage)

3.2.2 INTERESTED PARTY TRANSACTION

A Conflict-of-Interest Transaction occurs when the borrower has an affiliation or relationship with the Mortgage Broker, Loan Officer, Real Estate Broker or Agent, or any other interested party to the transaction.

In the case of the Mortgage Broker, Loan Officer, or Real Estate Broker/Agent extra due diligence must be exercised. For example the seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property. An examination of the relationship among the Mortgage Broker, Title/Escrow Companies, Appraiser and any other party to the transaction must be closely examined. A Letter of Explanation regarding the relationship between the parties may be required.

3.2.3 ELIGIBLE NON-ARM'S LENGTH AND INTERESTED PARTY TRANSACTIONS

This list of eligible non-arm's length and interested party transactions is for example purposes only and may not include all eligible scenarios. Underwriters must use prudent decision making and close scrutiny when approving loans with these or similar circumstances.

- Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction
 - Commission earned by buyer/borrower may be used for down payment, closing costs, or monthly PITIA reserves
- Seller(s) representing themselves as agent in real estate transaction
- Mortgage Broker/Lender Owner completing their own real estate transaction:
 - Any compensation charged (LPC or BPC will be considered cash out and therefore ineligible) however, a reasonable processing fee may be charged
 - A different LO must have taken the 1003 application
- Employee of mortgage Broker/Lender loan:
 - Any compensation charged (LPC or BPC will be considered cash out) however, a reasonable processing fee may be charged
 - A different LO must have taken the 1003 application
- Renter(s) purchasing from Landlord:
 - 12 months cancelled checks or bank statements to prove timely payments required
 - A private party VOR is not acceptable
 - A VOR obtained from a property management company is acceptable
- Purchase between family members
 - Gift of Equity requires a gift letter, and the equity gift credit is to be shown on the CD
 - Must provide a 12-month mortgage history on existing mortgage securing subject property confirming Family Sale is not a foreclosure bailout
- Employer to employee sales
 - Must provide a 12-month mortgage history on existing mortgage securing subject property confirming the sale is not a foreclosure bailout
 - Full Doc loans only with valid transcripts
 - If borrower was not on job long enough to obtain at least one year of transcripts, loan will only be eligible if VOE is reporting through the Work Number or similar verification service.
 - Family Sales. A family sale is not intended to be a bail out of a family member who has had difficulties making their mortgage payment.
 - Must provide a 12-month mortgage history on existing mortgage securing subject property confirming the sale is not a foreclosure bailout

3.2.4 NON-ARM'S LENGTH AND INTERESTED PARTY RESTRICTIONS

- Borrower to provide cancelled check verifying the earnest money deposit
- Gift of Equity: Maximum LTV/CLTV – Refer to [the applicable NonQM Matrix](#)
- Not available on Select NonQM or Select DSCR
- For Sale by Owner (FSBO) transactions must be carefully scrutinized
- Property trades between buyer and seller not allowed

SECTION 4.0. BORROWER ELIGIBILITY

4.1 INELIGIBLE BORROWERS

- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- Irrevocable Trust
- Land Trust

4.2 NON-OCCUPANT CO-BORROWERS – OWNER OCCUPIED ONLY

- Eligible transactions limited to Purchase and Rate & Term only
- Income of occupying borrower(s) must exceed the subject PITIA
- ITIN borrowers not allowed
- Primary Residence only
- Second Home, Investment & Business Purpose Non-TRID Loans not allowed
- The Non-Occupant Co-borrower cannot be considered the primary wage earner regarding credit

4.3 FIRST TIME HOMEBUYERS

A first time homebuyer (FTHB) is defined as an individual who:

1. Is purchasing a property, and
2. Has not owned or had ownership interest in a residential property (solely or jointly) in the past three (3) years

The following requirements apply to first time homebuyer (FTHB) transactions.

- Primary residences allowed when meeting all the following requirements:
 - 12-month rental history required reflecting 0x30
 - Rental history is not required for borrowers living rent free (Refer to the [Housing History](#) section of this guide for restrictions on borrowers living rent free)
 - Payment shock limited as shown on the table below
- Non-owner occupied investment properties are allowed when meeting all the following requirements:
 - 12-month rental history required reflecting 0x30
 - Borrowers living rent free are ineligible
 - Subject rents are not allowed to be used for qualifying purposes
 - Full income documentation only, Alt income is not allowed
 - Payment shock may not exceed 300% of current housing
 - Refer to **Non-QM Matrix** for LTV, FICO and loan amount restrictions
- Second homes and business purpose non-TRID loans are not allowed
- Payment shock table:

CREDIT SCORE	> 45% DTI	≤ 45% DTI
≥ 700	Payment shock not applicable*	Payment shock not applicable*
≥ 660	300% current housing	Payment shock not applicable*
< 660	Not allowed	300% current housing
*Max 300% payment shock for investment properties		

Payment Shock= (Proposed Housing Payment - Present Housing Payment) ÷ Present Housing Payment x 100

LSM will use prudent judgment in evaluating any payment shock implications and the ability of the Borrower to repay the new mortgage loan. Payment shock exceeding acceptable limits will be reviewed case by case and must be accompanied by a documented history of saving which supports the borrower's ability to handle the increased payment.

4.4 RESIDENCY

Eligible:	• U.S. Citizen • Permanent Resident Alien • Non-Permanent Resident Alien • ITIN Refer to LSM matrix for Program Eligibility
Ineligible:	• Applicants possessing diplomatic immunity • Borrowers from OFAC sanctioned countries • Politically exposed borrowers • US Citizens living abroad • Any borrower prohibited from purchase and ownership of real property in part by state and federal acts and/or statutes enacted by a legislative body • Any parties (company or individual) to transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party list or any other exclusionary list.

Refer to Fannie Mae guidelines for all definitions of eligibility status and the [applicable NonQM Matrix](#) for additional restrictions.

4.4.1 U.S. CITIZEN

Eligible without guideline restrictions.

4.4.2 PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States.

- Acceptable evidence of permanent residency include the following:
 - Alien Registration Receipt Card I-151 (referred to as a green card)
 - Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card)
- Eligible without guideline restrictions

4.4.3 NON-PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States. LoanStream purchases and allows loans to be made to non-U.S. citizens who are lawful permanent or non-permanent residents of the United States under the same terms that are available to U.S. citizens. A non-permanent resident alien must document and prove that they are legally present in the country. They must have a valid social security card/number. Borrowers without a valid social security number are not allowed (Refer to [ITIN Requirement](#) for someone that does not possess an SSN but has a Tax ID Number).

Effective July 1, 2023, Florida Senate Bill 264 *Interests in Foreign Countries* prohibits any person or entity from the People's Republic of China who is not a citizen or lawful permanent resident of the US to purchase or acquire any interest in real property in the state of Florida. The law also prohibits foreign principals which includes any person and/or entity from People's Republic of China, the Russian Federation, the Islamic Republic of Iran, the Democratic People's Republic of Korea, the Republic of Cuba, the Venezuelan regime of Nicolás Maduro, or the Syrian Arab Republic, including any agency of or any other entity of significant control of such foreign country of concern from purchasing real property within 10 miles of a military installation or critical infrastructure.

All nonpermanent resident aliens must provide evidence of a valid, acceptable visa or an Employment Authorization Document (EAD). Depending on the EAD category type, both a valid visa and EAD may be required. A copy of the unexpired visa (refer to expired visa requirements below) or EAD must be included in the loan file. Refer to [Exhibit J](#) for a list of eligible visas and EADs. Any visa or EAD category not listed would generally be ineligible.

All standards for determining stable monthly income, adequate credit history and sufficient liquid assets must be applied in the same manner to each borrower including borrowers who are nonpermanent resident aliens. US credit requirements must be met and are treated the same as a Permanent Resident Alien and U.S. Citizen.

VISA TYPES ALLOWED

All nonpermanent resident aliens must provide evidence of a valid, acceptable visa. A copy of the visa must be included in the loan file evidencing one of the following visa classifications:

- A Series (A-1, A-2, A-3): these visas are given to officials of foreign governments, immediate family members and support staff; only those without diplomatic immunity, as verified on the Visa, are allowed
- E-1 Treaty Trader and E-2 Treaty Investor: this visa is essentially the same as an H-1 or L-1; the title refers to the foreign country's status with the United States
- E-3: these visas are given to Australian nationals employed in a specialty occupation
- G Series (G-1, G-2, G-3, G-4, G-5): these visas are given to employees of international organizations that are located in the United States; some examples include the United Nations, Red Cross, World Bank, UNICEF, and the International Monetary Fund (verification the applicant does not have diplomatic immunity must be obtained from the applicant's employer and/or by the viewing the applicant's passport)
- H-1 Temporary Worker (includes H-1B): this is the most common visa given to foreign citizens who are temporarily working in the United States
- H-4: these visas are given to dependents (spouse and unmarried children under 21 years of age) of a qualified H-1 visa holder; when income is being used to qualify, a current (unexpired) Employment Authorization Document (EAD) issued USCIS is also required
- K-1, K-3: These visas are given to a foreign-citizen fiancé of a US citizen and family members of a foreign-citizen fiancé of a US citizen
- L-1 Series (L-1A, L-1B): Intra-Company Transferee: an L-1 visa is given to professional employees whose company's main office is in a foreign country

- L-2: these visas are given to dependents (spouse and unmarried children under 21 years of age) of a qualified L-1 visa holder; when income is being used to qualify, a current (unexpired) EAD issued by USCIS is also required.
- O-1A: individuals with an extraordinary ability in the sciences, education, business, or athletics (not including the arts, motion pictures or television industry)
- O-1B: individuals with an extraordinary ability in the arts or extraordinary achievement in motion picture or television industry
- O-2: individuals who will accompany an O-1 artist or athlete to assist in a specific event or performance
- P-1A: Visa given to internationally recognized athletes in the US competing in the respective sport
- P-1B: Visa given to internationally recognized artists that perform as members of an entertainment group that has been established for at least one year and internationally recognized
- TN, NAFTA visa: used by Canadian or Mexican citizens for professional or business purposes
- TC, NAFTA visa: used by Canadian citizens for professional or business purposes
- V-1, V-2, V-3: These visas are given to spouses or children of a legal permanent resident who have been waiting for at least 3 years for the approval of a petition for lawful permanent resident status

EMPLOYMENT AUTHORIZATION DOCUMENT (EAD) TYPES ALLOWED

A current (unexpired) EAD issued by USCIS may be provided in lieu of a visa. Refer to [Exhibit J](#) for a list of eligible EADs. Any EAD category not listed would generally be ineligible. If the EAD expired within six (6) months, one of the following must also be provided:

- Documentation of one previous EAD renewal
- If there are no prior EAD renewals, documentation from USCIS confirming the likelihood of renewal

C-33 WORK PERMIT/DACA

- Allowed refer to [the applicable NonQM Matrix](#)

DIPLOMATIC IMMUNITY

Due to the inability to compel payment or seek judgment, loans to individuals who are not subject to U.S. jurisdiction are ineligible. This includes embassy personnel with diplomatic immunity. Verify the borrower does not have diplomatic immunity by reviewing the visa or passport.

4.4.4 ITIN REQUIREMENT

The ITIN loan program is for borrowers living in the US, who have never been issued a US Social Security number. Non-Permanent resident aliens, who have been issued US Social Security numbers, refer to the NON-PERMANENT RESIDENT ALIEN section of this guide.

Any Effective July 1, 2023, Florida Senate Bill 264 *Interests in Foreign Countries* prohibits any person or entity from the People's Republic of China who is not a citizen or lawful permanent resident of the US to purchase or acquire any interest in real property in the state of Florida.

- **Eligibility:**
 - Loan file must contain a copy of the original ITIN letter issued by IRS
 - Credit report must be pulled utilizing borrower's ITIN number issued by the IRS
 - Non-married borrowers must document that they have lived together for the last two years
 - Must own Primary Residence for at least 12 months to be eligible for a Cash-Out Refinance or at least 6 months for a Rate & Term Refinance
 - Non-Occupant Co-Borrowers are not allowed on an ITIN program

- **Credit:**

- Borrower must meet standard tradeline requirements. Borrowers who do not meet the standard tradeline requirements may be eligible when satisfying the reduced tradeline requirements listed below
- Borrowers with no Housing History or living rent-free are not allowed if FTHB, a free and clear home is not considered living rent free or no housing history. If borrower recently sold their home and waiting to buy new home, not considered living rent free or no housing history.
- Tradelines must be reporting based on the ITIN issued by the IRS; if any social security numbers or other numbers are reflected on the credit report, the underwriter must ensure the tradelines are reported under the ITIN or the ITIN was issued before the first tradeline was established or tradelines **used to qualify** were established from the date of issuance or renewal date of the ITIN
 - If tradelines reported are verified per the credit report under the ITIN (no SSN shows on the credit report) no further action is required
 - If original ITIN issuance letter from IRS can be obtained and is dated prior to any tradelines on credit, credit will be considered acceptable with no further action
 - If a renewal letter from the IRS can be obtained and it is dated prior to any tradelines used to meet tradeline qualification requirements, credit will be considered acceptable with no further action
 - If original or renewal letter cannot be provided or tradelines cannot be verified as reported under the ITIN, additional documentation must be obtained to show ITIN issuance pre-dates the oldest tradeline on the credit report
 - ♦ Example such as but not limited to: Original tax year filing with ITIN and tax transcript for that year (full doc loans only); or
 - ♦ Credit report stripped of any tradelines associated with the erroneous SSN(s)
 - Married Borrowers do not need to individually meet tradeline requirements; their combined credit will be considered when evaluating acceptable tradelines
- If the borrower does not have the required active tradelines reporting, they may use up to 2 non-traditional credit tradelines to meet the minimum tradeline requirement in addition to at least 1 traditional tradeline (must have minimum of 1 traditional tradeline before using non-traditional)
- Refer to [the applicable NonQM Matrix](#) for restrictions
- Non-traditional credit references include but are not limited to:
 - Auto and renter's insurance
 - Childcare from a reputable and known entity (KinderCare, etc.)
 - Installment loan payments not listed on credit report
 - Lease payments for durable goods (i.e. auto)
 - Local store payments (department, furniture, appliances)
 - Non-payroll deducted medical and life insurance
 - Rent-to-own contracts (e.g. Rent-A-Center)
 - School tuition
 - Utilities (electricity, water, gas, phone, cable)
 - VOR/VOM reported on credit or, received directly from an institutional management company/servicing company that can be verified via third party sources; if none exist, then 24 months of consecutive cancelled checks/money orders is an acceptable alternative
- **Income:**
 - 12-Month Full Documentation or 12 months Bank Statements only (24 months full doc or bank statements if required by the Underwriter); NOTE P&L Statement with 3 Months Bank Statements, W-2 Only, VOE Only, and 1099 Only loans are not allowed
 - Personal tax returns are required and must reflect the ITIN on all ITIN loans unless Self Employed Bank Statement loan
 - Recently amended returns are not accepted if they include a higher income than the original 1003, but will be accepted if the sole purpose were to add the ITIN
 - Paystubs or W-2s should not be submitted unless they show the ITIN; a written VOE may be used instead

- Seasonal employment is an unacceptable source of income due to ITIN borrowers being ineligible for unemployment during off-season periods
- Bank statements loans require a copy of either the Issuance letter or the Renewal letter
- Two government issued photo identification cards are required to validate identity. Example of acceptable documents are, but not limited to, the following:
 - Consular ID Card (even if expired)
 - Non-U.S. Driver license
 - Passport from Country of Origin (even if expired)
 - State issued ID
 - U.S. Driver License
 - U.S. Visa (even if expired)
 - Voter ID (even if expired)

SECTION 5.0. CREDIT

5.1 CREDIT REPORTS AND CREDIT SCORE

Fannie Mae guidelines should be utilized for processing and documenting all required credit reports and determining borrower's credit eligibility and credit score selection. The following exception is allowed:

- **Decision Score:** All borrowers must have a credit score
 - Minimum of one (1) borrower with two (2) credit scores (all three (3) repositories must be attempted)
 - Must use the lower of the two (2) credit scores or median of the three (3) credit scores generated unless one of the following occurs:
 - **For multiple borrowers:**
 - ♦ Full Doc and Alt Doc income document types: Use the Decision Score for the primary wage; all borrowers must have a minimum Credit Score of 600
 - ♦ DSCR: Lowest decision score among all borrowers to be used
 - When vesting in an entity (Non-TRID Business Purpose Loans only), the decision score of the member with the highest percentage of ownership is used. If all members have equal share of ownership, the lowest decision score among the members is used. All members must have a minimum credit score of 600.

For Frozen Credit, Refer to Fannie Mae Guidelines [B3-5.1-01](#).

5.2 LOAN INTEGRITY & FRAUD CHECK

Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. All loans should be submitted to an automated fraud and data check tool (i.e. Fraud Guard, DataVerify, etc.). A copy of the findings report should be provided in the loan file along with any documentation resolving any deficiencies or red flags noted.

5.3 CREDIT INQUIRIES

Any credit inquiries on the borrower's credit report in the last 90 days must have documentation signed by the borrower explaining the inquiry and attestation of no new credit was established. If new credit was established borrowers must provide documentation on the current balance and payment and qualify accordingly. It is recommended the underwriter do additional diligence as necessary to ensure there is no undisclosed debt.

5.4 HOUSING HISTORY

Mortgage/rental history is required for most LSM programs. If a borrower's mortgage or rental history is not reported on the credit report, alternative documentation showing the most recent 12-month history (VORs and VOMs from servicing/mortgage companies and companies/management companies, etc., canceled checks, mortgage/rental statements including payment history, etc.) should be provided. See [the applicable NonQM Matrix](#) for LTV restrictions for accepting private party VORs. All loans held and/or serviced by the submitting broker, lender or banker that will be paid off through our transaction will require 12 months canceled checks. Bank statements in lieu of canceled checks may be allowed at the underwriter's discretion.

Borrower mortgage and/or rental history may reflect late payments based on Documentation Option and eligibility criteria. Refer to [the applicable NonQM Matrix](#) for requirements. All housing late payments must be cured at the time of application and remain paid as agreed through closing.

Housing late payments exceeding 1x60x24 require a letter of explanation from the borrower. The situation causing the delinquency must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved.

Owner occupied properties: On owner occupied properties where the mortgage rating is in the name of the non-borrowing spouse and both are residing in the home together, the mortgage rating will be required and deemed acceptable for housing history requirements.

Second home and investment properties: Ratings in the name of non-borrowing spouse are not acceptable unless a joint account has been used to make the payments.

Borrowers who live rent-free are not allowed if the initial 1003 reflects any rent amount listed. Borrowers who cannot validate and verify that they live rent-free are not allowed.

Borrowers who can validate and verify that they live rent-free or borrowers without a complete 12 month housing history are allowed with the following restrictions:

- Full documentation and bank statement
 - Primary Residence only
- Select NQM ineligible
- DSCR Experienced Investors only
- 5% minimum borrower contribution
- Any available portion of a 12-month housing history must be paid as agreed
- Borrower(s) who own their primary residence free and clear are not considered living rent free
- Borrower(s) who sold a primary residence within the past 6 months and are currently residing rent free until subject transaction closes, are not considered to be living rent free and a Gap Housing history is not required

Refer to [the applicable NonQM Matrix](#) for further guidance.

5.5 CONSUMER CREDIT

5.5.1 CONSUMER CREDIT HISTORY

Any delinquent account must either be brought current or paid off at closing.

All mortgage accounts must be current at application and remain paid as agreed through closing.

5.5.2 TIMESHARES

Timeshare obligations will be treated as a consumer installment loan.

5.5.3 CONSUMER CREDIT CHARGE-OFFS AND COLLECTIONS

- Accounts with a cumulative balance greater than \$5,000 must be paid in full prior to or at closing unless they exceed state statute of limitations for debt collection
- Medical collections/charge-offs may remain open
- A 2nd mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods based upon the charge off date
- Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded. Evidence of expiration must be documented

Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following:

- Payments for open charge-offs or collections are included in the DTI (Subject to program DTI restrictions)
 - If there is no payment, use 5% of the balance
- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements
- **DSCR Loans Only**: Collections and Charge-offs can be left open when Mortgages are paid as agreed and LTV is 65% or less (Select DSCR or Sub1DSCR excluded)

5.5.4 CONSUMER CREDIT COUNSELING SERVICES

Borrowers currently participating in Fannie Mae approved credit counseling services are acceptable if most recent 12 months paid as agreed, and the CCCS administrator provides a letter allowing borrower to seek new mortgage financing.

5.5.5 JUDGMENT OR LIENS

All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing.

5.5.6 DELINQUENT TAX INCOME

All delinquent tax (federal, state, local) must be paid off prior to or at loan closing. Tax liens and delinquent tax debt that has not become a lien, that does not impact title (open liens reflected on credit report will impact title and must be paid off) may remain open provided the following are met:

- The file must contain a copy of the repayment agreement
- A minimum of 2 payments were made under the plan with all payments made on time
- If a lien: The balance of the lien must be included when determining the maximum CLTV for the program
- If a lien: Refinance transactions require a subordination agreement from the taxing authority

For Purchase Money Transactions

- A copy of the repayment agreement is obtained
- A minimum of 2 months elapsed on the plan and evidence of timely payments for the most recent 2 months is provided
- The maximum payment required under the plan is included in the debt-to-income ratio

- The title company must provide written confirmation confirming (a) the title company is aware of the outstanding tax lien with no exception to final title policy, and (b) subordination agreement from IRS, when necessary
- Maximum DTI of 50%
- Evidence of two timely payments is not required if two months have not elapsed since entering into the repayment agreement, the balance owed is for the current tax filing year and is less than or equal to 5% of the property value
- If a lien: The balance of the lien must be included when determining the maximum CLTV for the program
- If a lien: Refinance transactions require a subordination agreement from the taxing authority

5.6 BANKRUPTCY HISTORY

Recent bankruptcies are allowed. All bankruptcies (except for a Chapter 13, see below) must be settled for a minimum of twelve months.. Specific programs may have longer seasoning periods, refer to [the applicable NonQM Matrix](#) for details.

Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal (settled) date to the Note date.

Bankruptcies resolved in the last 24 months require a letter of explanation from the borrower. The situation causing the bankruptcy must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple bankruptcies exist in this time frame each must be addressed in the explanation.

5.6.1 CHAPTER 13

Recently discharged Chapter 13 bankruptcies may be allowed with most recent 24 months satisfactory pay history (if full term of BK is less than 24 months, a pay history for the full term is required). (Refer to [the applicable NonQM Matrix](#) for additional information.) Chapter 13 bankruptcy pay history is not required if standard seasoning for credit event is met.

A cash-out refinance may be used to settle the remaining balance of a Chapter 13 repayment plan if all of the following requirements are met:

- A minimum of 12-months of payments have been made under the bankruptcy plan
- The most recent 12-months of payment plans have been made on time
- The borrower has received written permission from the bankruptcy court for the mortgage transaction
- 70% max LTV and \$1,000,000 max loan amount

Refer to [the applicable NonQM Matrix](#) for specific restrictions.

5.7 FORECLOSURE SEASONING

Foreclosures completed in the last 24 months require a letter of explanation from the borrower. The situation causing the foreclosure must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple foreclosures exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the Note date. In the case of a foreclosure which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the foreclosure completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the foreclosure date will be used. Active foreclosures are not allowed.

Refer to [the applicable NonQM Matrix](#) for specific restrictions.

5.8 SHORT SALE/DEED-IN-LIEU SEASONING

Short Sales and Deed-in-Lieu of Foreclosures completed in the last 24 months require a letter of explanation from the borrower. The situation causing the Short Sale / Deed-In-Lieu must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple Short Sales and/or Deed-In-Lieu exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the Note date. Where the housing event can be settled, the delinquency proceeding the housing event can be ignored.

In the case of a short sale/deed-in-lieu which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the short sale/deed-in-lieu completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the completion date will be used. Short Sale or Deed-In-Lieu currently in process are not allowed.

Refer to [the applicable NonQM Matrix](#) for specific restrictions.

5.9 FORBEARANCE OR MODIFICATION

Forbearance or loan modifications are treated as a short sale / deed-in-lieu for grading and pricing purposes. Where the housing event can be settled, the delinquency proceeding the housing event can be ignored. Servicing retention related interest rate modifications are excluded from the seasoning requirement. A letter or explanation from the borrower addressing the situation that made forbearance or modification necessary must be provided. The current housing payment history along with the new housing payment must be considered when determining if the situation is adequately resolved.

5.10 TRADELINES

5.10.1 STANDARD TRADELINES

If the primary wage earner has three (3) credit scores reporting, the minimum tradeline requirement is met. If the primary wage earner has less than three (3) credit scores, each borrower must meet the minimum tradeline requirement, unless the co-borrower is the spouse.

DSCR:

If each borrower has three (3) credit scores reporting, the minimum tradeline requirement is met. If any borrower has less than three (3) credit scores, each borrower must independently meet the minimum tradeline requirement.

When vesting in an entity, if the member with the highest percentage of ownership has three (3) credit scores reporting, the minimum tradeline requirement is met. If all members have equal share of ownership each borrower is evaluated individually. If any borrower has less than three (3) credit scores, each borrower must independently meet the minimum tradeline requirement.

Note: Borrowers whose credit scores are primarily based on thin credit—such as authorized user accounts, self-reported accounts or recently opened accounts with limited activity—must still meet one of the standard tradeline requirements to qualify.

The minimum standard tradeline requirements for all programs are as follows:

- At least three (3) tradelines reporting for a minimum of 12- months with activity in the last 12months, or
- At least two (2) tradelines reporting for a minimum of 24-months with activity in the last 12months, or
- At least one (1) revolving tradeline reporting for 60 months with activity in the last 12 months and a verified 12-month housing history 0x30; or
- At least one (1) installment tradeline reporting for 36 months with activity in the last 12 months and a verified 12-month housing history 0x30

Owner Occupied & Second Home:

Borrowers who do not meet one of the above standard tradeline requirements can alternatively satisfy the standard tradeline requirement with the following:

- Recent full 12 month mortgage or rental history with no late payments. On a refinance, a full 12-month mortgage history tradeline with no late payments to be provided.
- For purchases, borrowers must have 5% of their own funds
- Allowed under Core NonQM only, Select NonQM is ineligible

Mortgage accounts count toward required tradelines. VORs and VOMs from servicing companies and/or management companies also count toward tradelines with a credit supplement.

Married borrowers do not need to individually meet tradeline requirements.

The following are not acceptable to be counted as a tradeline:

- “Non-traditional” credit as defined by Fannie Mae
- Authorized user accounts
- Any liabilities in deferment status, accounts discharged through bankruptcy, charge-offs, collection accounts, foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales.

Any tradeline that cannot be used as a qualifying tradeline also will not affect the DTI

Note: ITIN borrowers have different restrictions, refer to ITIN section.

5.10.2 LIMITED TRADELINES

If [Standard Tradelines](#) requirements are not met, and the borrower has a valid credit score per the [Credit Reports and Credit Score](#) section of this guide the following restrictions apply:

Owner Occupied & Second Home:

- 80% max LTV allowed on Core NonQM, Select NonQM is ineligible
- Foreign nationals are ineligible

Investment & Business Purpose Non-TRID Loans

- Max 80% LTV on Full Doc and Alt-Doc Loans
- Max 70% max LTV on DSCR, Select DSCR, Sub1 DSCR and No Ratio DSCR programs are ineligible
- Not allowed on the DSCR 5-8 Unit Residential program
- Foreign nationals are ineligible

Note: ITIN borrowers have different restrictions, refer to ITIN section.

5.11 OBLIGATIONS NOT APPEARING ON CREDIT REPORT**5.11.1 HOUSING AND MORTGAGE-RELATED OBLIGATIONS**

Housing and mortgage-related obligations include property taxes, premiums and similar charges that are required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments. All properties owned by the borrower must be fully documented in this regard. These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowner’s association billing statements, information obtained from a valid and legally executed contract.

Note: Refer to [Credit \(DSCR\)](#) section for Housing History on DSCR Loans.

5.11.2 CURRENT DEBT OBLIGATIONS, ALIMONY AND CHILD SUPPORT

A lender may use a credit report to verify a borrower's current debt obligations, unless the lender has reason to know that the information on the report is inaccurate or disputed. Obligations that do not appear on the credit report, such as alimony and child support, must be documented through other methods according to Fannie Mae guidelines.

Not applicable to DSCR Loans.

5.11.3 DEBTS PAID BY OTHERS

Certain debts can be excluded from the borrower's recurring monthly obligations ratio:

- When a borrower is obligated on a non-mortgage debt—but is not the party who is actually repaying the debt—the lender may exclude the monthly payment from the borrower's recurring monthly obligations
 - This policy applies whether or not the other party is obligated on the debt but is not applicable if the other party is an interested party to the subject transaction (such as the seller or realtor)
 - Non-mortgage debts include installment loans, student loans, revolving accounts, lease payments, alimony, child support, and separate maintenance. See below for treatment of payments due under a federal income tax installment agreement
- When a borrower is obligated on a mortgage debt - but is not the party who is actually repaying the debt, the lender may exclude the full monthly housing expense (PITIA) from the borrower's recurring monthly obligations if:
 - the party making the payments is obligated on the mortgage debt,
 - there are no delinquencies in the most recent 12 months, and
 - the borrower is not using rental income from the applicable property to qualify
- In order to exclude non-mortgage or mortgage debts from the borrower's DTI ratio, the lender must obtain the most recent 12 months' canceled checks (or bank statements) from the other party making the payments that document a 12-month payment history with no delinquent payments
- When a borrower is obligated on a mortgage debt, regardless of whether or not the other party is making the monthly mortgage payments, the referenced property must be included in the count of financed properties (if applicable per Fannie Mae [B2-2-03](#), Multiple Financed Properties for the Same Borrower)
- Not applicable to DSCR Loans

5.12 PAYMENT SHOCK

Payment shock should not exceed 300% of the borrower's current housing payment unless DTI is less than or equal to 45%. If payment shock exceeds this limit the underwriter must provide justification of borrower's ability to handle the increased payment. If the loan purpose is debt consolidation, and the net tangible benefit test is met, a payment shock calculation is not required. NOTE: Refer to additional payment shock restrictions in the [First Time Homebuyers](#) section of this guide.

Payment Shock= (Proposed Housing Payment - Present Housing Payment) ÷ Present Housing Payment x 100
Borrowers living rent-free use \$1 for qualification.

5.13 ADDITIONAL CREDIT CRITERIA

5.13.1 OWNER OCCUPIED & SECOND HOME

- Inquiries – Recent inquiries within 90 days of the credit report date must be explained by the borrower
- New debt/liabilities – A verification of all new debt/liabilities must be provided, and borrower should be qualified with the additional monthly payment

5.13.2 INVESTMENT & BUSINESS PURPOSE NON-TRID LOANS

Inquiries – Recent inquiries within 90 days of the credit report date must be explained by the borrower.

5.14 NEW DEBT/LIABILITIES

A verification of all new debt/liabilities must be provided, and borrower must be qualified with the additional monthly payment.

5.15 DISPUTED ACCOUNTS

- When the credit report contains tradelines disputed by the borrower and if the disputed account balance is \$1,000 or less, the payment can be included in the total debt calculation and the account can remain in dispute
 - Total aggregate balance of accounts in dispute remaining unresolved cannot exceed \$3,000
- If the account that is in dispute is currently delinquent, a Charge Off or Collection, the requirement to pay off the account is at underwriter's discretion

SECTION 6.0. ASSETS

THE FOLLOWING APPLY TO ALL TRANSACTIONS UNLESS OTHERWISE STATED.

6.1 DOCUMENTATION OPTIONS

Various forms of documentation are acceptable depending on borrower asset type. Assets and reserves should be calculated and documented to Fannie Mae guidelines unless otherwise specified in LSM guidelines. Fannie Mae guidelines prevail where this guide is silent regarding sources and types of assets as well as asset types not eligible to be included.

6.2 RESERVES

- The minimum reserve requirements are outlined on the [applicable NonQM Matrix](#)
- Reserves must be sourced and documented per section 6.5 of these guidelines
- Additional Reserves - Each financed property in addition to the subject property will increase the applicable reserve requirement by two (2) months PITIA on the subject property to a maximum requirement of 12 months (Additional reserves based upon the PITIA of the subject property); On all income documentation loans, full doc and bank statements, when reserves are required. Not applicable to DSCR Loans.
 - Reserves for an additional financed property with an interest only loan feature is based upon the interest only (ITIA) payment
 - Reserves for an additional financed property with an ARM loan without an interest only feature is based upon the initial PITIA
- Proceeds from a cash out refinance can be used to meet the reserve requirements
- **Owner Occupied & Second Home ONLY:**
 - Reserve requirements are waived for Rate-and-Term Refinance transactions when the transaction results in a reduction to the monthly principal and interest payment of 5% or greater AND housing history is 1x30x12 or better (no housing history, unless the property is free and clear, is not allowed); waiver not eligible for DTI greater than 50%
 - For an interest only loan the reserves are based on the interest only payment
- Proceeds from 1031 Exchange cannot be used to meet reserve requirements
- Gift funds may NOT be used to meet reserves requirements

6.3 DOWN PAYMENT SOURCING

Down payment funds should be documented for the most recent one full month (30 days) per the Fannie Mae Verification of Deposits and Assets guidelines with the documentation included in the loan file. LSM will require that the borrower state the source of the down payment and provide verification. If the underwriter determines that the source of the down payment is another extension of secured credit, the underwriter must then consider that loan as simultaneous secondary financing. Refer to the [Secondary Financing](#) section.

6.4 GIFT FUNDS/GIFT OF EQUITY

- When gift funds or gift of equity are used for all or part of the down payment, they are acceptable in either scenario:
 - 100% of gift funds with 10% LTV reduction, or
 - 5% down payment has been made by the borrower from their own resources
- Gift funds are not eligible under Asset Utilization program
- Fannie Mae guidelines are to be followed for acceptable donors and documentation requirements included verifying donor availability of funds and transfer of gift funds, refer to [B3-4.3-04, Personal Gifts](#)
- Gift funds may NOT be used to meet reserve requirements
- When a gift from a non-borrowing spouse or registered domestic partner is being combined with the borrower's funds to meet the required minimum cash down payment, the funds are not considered a gift when all the following items are provided:
 - Certification from the non-borrowing spouse or registered domestic partner stating that he/she has lived with the borrower for the past 12 months and will continue to do so
 - Documentation evidencing a history of shared residency. The spouse's address must be the same as the borrower's address. Examples include but are not limited to a current utility bill or bank statement.
 - If funds are held in a separate asset account, asset statements covering the most recent 60 day period, (30 day period for DSCR loans) are to be provided and must adhere to the asset guidelines

6.5 ASSET DOCUMENTATION

In addition to documenting the minimum reserve requirements, all borrowers must disclose, and Underwriters must verify all other liquid assets.

6.5.1 DOCUMENTATION REQUIREMENTS

- Account statements should cover most recent one full month period of account activity (30-days)
 - Transaction histories may not be utilized in place of one full month account statement. Transaction histories may only be used in addition to the statement to evidence updated balances.
- If account has other names in addition to the borrower(s), a 100% access letter and an LOE is required (this pertains to personal and business accounts; if a borrower owns a business 100%, no access letter is required, even if there are other names on the business account)
- Investments in Stocks/Bonds/Mutual Funds/Annuities/ certificates of deposit/money market funds/ and Trust Accounts for which the borrower is a direct beneficiary - 100% of these accounts can be considered in the calculation of assets for closing and reserves
- Vested Retirement Account funds – 100% may be considered for reserves (refer to Fannie Mae [B3-4.3-03](#))
- Vested Retirement Account funds – 60% may be considered for closing costs and down payment
- Non-vested or restricted stock accounts are not eligible for use as down payment or reserves
- Asset Utilization: Any assets that are depleted and used as income are not eligible for use as reserves

- When bank statements are used, large deposits must be evaluated; large deposits are defined as any single deposit that exceeds more than 75% of the monthly average deposit balance, and they must be sourced based upon the [Down Payment Sourcing](#) section of this Guide

An example of how to identify a large deposit:

- Month 1 deposits
 - \$1,000
 - \$1,500
- Month 2 deposits
 - \$2,500
 - \$5,000
- Total deposits equal \$10,000 or a monthly average of \$5,000
- 75% of the monthly average is \$3,750
- The \$5,000 deposit from month 2 needs to be sourced

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least three (3) days prior to closing.

- Documenting Assets Held in Foreign Accounts:
 - Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the [Wall Street Journal conversion table](#)
 - A copy of the two (2) most recent statements of that account are required; if the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds

6.5.2 SOLE PROPRIETOR ASSETS/BUSINESS FUNDS

- Business funds may be used for down payment, closing costs, and for the purposes of calculating reserves; the borrower must be listed as sole owner of the account, and the account needs to be verified per requirements in Assets Documentation section of this Guide. If account has other names in addition to the borrower(s), a 100% access letter and an LOE are required. If the borrower owns 100% of the business or if the amount needed is less than their percentage of ownership, no access letter is required even if there are other names on the business account.
 - If Business funds are used, the borrower may use a maximum of their percentage of ownership as qualifying assets.
 - If funds needed exceed the maximum percentage of ownership, 100% access letter is required
 - Underwriter must determine that the withdrawal of funds will not have a negative impact on the business
 - The following methods are acceptable:
 - Third party prepared letter from a licensed CPA or licensed Tax Professional signed and dated within 60 days of Note date stating that the use of business funds would not have a negative impact on the business cash flow
 - Underwriter completed business cash flow analysis using the two most recent business bank statements confirming that the withdrawal of funds for this transaction will not have a negative impact on the business cash flow. Fannie Mae Form 1084 or a similar cash flow analysis form will be utilized to show the business can support the withdrawal of the funds,
 - Third party prepared Balance sheet from a licensed CPA or licensed tax professional for the business reflecting positive working capital,
 - ♦ Working capital is the difference between the current assets and current liabilities. The result of working capital represents the maximum amount of business funds available to use towards down payment, closing cost and reserves

- **Alt Doc – 12 or 24 Month Business Bank may use one of the following methods in addition to the options listed above**
- Business Expense Coverage: Underwriter to use the most recent business bank statement used for income documentation and perform the following calculation:
 - Statement(s) Ending Balance
 - Transaction Down Payment
 - Transaction Closing Costs
 - Program Required Reserves
 - +Fund Available from Personal Account(s)
 - Funds Available for Business Expense Coverage
- ♦ Funds Available for Business Expense Coverage must be a positive number and reflect a minimum of 2 months of average expenses as reflected on the P&L; or as determined by using the expense factor, or
- The methods above can be waived by reducing the amount of available assets by 50%. The remaining balance must exceed total closing costs and reserve requirements.

SECTION 7.0. INCOME

7.1 GENERAL INCOME ANALYSIS

THE FOLLOWING APPLY TO ALL INCOME DOCUMENTATION OPTIONS UNLESS OTHERWISE STATED IN THE SPECIFIC SECTION OF THE GUIDELINES.

This section does not apply to any DSCR loans.

7.1.1 INCOME WORKSHEET

Unless business purpose then the loan file must include an Income worksheet detailing income calculation. Income analysis for borrowers with multiple businesses must show income/ (loss) details separately, not in aggregate.

7.1.2 EMPLOYMENT/INCOME VERIFICATION

- Most recent one (1) or two (2) years income documentation is required for all income/documentation types unless otherwise noted
- If any borrower is no longer employed in the position disclosed on the URLA at the time of funding, LSM will not allow to fund

7.1.3 STABILITY OF INCOME

- Stable monthly income is the Borrower's verified gross monthly income which can be reasonably expected to continue for at least the next three years. LSM must determine that both the source and the amount of the income are stable
- A two-year employment history is required for the income to be considered stable and used for qualifying
- When the Borrower has less than a two- year history of receiving income, underwriter must provide written analysis to justify the stability of the income used to qualify the Borrower
- While the sources of income may vary, the Borrower should have a consistent level of income despite changes in the sources of income.

7.1.4 EARNINGS TRENDS

When analyzing borrower earnings, year over year earnings trends must be incorporated into the borrower's income calculation.

YTD income must be compared to prior years' earnings where applicable.

- **Stable or increasing:** Income should be averaged
- **Declining but stable:** If the trend was declining, but has since stabilized and there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of variable income must be used
- **Declining:** If trend is declining, the income is not eligible

7.2 DEBT-TO-INCOME RATIO

The Debt-to-Income (DTI) ratio is calculated and reviewed for adherence to Fannie Mae guidelines and inclusion of all income and liability expenses. (Refer to [the applicable NonQM Matrix](#) for further details.)

7.3 RESIDUAL INCOME

Residual Income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations. Residual Income = Gross Monthly Income minus total monthly debt. (Refer to [the applicable NonQM Matrix](#) for further details.)

7.4 DOCUMENTATION OPTIONS

Various forms of documentation are acceptable depending on the borrower's income type. Income should be calculated and documented to Fannie Mae guidelines unless otherwise specified within LSM guidelines. Fannie Mae guidelines prevail regarding sources and types of income as well as ineligible income. A Fannie Mae Form 1084 or equivalent income worksheet should be included and delivered as part of the credit file.

DOC TYPE SUMMARY	Full Doc 24 Months	Full Doc 12 Months	Alt Doc	Alt Doc Asset Utilization only
Min FICO	Refer to Matrix*	Refer to Matrix*	Refer to Matrix*	Refer to Matrix*
Max LTV/CLTV	Refer to Matrix*	Refer to Matrix*	Refer to Matrix*	Refer to Matrix*
Income Documentation	2 years W2s OR Tax Returns	1year W-2s OR Tax Return	♦ 12 Months Personal Bank Statements ♦ 12 Months Business Bank Statements ♦ P&L Statement + 3 Mos Bank Statements ♦ 1099 Only ♦ WVOE Only	Amortized Liquid Assets for income or 100% Qualification
Transcripts Required	Yes	Yes	No (yes if blended with full doc)	No (yes if blended with full doc)
Employment	W2 or Self-Employed	W2 or Self-Employed	Self-Employed Only except WVOE, must be W2	None, W2 or Self Employed

7.4.1 TAX RETURNS

The following criteria applies when personal and/or business tax returns are used to verify income:

- Complete personal income and business tax returns with all schedules to be provided and signed and dated by each borrower. If tax transcripts confirm the information on the tax returns, signature and dates are not required.
- The most recent year's tax returns, if filed on extension after the federal tax deadline, should be filed at least 60 days before the earlier of the application date or the credit report date
- Amended tax returns must be filed at least 60 days before the earlier of the application date or the credit report date regardless of the current year federal tax deadline. When amended tax returns are provided, due diligence is to be used to determine if the amended tax return is acceptable. The following is to be provided in addition to the amended return:
 - Original tax return (for consistency comparison with previous filings)
 - Letter of explanation regarding the reasons for the amendment
 - Evidence of filing
 - Proof of payment, if applicable
 - If amended for income-related items documentation to support the increase in income

7.4.2 4506-C

When the IRS Form 4506-C is required, the form must be signed by the borrower and the transcript obtained and included in the credit file. If the transcript request is returned with a code 10 or the borrower is a victim of taxpayer identification theft, the following requirements must be met to validate income:

- Copy of the IRS rejection with a code of "Unable to Process" or "Limitation"
- Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower's 1040s
- Validation of prior tax year's income (income for current year must be in line with prior years)

In the current year filing period for taxes, LSM will follow FNMA for other acceptable verification of taxes when "No Record Found" results are returned; this includes verified e-filing and proof of payment for taxes or proof of refund to borrower, letter from employer or tax professional verifying the W-2 has been filed with the IRS, etc.

7.5 FULL DOCUMENTATION INCOME

Full Income Documentation is available to borrowers who meet the requirements listed below. This documentation option is available to borrowers who have experienced recent credit events and allows for higher LTVs for borrowers with clean payment histories. Refer to [the applicable NonQM Matrix](#) for requirements.

7.5.1 RESTRICTIONS

Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions.

7.5.2 FULL INCOME DOCUMENTATION (24-MONTHS)

When tax returns are required, as in the case of investment property ownership, the most recent two years should be provided. The definition of most recent is the last return scheduled to have been filed with the IRS.

Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior two years of tax returns.

- Wage or Salaried Borrowers:
 - The FICO score of the Primary Wage Earner will be used for grading and pricing
 - Any Co-Borrower must have a minimum score of 600.

- A completed Request for Verification of Employment (Form 1005 or Form 1005(S)), or the borrower's recent paystub (reflecting 30 days of pay and YTD earnings) and IRS W-2 forms covering the most recent two-year period
- A verbal VOE from each employer within 10-days of the Note date
- A completed, signed, and dated IRS Form 4506-C is required for each borrower. If tax returns are present in the credit file, transcripts for the return will be required.
- Self Employed Borrowers:
 - Most recent two years of tax returns, personal and business if applicable (including all schedules), signed and dated by each borrower. If tax transcripts verify information on Tax Returns, Tax Returns do not have to be signed and dated by the borrower(s).
 - A YTD P&L and (Borrower prepared acceptable, borrower required to sign the P&L) if a gap exists between the tax return ending date and start of the YTD P&L, a gap year P&L is required. P&Ls are for qualifying positive income only. If negative income was reflected from a business and negative income was used in the income calculations, a P&L is not required for that negative income and/or business.
 - A complete, signed, and dated IRS Form 4506-C is required for each borrower and any business entity filing a separate return, at the underwriter's discretion the forms should be executed, and the transcripts included in the credit file. If included, the tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address.
 - Verify the existence of the business, for positive income used in income qualifying, within 60-days of the Note date and ensure the business is active with the following: a phone listing and/or business address using directory assistance, internet search, for self-employed independent contractors, use either a letter from a third party company currently utilizing their service(s) or a business license procured through the internet reflecting active and not expired.
 - If a business reflects negative income and that negative income was used in the qualifying income, business verification will not be required.
 - Underwriter must consider the financial strength of a self-employed borrower's business.

7.5.3 FULL INCOME DOCUMENTATION (12-MONTHS)

- When tax returns are required, as in the case of investment property ownership, the most recent year should be provided:
 - The definition of most recent is the last return scheduled to have been filed with the IRS
 - Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior-year tax return
- Wage or Salaried Borrowers:
 - A completed Request for Verification of Employment (Form 1005 or Form 1005(S)), or the borrower's recent paystub (reflecting 30 days of pay and YTD earnings) and IRS W-2 form for the most recent tax year
 - A verbal VOE from each employer within 10-days of the Note date
 - A completed, signed, and dated IRS Form 4506-C is required for each borrower; if tax returns are present in the credit file, the transcript for the return will be required
- Self Employed Borrowers:
 - Most recent year of tax returns, personal and business if applicable (including all schedules), signed and dated by each borrower; if tax transcripts verify information on Tax Returns, Tax Returns do not have to be signed and dated by the borrower(s)
 - A YTD P&L (borrower prepared acceptable, borrower required to sign the P&L) and, if a gap exists between the tax return ending date and start of the YTD P&L, a gap year P&L is required; P&Ls are for qualifying positive income only, thus if negative income was reflected from a business and negative

income was used in the income calculations, a P&L is not required for that negative income and/or business

- A complete, signed, and dated IRS Form 4506-C is required for each borrower and any business entity filing a separate return:
 - The form should be executed, and the transcripts included in the credit file
 - The tax returns and transcripts should be compared; any discrepancies should be explained and, if necessary additional documentation obtained to address satisfactorily
 - If the 1040 transcripts reflect the K-1 income and it matches the K-1s given and the K-1 income on Schedule E of the 1040s, then business transcripts do not need to be requested, unless using income, such as depreciation, from 1120s or 1065 returns then transcripts for business returns will be required
- Verify the existence of the business, for positive income used in income qualifying, within 60-days of the Note date and ensure the business is active with the following:
 - Phone listing and/or business address using directory assistance or internet search
 - For self-employed independent contractors, use either a letter from a third-party company currently utilizing their service(s) or a business license procured through the internet reflecting active and not expired
 - If a business reflects negative income and that negative income was used in the qualifying income, business verification is not required
- Underwriter must consider the financial strength of a self-employed borrower's business

7.5.4 OTHER SOURCES OF INCOME

The following sources of income must be verified using Fannie Mae requirements. Bonus and overtime are permitted with Full Income (12 Months) documentation and generally calculated over the 12-month period and are not considered an exception, (FNMA considers an exception).

- Annuity
- Auto allowance
- Bonus
- Capital Gains
- Child Support and Alimony
- Commission
- Disability (with proof of 3-year continuance)
- Foreign income is income earned by a borrower who is employed by a foreign corporation or a foreign government and is paid in foreign currency; follow [FNMA Guidelines](#) for foreign income
- Housing Income
- Interest and Dividends
- Investment
- Military or government assistance
- Overtime
- Part-time/Variable (uninterrupted and stable for past two years)*
- Rental Income should be documented through Schedule E of the borrower's tax returns. If the property was not rented during the previous tax year, the income will be calculated as follows:
 - Long Term Rental is defined as a property with an executed lease for an initial term of at least 6 months between the lessor and lessee. After the initial lease, a month-to-month option with no defined expiration is allowed.
 - Based on the lower of the lease agreement or 1007, as applicable, times 75% for single unit property

- The most recent two months' rent must be verified and documented as received in the most recent two months before closing
- Short Term Rental (e.g., Airbnb, FlipKey, VRBO) is defined as a property rented on a nightly, weekly, monthly or seasonal basis for a defined period.
 - 12 months statements or an annual statement provided by the on-line service provider such as Airbnb, VRBO, etc., evidencing rents received for the property to be provided. If more than one rental property is owned, the statements must clearly identify the rents received for each specific property.
 - If the property has been reported as long term rental the prior tax year and is now a short term rental at least six (6) months receipts of current short term rent is required
 - A screen shot of the online listing evidencing the property is actively marketed as a short term rental to be provided
 - Gross monthly rents are based on a 12 month average to account for seasonality
 - The actual extraordinary costs (i.e. management fees, advertising, furnishing, cleaning) listed on the 3rd party statements or a 20% extraordinary expense factor, if actual is not provided, must be subtracted from the gross rents
- Rental Income from Boarders - For this income to be considered, the following requirements must be met:
 - There must be at least a 12-month history of receiving rental income from boarder or accessory dwelling unit (ADU)
 - Tax returns and tax transcripts are required
- Restricted Stock Income/Units
- Retirement and/or Social Security
- Trust: Verify using Fannie Mae requirements along with the following:
 - Document trust account funds, both of the following must be obtained:
 - Written documentation of the value of the trust account from either the trust manager or the trustee; and
 - The conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the borrower for the mortgage

* For Part-time employment, a minimum two (2) year history is generally required; however, a shorter period of no less than twelve (12) months may be considered case-by-case if positive factors are present to offset shorter history.

7.6 ALT DOCUMENTATION INCOME

Alt income documentation is available to borrowers who meet the requirements listed below. Refer to **the applicable NonQM Matrix** for requirements.

7.6.1 RESTRICTIONS

- Refer to [the applicable NonQM Matrix](#) for acceptable max LTV and DTI

7.6.2 ALT DOC – RENTAL INCOME

When rental income is the borrower's secondary or supplemental source of income, the following may be used to calculate income.

- Long Term Rental is defined as a property with an executed lease for an initial term of at least 6 months between the lessor and lessee. After the initial lease, a month-to-month option with no defined expiration is allowed:

- Schedule of Real Estate owned (URLA) must be completed for all investment properties where the borrower is held personally liable. PITIA/TIA will be included in the DTI calculation. Fully executed lease/rental agreements for all properties required.
- 75% of the lease/rental amounts will be used.
- The most recent two months' rent must be verified and documented as received in the most recent two months before closing
- If the subject property is an investment purchase, rental income from the subject property is determined as follows:
 - 75% of the current lease/rental amount
 - If there not an assignment of lease, 75% of market rent to be used
- ADU income can be used to qualify on alternative doc income loan similar to the way the other investment property income is calculated
 - Purchase Transaction – Not available, except when assignable via the purchase contract and verified
 - Refinance Transaction – Only available with executed lease agreement and 2 months verifiable rent received
- Short Term Rental (e.g., Airbnb, FlipKey, VRBO) is defined as a property rented on a nightly, weekly, monthly or seasonal basis for a defined period:
 - 12 months statements or an annual statement provided by the on-line service provider such as Airbnb, VRBO, etc., evidencing rents received for the property to be provided. If more than one rental property is owned, the statements must clearly identify the rents received for each specific property.
 - A screen shot of the online listing(s) evidencing the property is actively marketed as a short term rental to be provided
 - Gross monthly rents are based on a 12 month average to account for seasonality
 - The actual extraordinary costs (i.e. management fees, advertising, furnishing, cleaning) listed on the 3rd party statements or a 20% extraordinary expense factor, if actual is not provided, must be subtracted from the gross rents

7.6.3 ALT DOC - 12-MONTHS BANK STATEMENTS

The Self-Employed Bank Statements program is available to self-employed borrowers only and allows the use of bank statements to document self-employment income. Income documented through the Self-Employed Bank Statement method may be combined with other income sources that are documented as Full Doc but not associated with self-employment, such as a spouse employed as a wage earner or a borrower with previous year working as W-2 employee. When wage income is combined with Self-Employed Bank Statements, a tax return is not required for the full income documentation, as this would invalidate the bank statements if received for the same tax year. The 4506-C is still required, however, box 8 should be checked to obtain a transcript of W-2 earnings. If tax returns and/or transcripts are provided, the loan will be ineligible for the Self-Employed Bank Statement Program.

7.6.3.1 BANK STATEMENT DOCUMENTATION

- At least one of the borrowers must be self-employed
- Other name(s) on bank statements used to qualify:
 - Direct relative(s) only (Refer to Fannie Mae guide); LOE required
 - 100% access letter
 - Any deposits in the name of the other parties, are excluded

BANK STATEMENT TYPES	12-MONTH INCOME/EXPENSE DOCUMENTATION OPTIONS
Personal* Reflecting borrower's personal income and expenses	• Most recent 12 months Personal Bank Statements and • Most recent 2 months Business Bank Statements
Business* In the name of the business, reflecting only business income and expenses	• Assumed Business Expense Factor from the Fixed Expense Factor Table OR one of the Rebuttal Options; OR • 12 Month P&L Statement prepared by CPA, Enrolled Agent, Properly Licensed Accounting -Bookkeeping Firm supervised by a Certified Accountant, or the Chief Financial Officer (CFO) of the company providing the bank statements when 10+ employees are verified to work for company via narrative. ○ At least 3 most recent months Bank Statements required • One Year Self-employed, most recent 12 months of bank statements and previous full year W-2 with transcript
Co-mingled* Personal and Business activity combined in one account	
* Additional Bank Statements or Expense Analysis documents may be requested as needed.	

7.6.3.2 INCOME ANALYSIS

Self-employed Borrowers

A borrower with a 25% or greater ownership interest in a business is considered self-employed and must be evaluated as a self-employed borrower. Net income from the analysis of the bank statements must be multiplied by the borrower's ownership percentage to determine the borrower's qualifying income.

Verify the existence of the business, within 60-days of the Note date, to ensure the business is active with the following; a letter from either the business tax professional certifying two years of self-employment in the same business, or regulatory agency or licensing Bureau reflecting license is still active and not expired; or an internet search that verifies business' phone number or address or for self-employed independent contractors a letter from third party company currently utilizing their service(s).

NOTE: Businesses that function as non-profit enterprises are ineligible for self-employment treatment.

Service & Tip Industry

Due to the cash nature of the service and tip industry, those borrowers may participate in the bank statement program. Full documentation is required for employment. Base salary is verified with pay stubs and W2s. Qualified tips are averaged over time. Utilize the bank statement analysis to determine tip income.

Borrowers who obtain their income primarily in the form of service fees or tips (adult entertainer, musician, club hostess, etc.) are not required to have a business license. At least one business reference letter is required to validate employment. Deposits will be used to calculate income. P&L or expense factor letter not required if the borrower provides personal bank statements.

Rental Property Income (12 Month Bank Statements)

When Rental Income is the Borrower's primary income source, bank statements may be used to calculate income when meeting all the following:

- Borrower must attest rental income is the only line of revenue and rental income is deposited into one or more bank accounts
- Long Term Rental is defined as a property with an executed lease for an initial term of at least 6 months between the lessor and lessee. After the initial lease, a month-to-month option with no defined expiration is allowed:
 - 12 months bank statements evidencing receipt of rental income into borrower's co-mingled or business bank account required. Deposits must support the lease/rental amounts. Only rental income deposits will be used. A 25% expense factor will be applied to the aggregate rental income deposits.

- Schedule of Real Estate owned (URLA) must be completed for all investment properties where the borrower is held personally liable. PITIA/TIA to be entered in the REO section and included as a liability in the DTI calculation.
- Fully executed lease/rental agreements for all properties required. Lease/rental agreements must support the lease/rental amounts. Any variances are to be explained and may require additional documentation.
- Short Term Rental (e.g., Airbnb, FlipKey, VRBO) is defined as a property rented on a nightly, weekly, monthly or seasonal basis for a defined period:
 - 12 months statements or an annual statement provided by the on-line service provider such as Airbnb, VRBO, etc., evidencing rents received for the property to be provided. If more than one rental property is owned, the statements must clearly identify the rents received for each specific property.
 - A screen shot of the online listing(s) evidencing the property is actively marketed as a short term rental to be provided
 - Gross monthly rents are based on a 12 month average to account for seasonality
 - The actual extraordinary costs (i.e. management fees, advertising, furnishing, cleaning) listed on the 3rd party statements or a 20% extraordinary expense factor, if actual is not provided, must be subtracted from the gross rents. If the above documentation is provided, the income calculation will NOT follow the standard bank statement income calculation listed in the bank statement section

7.6.3.3 PERSONAL BANK STATEMENTS

- Income is calculated based on a 12-month average, or 24 month average of total deposits minus any inconsistent deposits not justified
- Pattern of deposits and payments should be consistent, as determined by the type of business
 - For example, a Real Estate Sales self-employed borrower may not have sold a property every month, so consistent would be deposits made a few times in a 12 or 24 month period
- ATM deposits/PayPal or similar deposits may be included if a consistent pattern of such deposits is present
- Changes in deposit pattern must be scrutinized
- Income documented separately but comingled must be backed out of deposits
- Two months most recent business bank statements
 - Must evidence activity to support business operations, and
 - May reflect transfers to the personal account

If the personal bank statements include names of individuals other than the borrower(s), the following is required:

- 100% Access Letter from individual(s) whose names appear on personal bank statements
- LOE from individuals explaining the relationship with the borrower(s), whether they are employed or not, whether they are associated with the business, and whether they contribute income to the bank account
- Business License and the most recent company formation information for LLC, Corp, or S-Corp

The underwriter will review the documentation provided. If the individual(s) work for the company and/or are part owners of the company, they must be on the loan for the income to be used. If the individual(s) work elsewhere but earn income provided in the statements, they must also be on the loan for the income to be used. Otherwise, whatever percentage is owned by the borrower(s) will be used for qualification.

7.6.3.4 BUSINESS AND COMINGLED BANK STATEMENTS - FIXED EXPENSE FACTOR

Underwriter will evaluate the type of borrower/business using the [Fixed Expense Factor Table](#) below, applied to business-related deposits. The expense factor will be determined via review of the completed business narrative (Refer to [EXHIBIT H, Self-Employment Business Narrative, Questionnaire, and Certification](#)) or any other borrower business narrative. If the expense factor allows the borrower to qualify, then no further expense analysis is required.

1. Determine the Gross Monthly Qualifying Income

Total Allowable Monthly Deposits = Net Qualifying Deposits ÷ 12 (or 24) Months

2. Determine the Business Net Income.

Gross Monthly Qualifying Income X (100% - Fixed Expense Ratio) (from table below)

FIXED EXPENSE FACTOR TABLE			
Number of Full-time Employees/Contractors	0—1	2—10	11+
Service Business *	30%	50%	60%
Product Business **	40%	60%	70%
Real Estate Business***	70%	75%	80%

*Service Business examples: Accounting, Consulting, Counseling, Financial Planning, Insurance, Law, Therapy, etc.

**Product Business examples: Clothing/Jewelry, Construction, Food Service/Restaurant, Manufacturing, Retail, Trucking, etc.

***Real Estate Investors, (without a schedule of current real estate), Property Developers and Property Flippers, CPA letters will not be accepted for a lower expense ratio

3. Determine the Borrower's Monthly Qualifying Income

Business Net Income X Borrower's Percentage of Ownership in the Business

If the type of business may have a materially different expense factor per the lender or borrower, two rebuttal options are listed below. Should the Underwriter uncover any red flags that require further review, the Underwriter may request additional documentation.

Rebuttal Option 1: Business Expense Statement Letter:

Provide a Business Expense Statement Letter from a Tax Professional or a Properly Licensed Accounting/Bookkeeping Firm supervised by a Certified Accountant with 12 Months Bank Statements (or 24 Months Bank Statements when required).

- Net Income is determined by total deposits per bank statements, less total expenses
- Total expenses are calculated by multiplying total deposits by the expense factor provided by a CPA, Tax Preparer, or a properly licensed Accounting/Bookkeeping Firm supervised by a Certified Accountant
- Any expense factor lower than 15% will require a basic understanding of the borrower's business by a tax professional, which supports the expense factor noted, along with a borrower business narrative
 - The business narrative provided by the borrower should be reviewed to determine if the business provides a service or produces/manufactures goods
 - If the business has a website, it should be reviewed to gain additional information on the business and its size

- The Underwriter's review of the narrative should conclude that the expense factor is reasonable based on the information provided
- Qualifying income is the net income from the analysis

Rebuttal Option 2: 12-Month Profit and Loss Statement:

Provide a 12-Month Profit and Loss (P&L) Statement (24-Month if required by the Underwriter) from a Tax Professional or a Properly Licensed Accounting/Bookkeeping Firm supervised by a Certified Accountant.

- P&L Sales/Revenue must be supported by the provided bank statements, total deposits per bank statements, minus any inconsistent deposits, and must be no more than 10% below revenue reflected on the P&L
- The bank statements and the P&L must cover the same time period
- Qualifying income is the net income indicated on the P&L
- Additional Bank Statements or Expense Analysis documents may be requested as needed

7.6.3.5 NON/IN-SUFFICIENT FUNDS (NSF)/OVERDRAFTS ≥ 12 MONTH BANK STATEMENT ONLY

Non-sufficient funds (NSF) or negative balance(s) reflected on the bank statement must be considered. Overdraft protection fees associated with pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist:

Overdraft Protection (From a Depository Account of Line of Credit)

- A distinction is made between overdrafts (e.g., "Sweep" accounts) and NSFs, whereas certain overdrafts are covered by the borrower's own funds
 - Occurrences may be excluded if statements for the linked account confirm that:
 - The linked account balance/limit at the time of the transfer exceeded the amount of the overdraft transfer; and
 - There were no fees charged for the overdraft

Returned Checks

- Returned checks are considered separately; returned checks that do not result in a negative balance are not considered NSFs

NSF (Non-Sufficient Funds)

- NSFs occur when charges or checks exceed the available balance in an account, and there is not sufficient overdraft protection in place
 - NSF activity within the last 12 months (or 24, if required; depending on the program) requires a satisfactory explanation from the borrower
 - Any occurrence that happens on the same day is counted as a one-time occurrence
 - Multiple NSFs are viewed adversely and may affect qualification, especially at higher LTVs
 - Excessive NSFs will be highly scrutinized and may cause the loan to be deemed ineligible
 - Up to 12 occurrences in the most recent 12 months' time period is acceptable. Any occurrence in the most recent 90 days should be scrutinized by the underwriter. Any occurrence that happens on the same day is counted as one-time occurrence. For example, if there are multiple NSFs or overdrafts on one day, it will only count as 1 in the tolerance levels.
 - Any tolerance violations must be second signed and must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue

leading to the occurrences was rectified, and (b) additional compensating factors outlined by underwriter supporting the viability of income.

- Underwriter may consider the financial strength of a self-employed borrower's business and the bank statement trends
 - Ending balances should show a trend that is stable or increasing
 - Low ending balances must be explained and could require additional documentation

Additional Bank Statements or Expense Analysis documents may be requested by the Underwriter as needed.

7.6.4 ALT DOC - PROFIT AND LOSS STATEMENT PLUS 3 MONTHS BANK STATEMENTS

Provide a 12-month or 24-month Profit and Loss (P&L) Statement from a Certified Public Accountant (CPA), Enrolled Agent (EA), California Tax Education Council (CTEC) or Tax Attorney with three (3) months bank statements (or more when provided or requested by an Underwriter). Proof of the preparer's current license is required. If tax returns and/or transcripts are provided, the loan will be ineligible.

- NSF's/Overdrafts not allowed
- P&L Sales/Revenue must be supported by the provided bank statements, total deposits per bank statements, minus any inconsistent deposits, and must be no more than 10% below revenue reflected on the P&L
 - If this 10% tolerance is not met, continuous bank statements may be added to the analysis until the tolerance is met.
- Qualifying income is the net income from the P&L divided by the number of months it covers (12 or 24) multiplied by the borrower's ownership percentage
- Expenses must be reasonable for the type of business
 - An expense factor lower than 15% will require a basic understanding of the borrower's business by the tax professional, to support the expense factor noted
- The following may be added back to the qualifying net income calculation:
 - Depreciation
 - Depletion
 - Amortization/casualty loss
- Pattern of deposits and payment should be consistent, determined by type of business:
 - For example: A Real Estate Sales self-employed borrower may not have sold a property every month, so consistent would be if deposits were made a few times in 12 months (or 24 months if requested by the Underwriter)
 - Other examples include but are not limited to: A convenience store owner, gas station owner, or restaurant owner may make large amounts of cash deposits; if deposits are ordinary for the type of business, they will not be backed out of the deposit calculations and sourcing is not required
- ATM/PayPal/Square/Venmo deposits may be considered and analyzed for consistency
- Income documented separately but comingled must be backed out of deposits

A 24-month P&L, additional bank statements or expense analysis documents may be requested by the Underwriter as needed.

7.6.5 ALT DOC – ONE YEAR SELF-EMPLOYED

Borrower must be self-employed for a minimum of 12 months, which follows a full year of W-2 employment in the same profession. Furthermore, the borrower's self-employment income must be earned from a field/line of work that provides the same products or services as the previous W-2 position or in an occupation in which he or she has similar responsibilities to those undertaken in connection with the previous business. The borrower must be the sole owner of the business.

The most recent 12 months of self-employment income via bank statements must show a topline revenue (via deposits) greater than or equal to their previous year's W-2 earnings to be considered. Up to a 10% variance in income will be allowed if the borrower's DTI is less than or equal to 45%.

Income

- Two years income required
 - Most recent 12 months consisting of 12 months of bank statements (following LSM Alt-Doc guidelines for income calculation)
 - Previous full year W-2 with 4506-C verification (W-2 transcript only)
 - Verification only required for year of W-2 employment, not year of self-employment
 - If borrower's last W-2 year is not a full year of income, a previous full year of W-2 income must be provided and evaluated
 - Any of the following documents can be used to prove self-employment and a full 12 months of activity:
 - Business License
 - Articles of Incorporation
 - Underwriter Internet Search
 - CPA Letter

Credit

Refer to Matrix.

Reserves, DTI, Residual Income

Reserves, DTI, and residual income, including any other limiting factor will follow the matrix for Alt Doc income.

7.6.6 ALT DOC - WVOE ONLY PROGRAM

Ideal for union workers, employed by multiple businesses throughout each year and wage earners who also receive additional compensation such as overtime, bonus and K-1 income. A written verification of employment is utilized to document income. Paystubs, W-2s, tax returns and 4506-C are not required.

The following criteria applies:

- Refer to **Non-QM Matrix** for FICO, LTVs, and all other restrictions
- Two-year history in the same line of work required
- Charge-offs, collections or tax liens are not allowed within the last three (3) years
- FNMA Form 1005 must be completed in its entirety by Human Resources, Payroll Department, or Officer of the Company
- Two months personal bank statements, dated within 60 days of closing, to be provided supporting the WVOE income
 - Bank statements must reflect the monthly deposits from the employer, as applicable, supporting at least 65% of the gross wage/salary
- Additional compensation, such as K-1 income, documented on the WVOE may be used for qualifying income when the documented ownership is < 25%. Acceptable documentation to verify ownership may include but is not limited to:
 - WVOE from employer specifically identifying ownership
 - Partnership agreement
- Eligible income i.e., base wages, overtime, bonus and additional compensation, will be determined according to Fannie Mae Selling Guide
- Supplemental income such as capital gains or rental income is not allowed

- Verbal verification of employment (VVOE) is required within 10 days of the Note date
- Borrower may not be employed by family members
- If paystubs, W-2s, or tax returns or are submitted, loan will be reviewed as a full doc income loan

LoanStream will take steps as deemed necessary to perform due diligence on the business. Things to consider, but not limited to are confirming existence of the business, borrower has no relation to the owners of the business or other factors that could impact the stability of the income.

7.6.7 ALT DOC - 1099 ONLY PROGRAM

Where 1099 is the only source of income/employment for an individual borrower and the borrower has been in the same profession or job and received 1099 income for at least two years, 1099(s) only can be used subject to the following restrictions:

- Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions
- Borrower must be employed with the same employer(s) for at least 12 months
- The individual borrower's name must be listed as the "Recipient Name" on the 1099(s), businesses listed as the recipient on the 1099(s) are ineligible
- Borrower cannot have any ownership percentage in the business from which 1099 income was received
- Two-year history in the same profession
- No Tax Returns, only two years 1099s are required
- 1099 Transcripts are required to validate 1099 filings for two (2) most recent tax years
- At least one business reference letter is required to validate 1099 continuous employment
- Two most recent personal or business bank statements required to support the 1099 reported income
- Borrower prepared, CPA prepared or Tax Professional P&L with business narrative required or CPA, CTEC, PTIN or EA Expense factor letter is acceptable

Income calculations based on NOI from P&L or Expense Factor Letter supported by two most recent bank statements that support the same level of income.

Example 1: 2 years 1099's show \$300,000 in income, P&L shows NOI of \$200,000 for two-year period.
 $\$200,000 / 24 \text{ months} = \$8,333.33$ in monthly income

Example 2: 2 years 1099's show \$300,000 in income, Expense Factor shows 15% expense factor as an independent contractor.
 $\$300,000 \times 85\% = \$255,000$ in Net Income / 24 Mo. = \$10,625 in monthly income

The 2 most recent bank statements support the monthly income calculations. If the amount is less than calculated the borrower may provide additional bank statements to support the average income. 10% variance is allowed.

7.6.8 ALT DOC - ASSET UTILIZATION

The Asset Utilization loan program is an option for an underwriter to use a Borrower's liquid assets to augment income for loan and product qualification purposes or to qualify entirely.

Three (3) most recent months of asset statements with all pages included are required for Asset Utilization calculation as well as verifying cash to close and reserves.

7.6.8.1 RESTRICTIONS

- Gift funds are not allowed, including when using as blended income
- Installment debts with less than 10 payments remaining may not be excluded from the liabilities
- Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions.

7.6.8.2 ASSET UTILIZATION QUALIFYING METHODS AND PROGRAM RESTRICTIONS

Asset Utilization is a calculation used to generate monthly income from a borrower's personal assets. Assets can be used for all income, or blended income.

Asset Utilization for Use as Income (DTI)

- **Asset Utilization for Use with Blended Income**
 - The borrower may supplement full-doc or self-employment income with Asset Utilization
 - It can be combined with other income such as W-2, Self-employment, 12 months Bank Statement, Social Security, Pension, or other investment income
 - If Asset Utilization income is 25% or less of the total qualifying income, primary income parameters (LTV, loan amount, etc.) are to be followed
 - There is no age restriction
- **Asset Utilization for Use as 100% of the Income**
 - The borrower can use the calculated income from assets to cover the calculated monthly debt ratio
 - Employment information is not required

CALCULATION

Asset Utilization Calculation Policy (for use with Blended Income or 100 % Income qualification):

- Income listed in the employment section on the URLA will not be considered as the sole income calculation
- Qualifying asset monthly income is the total balance of assets eligible minus all funds used for down payment, closing costs and reserves divided by 60 months irrespective of the amortized term of the loan
- **Example** of Asset Income for a 30-Year loan:
 - Savings Account balance is \$100,000 (\$100,000 usable toward the calculation)
 - Stock Fund Balance is \$100,000 (\$90,000 usable toward the calculation)
 - Mutual Fund Balance is \$10,000 (\$9,000 usable toward the calculation)
 - Total usable is $\$199,000 \div 60 = \$3,316.66$ monthly income

Asset Utilization without DTI (Residual Assets Method):

For the Residual Assets Method, a debt ratio calculation is not required when Asset Utilization can cover the new subject property debt, all costs, reserves, and all other reported debt on the credit report. A calculated Residual assets amount is required.

CALCULATION

Asset Utilization Calculation Policy (for use with 100 % Coverage):

- Eligible assets available before closing must be sufficient to cover all of the following:
 - The new loan amount
 - The down payment

- Closing costs
- Any required reserves, per program requirements
- Five years (60 months) of all other current monthly obligations
- Five years of taxes and insurance

Sufficient liquid assets to pay off the loan in full would be considered fulfilling the DTI / Residual income prong of the ATR test.

7.6.8.3 ASSET UTILIZATION ELIGIBILITY

Eligibility Requirements (Asset Amortization)

- Available for Primary Residence, Second Homes, and Investment Property (N/O/O)
- Borrower and Co-Borrower must be individual or co-owners of all asset accounts with no other account holders listed on the documentation
- 100% of eligible assets must be verified
- All assets must be in a U.S. financial institution—No Foreign Assets
- The sum of eligible assets as defined are net of any discounts and minus any funds used for closing and/or minimum reserves required for the program

Full Asset Documentation is required for both funds to close and reserves. Assets can be cash in the bank, stocks, bonds, IRAs, 401Ks, mutual funds, or retirement accounts. For most asset types, this would include all pages of the most recent three (3) months. Asset levels in the verified accounts are expected to be consistent and sustained over the three (3) month period. Increases or decreases of greater than 15% over the three (3) month period (i.e., compare month 1 to month 3) must be explained by the borrower. Additional supporting documentation may be required. Large month-to-month changes in asset totals during the three (3) month period may require additional explanation and documentation.

Assets Eligible for Utilization

Assets must be liquid and available with no penalty; additional documentation may be requested to validate the origin of the wealth.

Considered assets must be comprised of the following readily marketable assets, which must be available to the borrower with no penalty and are limited as follows (after deduction of any funds used for down payment, closing costs, or reserves):

- Bank Deposits – Checking, Saving, Money Market accounts = 100%
- Publicly traded stocks and bonds = 90% (stock options not allowed)
- Mutual Funds = 90%
- Retirement Accounts
 - 401(k) plans or IRA, SEP or KEOUGH accounts = 80% (these can only be used if distribution is not already set up)

For eligible asset types, any debt tied to that asset must be netted out. Example: Stocks bought on margin or 401(k) loan against the 401(k) account. Assets must be in liquid or semi-liquid form, no privately held stock, deferred compensation, or non-regulated financial companies.

Assets Ineligible for Utilization (all Income or Blended Income)

- Any asset that produces income already included in the income calculation
- Business Funds
- Equity in Real Estate
- Gift funds

- Life Insurance
- Other non-liquid assets
- Privately traded or restricted/non-vested stocks
- Restricted Stock Units (RSUs)
- Retirement Assets: Ineligible if not vested

7.7 DEBT SERVICE COVERAGE RATIO (DSCR)

Under the Debt Service Coverage documentation option, property income is used to qualify the transaction. Debt Service Coverage is available to Experienced and Inexperienced Investors purchasing or refinancing investment properties to hold for business purposes. The borrower is required to sign a Certification of Business Purpose and an Occupancy Certification. Samples of the forms are available: Certification of Business Purpose ([Exhibit I](#)) and an Occupancy Certification ([Exhibit A](#)).

Restrictions

- Subject property may not be occupied by any borrower, any member of the LLC or any family member (as defined by Fannie Mae)
- Deed restricted properties are ineligible
- Refer to [the applicable NonQM Matrix](#) for FICO, Loan Amounts, LTVs, and all other restrictions.

7.7.1 DSCR CALCULATION

- **DSCR** is calculated by gross rents divided by qualifying PITIA or ITIA
 - 100% of the rents can be used, and no vacancy factor is required
 - Refer to matrix for current DSCR ratios allowed.
 - **EXAMPLE Debt Service Coverage Ratio (DSCR):**
 Single-family Purchase Money Transaction
 Monthly PITIA = \$650
 Estimated Monthly Market Rent (from Form 1007) = \$850
 Existing Lease Monthly Rent = Not Available
 Gross Market Rent = \$850 (Estimated Monthly Market Rent when a lease is not available for Purchase transaction)
RATIO CALCULATION:
 Gross Income ÷ PITIA = DSCR (Ratio)
 RATIO: \$850 ÷ \$650 = 1.30

7.7.2 EXPERIENCED INVESTOR

- Experienced Investors are defined as:
 - Borrower(s) with history of owning and managing non-owner occupied income-producing investment real estate for at least 1 year within the last 3 years
 - Ownership history can be documented with, but not limited to, the following:
 - Mortgage history on credit report
 - ♦ Tradelines for mortgages reflected on the credit report and have been paid off or sold in the last 12 months may be used to meet the above requirements
 - Property profile report
 - Other 3rd party documentation such as Fraud Report, Settlement Statement, Closing Disclosure
- Only one borrower has to meet the Experienced Investor definition; all other borrowers can either be Inexperienced or First Time Homebuyers

7.7.3 INEXPERIENCED INVESTOR

- Inexperienced Investors are defined as:
 - Borrower without history of owning and managing non-owner occupied income-producing investment real estate for at least 1 year within the last 3 years
 - Inexperienced investors are allowed with the following restrictions:
 - 80% maximum LTV
 - \$1,500,000 maximum loan amount
 - 60% maximum LTV for Sub1 DSCR
 - Cash-out not allowed on Sub1 DSCR
 - 0 x 30 x 12 housing history (VOM/VOR) required
 - Minimum three (3) months reserves required, cash-out cannot be used to meet the reserve requirement
 - First time homebuyer not allowed
 - Minimum six (6) months seasoning required for any borrower added to title only
 - No Ratio, DSCR, DSCR 5-8 Unit Residential and Short Term Rental ineligible
 - Tradelines for mortgages reflected on the credit report and have been paid off or sold in the last 12 months may be used to meet the above requirement

7.7.4 CREDIT (DSCR)

- Mortgage/Rental ratings are required for the borrower's primary residence (including primary residences owned in an entity) and for the subject property (if primary residence is owned free and clear will not need rating for that property)
 - All other REOs owned by the borrower, Corporation, or LLC, unless reported on the credit report, are not required
 - If other mortgages are reflected on the credit report, they are required to meet ratings per [the applicable NonQM Matrix](#)
 - Commercial property (including 4+ Units) can be excluded from REO, but if mortgages appear on the credit report, they must meet ratings per [the applicable NonQM Matrix](#)
 - Inquiries and variation of borrower's addresses do not need to be addressed.
 - Recent late payments on all consumer debt that exceed 1 X 60 over the previous 12 months will be scrutinized by the underwriter
- Default Event - If the current transaction loan payment is delinquent for more than 60 days, LSM's loan servicer will execute the 1-4 Family Rider (Fannie Mae® Form 3170) Paragraph G – Assignment of Leases provision

7.7.5 REFINANCE (DSCR)

If the mortgage being paid off is not reporting on the credit report, cancelled checks or the ACH transaction history is required (do not submit full bank statements on a DSCR loan).

If cancelled checks or the ACH transaction history cannot be provided or if the payoff shows the loan did not have any payments due, a loan that meets all the following is eligible:

- Experienced investor only
- 0 x 30 x 12 housing history, living rent free is not allowed
- Minimum 12 months reserves
- Cash-out ineligible

If the above is not met, loan will be ineligible as DSCR and income documents must be provided to show payment ability.

7.7.6 BORROWER INCOME (DSCR)

- Proof of income is not required
- The Employment section of the 1003 loan application should be left blank
- The Income section of the 1003 loan application must be left blank
- Tax returns and IRS Form 4506-C are not required; if tax returns and/or transcripts are provided, the loan is ineligible for this DSCR program type

7.7.7 ASSET DOCUMENTATION (DSCR)

In the case of DSCR documentation, most recent 30 days of Asset verification is required.

- Large deposits should be sourced if underwriter determines there is a red flag, but no seasoning requirements apply
- If the account has other names in addition to the borrower(s), a 100% access letter and an LOE are required
- Business funds may be used for the down payment, closing costs, and for the purposes of calculation reserves
 - The borrower must be listed as the sole owner of the account; or
 - The borrower may use a maximum of their percentage of ownership as qualifying assets

The remaining asset documentation standards in 7.0 of this Guide apply

7.7.8 PROPERTY INCOME DOCUMENTATION AND DETERMINATION (DSCR)

Documentation Requirements

- Purchase
 - Form 1007
 - Existing lease/rental agreement(s), if applicable. (If current rents are more than markets rents, the lesser of actual rents or 125% of market rents may be utilized.)
 - When using a new lease, canceled checks must be from renter listed on the rental agreement
- Refinance
 - Form 1007
 - Existing lease/rental agreement(s). (If current rents are more than market rents, the lesser of actual rents or 125% of market rents may be utilized.)

Income Analysis

GROSS INCOME

Gross Income is the lower of gross rents indicated on the lease agreement(s) and Form 1007. If the lease agreement(s) reflect(s) higher rents than the 1007, the lease amount(s) may be used for gross rents if two months proof of receipt is verified—OR—if new lease, copy of agreement with validated proof of security deposit and 1st month's rent (new lease with no security deposit will not be allowed for this agreement to be used). For purchase transactions without an existing lease and Unleased/Vacant Property refinance transactions, the gross rents indicated on the 1007 may be used without the lease agreement(s).

7.7.9 LEASED PROPERTY

Purchase Transactions

Use the rents provided on the comparable rent schedule from the appraiser (unless subject property is currently rented, and purchase contract is assigning rental agreement to proposed buyers – then rental agreement can be used).

Refinance Transactions

- The most recent leases/rental agreements are to be used
 - New lease is allowed with a validation of security deposit and first month's rent. New lease/rental agreement with no security deposit is ineligible.
- ADU Leases cannot be used unless verified by appraiser and lease agreement and supported by rental comps 1007 (comps need to reflect ADU income comps market rent)
- Lease not required on refinance transactions if loans amount $\leq$ \$1MM and LTV $\leq$ 65%
 - Utilize rents from appraisal, 1007, or Rent Survey) – leased properties only per appraisal
 - Not available on short term leases or rural properties

7.7.10 VACANT/UNLEASED PROPERTY

- A property where one of the following exist:
 - A lease or month-to-month rental agreement does not exist, and rent is being collected only on a verbal agreement (if lease/rental agreement is expired, will not consider a verbal agreement; need a copy of the expired agreement) and/or
 - Home is vacant
 - Leases that start more than 60 days after the note date
 - All required leased documentation cannot be provided
- Vacant/Unleased properties are eligible with the following restrictions:
 - No more than 1 vacant/unleased allowed on 2-3 Unit properties
 - No more than 2 vacant/unleased allowed on 4 Unit properties
 - Vacant units are to be actively marketed for rent. Evidence of rental listing to be provided.
 - Properties with vacant units actively marketed for greater than 3 months are ineligible.

Vacant/Unleased Property LTV/CLTV Restrictions

- Purchase Transaction: Program Max
- Rate/Term and Cash-Out Refinance: Refer to **NonQM DSCR Matrix**
- No Ratio DSCR ineligible, refinances only

Documentation Requirements

- Purchase
 - Form 1007
 - Existing lease/rental agreement(s), if applicable. (If current rents are more than market rents, the lesser of actual rents or 125% of market rents may be utilized)
 - When using a new lease, canceled checks must be from renter listed on the rental agreement

- Refinance
 - Form 1007
 - Existing lease/rental agreement(s). (If current rents are more than market rents, the lesser of actual rents or 125% of market rents may be utilized)
 - Appraisal, or (if a transferred appraisal) a 2055 Drive By in lieu of a CDA from an approved vendor
 - Underwriter must be able to determine whether the property has not been vacant for an unreasonable period and likelihood it will be rented
 - ♦ Borrower provided letter of explanation or other documentation evidencing the cause of vacancy such as recent renovation or tenant turnover required

7.7.11 SHORT TERM RENTAL (STR)

Short term rentals (STRs) (e.g., Airbnb, FlipKey, VRBO) are properties that are leased on a nightly, weekly, monthly, or seasonal basis for a defined period.

STR Restrictions

- Select DSCR, Sub1 DSCR and No Ratio DSCR are ineligible
- Refer to **NonQM Matrix** for FICO, Loan Amounts, LTVs and all other restrictions

STR Criteria and DSCR Calculation

- General Requirements:
 - Experienced investors only with at least 12 months of STR history in last 3 years
 - If 12 months of STR history cannot be provided, a 5% LTV reduction is required
 - Inexperienced and first-time investors are ineligible
 - 1 Unit Single Family Residence, 2-4 Unit, PUD, and Condo eligible
 - No deed restricted properties
 - Declining market (value):
 - When a declining market is identified by the underwriter or listed on the appraisal, the max LTV is 65%
 - Declining market (rent):
 - When declining market rent is identified by the underwriter or listed on the appraisal, one of the following must occur:
 - ♦ Reduce the LTV to 65%; OR
 - ♦ Achieve a Minimum 1.25 DSCR Ratio
- Income:
 - STR Income – Purchase and Refinance Transactions
 - Applies to all transactions using short-term rental income
 - ♦ A 5% LTV reduction applies to all loans qualified with short-term rental income
 - DSCR Calculation
 - Monthly Gross Rents based on a 12-month average to account for seasonality required
 - Refinance Transaction: 12 months (or 6 months minimum, if owned less than 12 months) used and averaged accordingly
 - Extraordinary Costs:
 - ♦ Use actual extraordinary costs (i.e., management fees, advertising, furnishing, cleaning) listed on the 3rd party management/rental statement; OR

- ♦ Use the gross rents reduced by 20% to reflect extraordinary costs (i.e., management fees, advertising, furnishing, cleaning) associated with operating short-term rental property compared to non-short-term property, if actual not provided
- DSCR is calculated as follows:
 - ♦ $\text{Gross Rents} \times 0.80 \div \text{PITIA} = \text{DSCR}$
 - ♦ When AIRDNA is utilized, DSCR is calculated as follows - $\text{Projected revenue} / 12 \times .80 / \text{PITIA} = \text{DSCR}$
- Documentation:

Either of the following methods can be used to determine gross monthly rental income. Priority will be given to recent documented rental income when choosing a method.

Purchase or Refinance

- [Form 1007](#) Single Family Comparable Rent Schedule/[Form 1025](#) Small Residential Income Property Appraisal Report prepared by the appraiser reflecting long term market rents along with:
 - Most recent 12-month rental history statement from the third-party rental/management service (may be provided by the seller if a purchase transaction)
 - Statement must identify the subject property/unit, rents collected for the previous 12 months and all vendor management fees
 - A screen shot of the online listing evidencing the property is actively marketed as a short term rental to be provided
 - AirDNA Rentalizer and Overview Report is acceptable on transactions when:
 - ♦ Subject property is new construction with an occupancy cert issued within the last 60 days. **OR**
 - ♦ Renovation of an existing property was completed in the last 60 days as evidenced by supporting documentation.
 - ♦ 60 days seasoning is measured from renovation completion or occupancy cert issued dated to application date
 - ♦ **NOTE:** AirDNA and Overview Report must meet all requirements below. Cash-out refinances must follow vacant property guidelines

Purchase only:

- Form 1007 Single Family Comparable Rent Schedule/Form 1025 Small Residential Income Property Appraisal Report prepared by the appraiser reflecting long term market rents along with:
- [AirDNA Rentalizer](#) and Overview reports (must meet the following requirements):
 - Rentalizer
 - ♦ Forecast period must cover 12 months from Note date
 - ♦ Occupancy rate threshold:
 - ≥ 50 requires a min 1.00 DSCR
 - < 50 requires a min 1.20 DSCR
 - ♦ Must have six (6) comparison properties
 - ♦ Must be within two (2) miles of the subject property
 - ♦ Must be similar in size, room count, amenities, availability, and occupancy
 - Overview Report
 - ♦ Market score by zip code
 - ♦ Market score threshold:
 - ≥ 60 requires a min 1.00 DSCR
 - $\geq 50 - 59$ requires a min 1.20 DSCR
 - ♦ Income calculation (annual revenue $\div$ 12)

7.8 FOREIGN NATIONAL

A Foreign National is a non-resident alien who is not authorized to live or work in the U.S or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. To be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence.

For the purposes of this guide, Foreign National borrowers are eligible for Investment and Second Home transactions only. For eligibility, refer to matrix.

A complete 1003 loan application is required on all loan files reflecting borrower's full name, phone number, address including flat, floor, unit or house number, street name, city, province/state along with a postal code. Additional phone numbers to assist credit vendors in contacting the borrower, such as cell, land, or business should be obtained and the Borrower Contact Consent Form ([Exhibit F](#)) may be utilized for this purpose. Automatic Debit Payment Agreement (ACH)

An executed Automatic Debit Payment Agreement (ACH Form) from a U.S. Bank, including either the bank routing number, account number, and account type or a voided check is required for transactions involving a Foreign National. [Refer to Exhibit B.](#)

7.8.1 AUTOMATIC DEBIT PAYMENT AGREEMENT

An executed Automatic Debit Payment Agreement (ACH Form) from a U.S. Bank, including either the bank routing number, account number, and account type or a voided check is required for transactions involving a Foreign National. [Refer to Exhibit B.](#)

7.8.2 FOREIGN NATIONAL PROGRAM SPECIFIC DOCUMENTATION REQUIREMENTS

- Visa types allowed: H1-B, O-2, P-1, TN NAFTA
- The following are required as evidence the borrower can enter the U.S legally
 - Copy of the borrowers valid and unexpired passport (including photograph) OR
 - Copy of the borrower's valid and unexpired visa (including photograph) OR an I-797 form with valid extension dates and I-94.
 - Borrowers from countries participating in the State Department's Visa Waiver Program (VWP) are not required to provide a valid visa. Participating countries can be found at <https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html>. The credit file should be documented with a current print out of the participating countries with the borrowers country of origin highlighted.
- All borrowers involved in the transaction must be screened through exclusionary lists, must be cleared through OFAC's SND list, search of Specially Designated Nationals & Blocked Persons List may be completed via US Department of Treasury: <http://sdnsearch.ofac.treas.gov/>.
- Borrowers from OFAC sanctioned countries are ineligible <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.
- Individuals with Diplomatic immunity not eligible <https://www.state.gov/subjects/diplomatic-immunity/>
- Effective July 1st, 2023, Florida Senate Bill 264 *Interests in Foreign Countries* prohibits any person from the People's Republic of China who is not a citizen or lawful permanent resident of the US to purchase or acquire any interest in real property in the state of Florida. The law also prohibits foreign principals which includes any person and/or entity from People's Republic of China, the Russian Federation, the Islamic Republic of Iran, the Democratic People's Republic of Korea, the Republic of Cuba, the Venezuelan regime of Nicolás

Maduro, or the Syrian Arab Republic, including any agency of or any other entity of significant control of such foreign country of concern from purchasing real property within 10 miles of a military installation or critical infrastructure.

- Documents signed by Borrowers outside of the United States must be notarized by a U.S. embassy or consulate. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal.
- For documents signed in a country that is party to the “Hague Convention Treaty Abolishing the Requirement of Legalization for Foreign Public Documents” a certificate of acknowledgment completed and signed by a notary public authorized or commissioned to perform such duties plus authentication by apostle in English and attached to the executed documents and certification of acknowledgement with title company acceptance is agreeable to lender.
- Power of Attorney (POA) is not allowed.
- Delayed Financing NOT available for Foreign National borrowers and Foreign National loan programs

7.8.3 FOREIGN NATIONAL CREDIT

QUALIFYING U.S. CREDIT

- For Foreign National Borrowers with a valid Social Security number a credit report may be obtained. Requirements found in the CREDIT section of this guide apply. Borrowers not meeting these requirements may proceed under the Qualifying Foreign Credit requirements detailed in this guide.
- Guideline restrictions:
 - Refer to Matrix

HOUSING HISTORY

URLA must reflect two-year housing history in country of origin or where currently legally residing.

7.8.4 FOREIGN NATIONAL INCOME

- Borrowers with US sourced income must comply with Full Doc guidelines.
- **Asset Utilization**
 - Refer to asset utilization sections
- **DSCR**
 - Refer to DSCR section

7.8.5 FOREIGN NATIONAL ASSETS

RESERVES

- A minimum of twelve (12) months of reserves are required.
- Each financed property in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA

GIFT FUNDS

- Gift Funds not allowed

ASSETS HELD IN FOREIGN ACCOUNTS

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least three (3) days prior to closing.

- Documenting Assets Held in Foreign Accounts:
 - Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table.
 - A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds.
 - Refer to the [Asset Documentation](#) section of this guide for eligible sources and types of assets

SECTION 8.0. EXCEPTION POLICY

Exceptions are considered on a case-by-case basis, based on compensating factors. Compensating factors may include but are not limited to the following:

- Debt-to-Income Ratio
- Loan-to-Value
- Mortgage and/or Rental History
- Payment Shock
- Reserves
- Residual Income
- Time in Home
- Time on Job
- Other

Depending on the nature of the exception, multiple compensating factors may be required. The VP of Credit/Director of Underwriting or higher authority will review and decision the exception request. Requests will typically be reviewed and decisioned within 24 hours. An exception form will be retained in the credit file.

SECTION 9.0. EXHIBITS

EXHIBIT A: OCCUPANCY CERTIFICATION

Loan Number: _____

OCCUPANCY CERTIFICATION

Borrower _____

Co-Borrower(s) _____

Property Address _____

I/We the undersigned certify that:

_____ **Primary Residence** – I/we will occupy the Property as my/our principal residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/We will continue to occupy the Property as my/our principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing.

_____ **Second Home** – I/we will occupy the Property as a second home (vacation, etc) while maintaining a principal residence elsewhere.

_____ **Investment Property** – I/we will not occupy the Property as a principal residence or second home. I/we will not occupy the Property for more than 14 days in any calendar year. The Property is an investment to be held or rented rather than for household or personal use.

INVESTMENT PROPERTY ONLY (the following must be completed on an investment property loan)

_____ I/we understand that consumer protection laws applicable to consumer loans will not apply to this loan, including the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 et seq.), and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).

REFINANCE ONLY (the following must be completed on a refinance transaction)

_____ I/We the undersigned, certify that the property referenced above is **NOT** currently listed for sale or under contract to be listed for sale.

I/We the undersigned acquired this property on _____.

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.

I/We understand that failure to comply with the requirements in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the Lender to exercise its remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

Borrower _____ Date _____

Borrower _____ Date _____

Borrower _____ Date _____

Borrower _____ Date _____

Revised
XX/XX/20XX

EXHIBIT B: AUTOMATIC DEBIT PAYMENT AGREEMENT (ACH) FORM**Automatic Payment Authorization Form**

You must attach a voided check or a savings deposit slip

☐ Yes, I would like to enroll in the free* monthly Automatic Payment Program

Name:	Street Address:	City, State, Zip Code:
Mortgage Loan Number:		
Daytime Phone Number:	Evening Phone Number:	
Financial Institution Name:	Financial Institution Phone Number:	
Account Routing Number:	Account Number:	☐ Checking ☐ Savings

*Please note that your financial institution may assess a fee for this transaction.

Please specify the payment date most convenient for you, which must be within the applicable grace period. If a payment date is not specified, or your loan is a daily simple interest loan, payments will be deducted on your current loan due date.

Deduct my payment on the of each month.

I would like additional funds deducted and applied toward reducing my outstanding principal balance. Please deduct an additional \$ per month.

I hereby authorize _____, including its successors and/or assigns, to initiate transfers from my checking or savings account at the financial institution indicated above for the purpose of making my monthly mortgage payment. I authorize the amount of each transfer to include my regularly scheduled payment including principal, interest and escrow items, reimbursement of corporate advances, optional insurance as applicable and the costs of any services I request.

I understand that, in accordance with the terms of my mortgage note and/or adjustments in my escrow for taxes and insurance, my payment may change from time to time as set forth in my loan documents. You are hereby authorized to change the amount of the draft from my checking or savings account, provided that you notify me of the new payment amount at least 10 days prior to the draft date. I agree that the payment change notice provided to me under the Adjustable Rate Mortgage Provisions of the Truth-in-Lending Act and/or escrow analysis form shall constitute notice of payment change as required by the Electronic Funds Transfer Act and Federal Reserve Board Regulation E.

I HEREBY AGREE TO THE TERMS AND CONDITIONS IN THIS FORM.

Borrower's Signature

Date

CoBorrower's Signature

Date

EXHIBIT C: ABILITY-TO-REPAY BORROWER CONFIRMATION**Important Ability-to-Repay Notice**

Date: _____

Application _____

No.: _____

This Important Ability-to-Repay Notice is being provided to each borrower prior to the signing of the loan documents, but after federal Truth in Lending disclosures have been provided.

In reviewing your credit application, [] has considered and verified the following information as it relates to your ability to repay this loan according to its terms as required by applicable law: (1) your current and reasonably expected income and/or assets (other than the value of the dwelling and any attached real property); (2) your current employment status (to the extent that employment income is relied on to determine repayment ability); (3) the monthly payment for principal and interest on the loan; (4) the monthly payment on any simultaneous loan that [] knows or has reason to know will be made; (5) the monthly payment for mortgage-related obligations (e.g., property taxes, certain insurance premiums, fees and special assessments for condominiums, and homeowners association, ground rent, and leasehold payments); (6) your current debt obligations, alimony, and child support; (7) your monthly debt-to-income ratio and/or residual income; and (8) your credit history.

Below and in the attached Application Form (Uniform Residential Loan Application on Fannie Mae Form 1003) is the information that [] has been used and considered in making this loan, as required by applicable law:

Employment and Income

Current Monthly Income: _____ Current Monthly Income from Assets: _____

Housing Expenses

Principal and Interest Payment _____

Real Estate Taxes _____

Homeowner's Insurance _____

Association Dues _____

Other _____

Total Housing Payment _____**Debts**

Installment and Revolving monthly debt payments _____

Other Obligations (including alimony and child support payments) _____

Total Monthly Other Debts _____

The information listed above and, in the Attachment, was provided by you in your application and interview, and/or in third-party records and other documents (such as credit reports and tax records). Based on its

consideration of this information, [] has made a reasonable and good faith determination that you have the reasonable ability to repay this loan according to its terms.

[] wants to make sure that the information listed above is correct and complete. [] is in the business of making loans and collecting loan payments—it has no desire to make a loan that cannot be repaid under the terms of the agreement.

By your signature(s) below, you are confirming that:

- (1) You have read and understand this Important Ability-to-Repay Notice, and the information listed above is correct and complete;
- (2) Your current or reasonably expected income or assets (other than the value of the dwelling and any attached real property) is/are consistent with the information listed above;
- (3) Your current employment status is consistent with the information listed above and/or attached;
- (4) Your current housing expenses, debts, and other obligations (including alimony and child support payments) are consistent with the information listed above;
- (5) You have not applied for or opened any new credit accounts, defaulted on any credit accounts, filed for bankruptcy, or had any judgments entered against you by a court;
- (6) You have not experienced any other changes from the time you signed or otherwise completed the information listed above and in the attached Uniform Residential Loan Application (Form 1003) that would reduce your reasonable ability to repay this loan according to its terms.

Borrower(s):

_____	____/____/____	_____	____/____/____
(Signature)	DATE	(Signature)	DATE

EXHIBIT D: CONDOMINIUM PROJECT QUESTIONNAIRE



LOANSTREAM MORTGAGE
19000 MacArthur Blvd., Ste 200
Irvine, CA 92612 | (800) 760-1833

CONDOMINIUM HOA FULL REVIEW QUESTIONNAIRE

Borrower Name: _____ Unit #: _____
Project Legal Name: _____
Project Address: _____

Please answer all questions; where numbers are requested, please provide the count (not the percentage).

1. Does the project have any of the items listed below? *Please check all that apply.* ☐ Yes ☐ No
- ☐ Central Phones ☐ Check-in Desk ☐ Continuing Care Retirement Community
☐ Hotel Operations ☐ Houseboat ☐ Maid Service ☐ Mandatory Rental Pool
☐ Manufactured Housing ☐ Multi-Dwelling Unit (more than 1 unit per Deed)
☐ Timeshares ☐ Under 30-Day Rentals
☐ Project Listed as Investment Security with the SEC
☐ Project Contains Non-Incidental Business Operations (Restaurant, Spa, Etc.)
☐ Project is Common Interest Apartment or Community Apartment Property
2. Is the HOA a licensed Hotel, Motel, Resort, or Hospitality Entity? ☐ Yes ☐ No
3. Does project have any significant deferred maintenance that meets one or more of the following criteria: ☐ Yes ☐ No
- a) full or partial evacuation of the building for 7 or more days is required to complete repairs;
b) project has deficiencies, defects, substantial damage, or deferred maintenance that
i) is severe enough to affect safety, soundness, structural integrity, or habitability of improvements,
ii) improvements need substantial repairs and rehabilitation, including many major components, or
iii) impedes safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to foundation, roof, load-bearing structures, electrical system, HVAC, or plumbing?
4. Has a structural and/or mechanical inspection been completed in the past 3 years? ☐ Yes ☐ No
- a) If yes, please provide a copy of the inspection report
5. Has the project failed to obtain an acceptable certificate of occupancy or pass local regulatory inspections or recertifications in the last 5 years? ☐ Yes ☐ No
- a) If yes, provide any applicable inspection, engineering, or other certification reports related to any issues
6. Does the HOA or do the Legal Documents require owners to make units available for rental pooling? ☐ Yes ☐ No
7. Does the HOA or do the Legal Documents require owners to share profits for the rental of units with the HOA Management Company or resort/hotel rental company? ☐ Yes ☐ No
8. Please list the total number (not percentage) of units in the project for items a – g:
- a) Number in the project _____
b) Number sold and closed or under contract _____
c) Number sold/under contract to owner occupants _____
d) Number sold/under contract to investors _____
e) Number sold/under contract to second home/vacation home buyers _____
f) Number owned by a single entity/person _____
g) Number over 60 days delinquent and dollar amount of delinquency _____
9. Is the project subject to any additional phasing? ☐ Yes ☐ No
10. Units are owned as: ☐ Fee Simple ☐ Leasehold
11. Are all units, common areas, and amenities completed? ☐ Yes ☐ No
12. Date Association was turned over to the unit owners (Month/Year) _____
13. Is the project a conversion? ☐ Yes ☐ No
- a) If yes, was the conversion a Gut Rehab with renovation down the shell with replacement of all HVAC & electrical components? Year Converted: _____

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LOANSTREAM MORTGAGE

19000 MacArthur Blvd., Ste 200
Irvine, CA 92612 | (800) 760-1833

CONDOMINIUM HOA FULL REVIEW QUESTIONNAIRE

Borrower Name: _____ Unit #: _____

14. Does the project contain any governmentally regulated low-or moderate-income housing units (also known as inclusionary zoning)? ☐ Yes ☐ No

15. Is the project subject to a recreation/land lease? ☐ Yes ☐ No

16. Are the units subject to private transfer fee covenants? ☐ Yes ☐ No
a) If yes, the private transfer fee is paid to: _____

17. Does the project have a mandatory club membership? ☐ Yes ☐ No
a) If yes, the club owner is: _____

18. Are there any special assessments ongoing or planned? ☐ Yes ☐ No
a) If yes, reason for special assessments: _____

19. Is the association subject to any lawsuits or litigation? ☐ Yes ☐ No
a) If yes, please attach a copy of the Legal Complaint filed with the court.

20. Does the project contain any commercial space? ☐ Yes ☐ No
a) If yes, what percentage of the project is commercial? _____

21. Has the HOA or Developer retained a right of first refusal? ☐ Yes ☐ No
a) If yes, are the mortgagees (lenders) excluded from this right of first refusal? ☐ Yes ☐ No

22. If a unit is Foreclosed or claimed with Deed-in-lieu of Foreclosure is the lender responsible for HOA Dues? ☐ Yes ☐ No
a) If yes, how long? ☐ 0 – 6 months ☐ more than 6 months

23. Is the project located in a Master Association? ☐ Yes ☐ No
a) If yes, Master Association Legal Name: _____
b) Master Association legal entity type is: ☐ Condominium ☐ PUD
c) Master Association required to pay fees? ☐ Yes ☐ No and if yes, amount: _____

24. Does the HOA or Management Company maintain separate accounts for operating expenses and reserve funds? ☐ Yes ☐ No

25. Is the project managed by an outside professional management firm? ☐ Yes ☐ No
a) If yes, will the outside management contract expire within three years? ☐ Yes ☐ No
b) And can the outside management contract be cancelled by either party with or without cause with 90-days' written notice? ☐ Yes ☐ No

26. Are monthly account statements being sent directly to the HOA? ☐ Yes ☐ No

27. Monthly HOA Dues per unit _____

28. Date monthly dues are assessed _____

29. Segregated reserve account balance _____

30. Insurance: Agent Name: _____ Phone: _____

SOURCE OF INFORMATION: Acceptable sources of information include an officer of the condominium association or a qualified employee of the association's management company.

Source Name

Source Title

Source Signature

Date Completed

Source Email Address

Source Phone Number

Association Website Address: _____

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LOANSTREAM MORTGAGE

19000 MacArthur Blvd., Ste 200

Irvine, CA 92612 • (800) 760-1833

CONDOMINIUM HOA LIMITED REVIEW QUESTIONNAIRE

Borrower Name: _____ Unit #: _____
 Project Legal Name: _____
 Project Address: _____
 Master Association Name (if applicable): _____ Tax ID: _____

If answer to any question 1-4, 9, or 11-14 is Yes, or the answer to any question 8 or 10 is No, please stop and complete the FULL REVIEW QUESTIONNAIRE. If any portion of question 5 or 7 is marked Yes, the project is ineligible. This form must be accompanied by the Master Insurance Policy.

1. Is the project new (less than 90% of the units sold) and the units attached? ☐ Yes ☐ No
2. Does the project operation like a resort condominium, condotel, leasehold, or have a rental desk? ☐ Yes ☐ No
3. Is the HOA under control of the Developer? ☐ Yes ☐ No
4. Does any single entity, individual or group: a) if project is 5-20 units, own more than two units; or b) if project is more than 20 units, own more than 20% of the total units? ☐ Yes ☐ No
5. Does project have any significant deferred maintenance that meets one or more of the following criteria: ☐ Yes ☐ No
 - a) full or partial evacuation of the building for 7 or more days is required to complete repairs;
 - b) project has deficiencies, defects, substantial damage, or deferred maintenance that
 - i) is severe enough to affect safety, soundness, structural integrity, or habitability of improvements,
 - ii) improvements need substantial repairs and rehabilitation, including many major components, or
 - iii) impedes safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to foundation, roof, load-bearing structures, electrical system, HVAC, or plumbing?
6. Has a structural and/or mechanical inspection been completed in the past 3 years? ☐ Yes ☐ No
 - a) If yes, please provide a copy of the inspection report
7. Has the project failed to obtain an acceptable certificate of occupancy or pass local regulatory inspections or recertifications in the last 5 years? ☐ Yes ☐ No
 - a) If yes, provide any applicable inspection, engineering, or other certification reports related to any issues
8. Are the units, common areas, and recreational facilities of the project 100% complete with no additional phases to be built? ☐ Yes ☐ No
9. Is the association subject to any lawsuits or litigation? ☐ Yes ☐ No
 - a) If yes, please attach a copy of the Legal Complaint filed with the court.
10. Do the unit owners, through the HOA, have sole ownership interest in and full rights to use the project's facilities and common areas? ☐ Yes ☐ No
11. Does the project contain any commercial space? ☐ Yes ☐ No
 - a) If yes, is the percentage greater than 25% of the project? ☐ Yes ☐ No
12. Is the project a conversion? ☐ Yes ☐ No
 - a) If yes, was the conversion a Gut Rehab with renovation down the shell with replacement of all HVAC & electrical components? Year Converted: _____ ☐ Yes ☐ No
13. Are there any special assessments ongoing or planned? ☐ Yes ☐ No
 - a) If yes, reason for special assessments: _____
14. Are Any unit owner more than 60 days delinquent on HOA Dues? ☐ Yes ☐ No
 - a) If yes, how many? _____

SOURCE OF INFORMATION: Acceptable sources of information include an officer of the condominium association or a qualified employee of the association's management company.

Source Name

Source Title

Source Signature

Date Completed

Source Email Address

Source Phone Number

Association Website Address: _____

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EXHIBIT E: DEVELOPER/BUILDER/QUESTIONNAIRE

DEVELOPER/BUILDER QUESTIONNAIRE

Project Name: _____
 Legal Address: _____

Developer Company Name: _____ President/Owner: _____
 Address: _____ Phone: _____
 Website: _____ Email: _____

Builder Name: _____ President/Owner: _____
 Address: _____ Phone: _____
 Website: _____ Email: _____

Broker/Marketing Co. Name: _____ Sales Manager: _____

1. Is the marketing firm affiliated with the developer/builder? *If yes, describe the relationship:* ☐ Yes ☐ No
2. Are sales or financing concessions offered as part of the marketing of units? *If yes, what concessions are being offered? Please provide sales and marketing plan.* ☐ Yes ☐ No

BUILDER/DEVELOPER CONSTRUCTION EXPERIENCE

3. Number of condo projects: _____
4. Number of units: _____
5. Unit types: _____
6. Does the developer have previous experience with conversion projects? ☐ Yes ☐ No
7. Number of units currently being rented by Builder/Developer: _____
8. Number of units currently being renovated/converted into condominiums: _____
9. What is the anticipated completion date of the units being renovated/converted? _____

PROJECTS COMPLETED

Project Name	Location	# of Units	Year Completed

BUILDER/DEVELOPER PRE-SALE CERTIFICATION

Status	Subject Phase	Completed Phases	Future Phases	TOTAL Project
Number of units closed to borrower other than Builder/Developer				
Number of units under contract/signed Purchase Agreement				
Number of units under construction				
Number of units available for sale				
Number of units owned or intended as owner occupied				
Number of units owned or intended as rental units				
Number of units currently rented by Builder/Developer				
Total number of units				

10. Does the builder/developer plan to retain ownership of any units, common elements, or other Project facilities other than during initial marketing period? *If yes, please provide an explanation of what is being retained and the reason:* ☐ Yes ☐ No
11. Are there any mechanic's liens, complaints, or litigation filed against the property? *If yes, please provide an explanation and any supporting documentation:* ☐ Yes ☐ No

DEVELOPER/BUILDER REQUIRED DOCUMENTATION

- ☐ Current reserve study (within three years), or equivalent, evidencing current condition of the Project elements, what work is needed, remaining life, and estimate of cost to replace.
- ☐ FNMA Form 1081 Final Certification of Substantial Project Completion or Project Occupancy Certification.
- ☐ Rent roll/absorption.
- ☐ Schedule of outstanding loans.
- ☐ Letter from construction lender stating financing is in good standing or statement from Builder/Developer indicating no financing exists.
- ☐ Evidence of available fund to complete the Project, e.g., certificate, letter of credit, or verification of liquid assets.
- ☐ Project Marketing Analysis: Sales and Marketing Plan.
- ☐ Project status letter detailing what is being completed/improved, cost estimate, and estimated date of completion.

CERTIFICATION

Builder/Developer has completed the information above, including the occupancy grid (or has attached a list documenting same in excel format), and attests to its accuracy.

Builder/Developer Name (please print) _____ Title _____
 Builder/Developer Signature _____ Date _____

Title 18 U.S.C. 1014, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any matter in the jurisdiction of any department or agency of the United States, shall be fined not more than \$1,000,000 or imprisoned for not more than 30 years or both. In addition, violation of this or others may result in debarment and civil liability for damages suffered by the Department.

EXHIBIT F: BORROWER CONTACT CONSENT FORM

BORROWER CONTACT CONSENT FORM

BORROWER(S) _____ LOAN # _____

SUBJECT _____

PROPERTY _____

To ensure that we have the correct contact information for the purpose of servicing your mortgage loan, please provide the information requested below.

MAILING ADDRESS

☐ Same as Subject Property

☐ Please use this mailing address instead:

CELL PHONE NUMBER(S)

I understand that by providing a cell phone number and signing this form I am giving the holder of my mortgage Note and its billing servicer permission to use the cell phone number to contact me regarding my loan.

Borrower _____

Co-Borrower _____

EMAIL ADDRESS(ES)

I understand that by providing an email address I am giving the holder of my mortgage Note and its billing servicer permission to use this email address to contact me regarding my loan.

Borrower _____

Co-Borrower _____

SIGNATURE(S)

By signing I authorize my mortgage servicer, and its transfers and/or assigns, to contact me regarding the servicing of my mortgage loan using the contact information provided on this form.

Borrower Signature _____ Date _____ Co-Borrower Signature _____ Date _____

EXHIBIT G: CONDOMINIUM PROJECT WARRANTY CERTIFICATION

Condominium Project Warranty Certification

Project Name:	
Project Address:	
Phase	
Borrower Name:	
Subject Address:	
Lender Name:	
Loan Number:	

This certification represents and warrants that the above condominium project meets all eligibility requirements for sale as required by Fannie Mae.

The Lender representative certifies that they have completed a Full Condo Project review as outlined in the Fannie Mae guidelines section [B4-2.2-02](#) Full Review including review of all required documentation for the project type.

Project type: ☐ Established ☐ New ☐ Limited Review

Project Documents reviewed include:

	Condo Questionnaire
	Current annual HOA/Project Budget
	Current Balance Sheet
	Evidence of Project Insurance
	Project legal documents as required by Project type

Lender certifies that it has retained all supporting documentation used to complete the review for this Warranty Certification. The Lender Representative certifies that all appropriate documentation has been examined and that the Representative and Lender warrant that the project meets all requirements set forth in the Fannie Mae guidelines for a Full Review.

Signature of Lender Representative certifying

Name of Lender Representative

Title of Lender Representative

EXHIBIT H: SELF-EMPLOYMENT BUSINESS NARRATIVE QUESTIONNAIRE



SAVE FORM

CLEAR FORM

CORRESPONDENT BUSINESS NARRATIVE
QUESTIONNAIRE AND CERTIFICATION

Borrower Name Loan #
 Business Name Website

1. What industry category best describes the borrower's business? (Select One)

If "Other" selected, please list here:

2. Does the business have a physical location? ☐ Yes ☐ No

3. Does the business have more than one physical site? ☐ Yes ☐ No

4. What is the address of the business physical location?

5. How many full-time employees/contractors does the business have? (Select One)

6. Does the business provide a product (i.e., clothing, food service/restaurant, jewelry, manufacturing, retail sales, etc.)? ☐ Yes ☐ No

7. Does the business provide a service (i.e., accounting, consulting, financial planning, real estate sales, insurance sales, law, therapy, etc.)? ☐ Yes ☐ No

8. Is it a "real estate" related business (i.e., builder, developer, property flipper, etc.)? ☐ Yes ☐ No

9. What percentage of the business do you own? %

10. How does your business get paid?

☐ Branch Deposits ☐ Check ☐ Square ☐ Other
☐ Cash ☐ Online Deposits ☐ Venmo
☐ Cash App ☐ PayPal ☐ Zelle

11. Please describe the business operations, how it is managed, and any key details you can provide.

Fixed Expense Factor Table

Number of Full-time Employees/Contractors	0 – 1	2 – 10	11+
Service Business ¹	30%	50%	60%
Product Business ²	40%	60%	70%
Real Estate Business ³	70%	75%	80%

1 Service Business examples: Accounting, Consulting, Counseling, Financial Planning, Insurance, Law, Therapy, etc.

2 Product Business examples: Clothing/Jewelry, Construction, Food Service/Restaurant, Manufacturing, Retail, Trucking, etc.

3 Real Estate Investors (without a schedule of current real estate), Property Developers, and Property Flippers. CPA Letters will not be accepted for a lower expense ratio.

EXHIBIT I: BORROWER CERTIFICATION OF BUSINESS PURPOSE

Loan Number:

BUSINESS PURPOSE & OCCUPANCY AFFIDAVIT (the "Affidavit")

Borrower Name(s):

Property Address:

I, the undersigned borrower(s), hereby declare that the following is true and correct:

- 1. I have applied for this Loan and am seeking financing for the Property for business purposes only. I do not intend to use the proceeds of the Loan for personal, family, or household purposes.
- 2. The proceeds of the loan will be used to purchase, improve, or maintain the Property, and I intend to operate the Property as one or more rental units for profit. If I have not executed a lease with a tenant (or tenants) at or before closing of the Loan, I intend to, and will, use commercially reasonable methods and effort to obtain a tenant (or tenants) for the Property following closing of the Loan.
- 3. Neither I nor any family member intend or expect to occupy the Property at any time. I will not, under any circumstances, occupy the Property at any time while the Loan remains outstanding. In addition, I will not claim the Property as my primary or secondary residence for any purposes for the duration of my Loan. I now reside, and for the duration of my Loan will continue to reside, elsewhere.
- 4. I understand that Lender originating the Loan in reliance upon this Affidavit. If this Affidavit is not true and correct, and in consideration of Lender making the Loan, I agree to indemnify Lender and its agents, affiliates, subsidiaries, parent companies, successors and assigns and hold them harmless from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys' fees, which they may incur as a result of or in connection with my misrepresentation. I further understand that any misrepresentation in this Affidavit will constitute an Event of Default under my Loan Documents, and may result in the immediate acceleration of my debt and the institution of foreclosure proceedings, eviction, and any other remedies allowable by law.
- 5. I understand that the agreements and covenants contained herein shall survive the closing of the Loan.
- 6. I understand that, based on the contents of this Affidavit, the Loan is a business-purpose loan secured by non-owner-occupied real property. I understand that this means that the Loan may not be subject to the requirements of certain federal and state consumer protection, mortgage lending, or other laws, including but not limited to the provisions of the federal Truth-in-Lending Act (15 U.S.C. §§ 1601 *et seq.*) and its implementing Regulation Z (12 C.F.R. Part 1026), and that my ability to avail myself of protections offered under federal and state laws for consumer-purpose residential mortgage loans may be limited.
- 7. I understand that any false statements, misrepresentations, or material omissions I make in this Affidavit may result in civil and criminal penalties.

Initial(s)	

_____ The Property is not and will not be occupied by me or any member of the LLC or any family member.

_____ Date

_____ Date

EXHIBIT J: VISA AND EAD ELIGIBILITY MATRIX

NON-QM VISA & EAD ELIGIBILITY MATRIX

Effective 4.17.25

The Visa & Employment Authorization (EAD) Eligibility matrix is a list of eligible Visas and EADs for NonQM loans with Non-Permanent Resident Alien borrowers. Any Visa or EAD category not listed would generally be ineligible.

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible¹</u>
A-1, A-2	Non-immigrant	Diplomat	N	Y
A-1, A-2	Non-immigrant	Diplomat spouse	C01	Y
A-3	Non-immigrant	Employee of A-1 or A-2	C17	Y
B-1, B-2	Non-immigrant	Business visitor	N	N
B-11, B-16	Family based	Unmarried son or daughter of US citizen	C09	N
B-12, B-17	Family based	Child of B-11 or B-16	C09	N
B31, B-32, B-33	Family based	Married son or daughter of US citizen (B-31), spouse of B-31 or child of B-31	C09	N
BC-1	Employment based	Broadcaster in the US employed by the International Broadcasting Bureau of the Broadcasting Board of Governors	N	N
BC-2, BC-3	Employment based	Spouse, child of BC-1	Y	N
BCC	Non-immigrant	Border Crossing Card	N	N
C-1, C-2, C-3, C-4, C-5	Non-immigrant	Transiting the U.S.	N	N
C-21, C-22, C-23, C-24, C-25	Family based	Spouse or child of permanent resident	C09	N
C-26	Non-immigrant	Spouse or child of H type	N	N
C-31, C-32, C-33	Family based	Spouse or child of US citizen	C09	N
C-5, C-51	Employment based	Employment creation	N	N
C-52, C-53	Employment based	Spouse or child of C-5 or C-51	C09	N
CR-1, CR-2, CR-5	Family based	Spouse or child of US citizen	C09	N
CX-1, CX-2, CX-3	Family based	Spouse, child or stepchild of lawful permanent resident	C09	N
D	Non-immigrant	Crew member	N	N
DV-1, DV-2, DV-3	Diversity	Diversity immigrant, spouse, child	N	N
E-1,2 or spouse of E-1,2 (the spouse does not get a different number for this category)	Employment based	Treaty/Trade investor or spouse	A17 (only needed for spouse of E-1, E-2)	Y
E-3	Employment based	Specialty occupation- Australia	N	Y

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible¹</u>
E-11	Employment based	Person with extraordinary ability in the sciences, arts, education, business or athletics	N	N
E-12	Employment based	Outstanding professor or researcher	N	N
E-13	Employment based	Multinational executive or manager	N	N
E-14, E-15	Employment based	Spouse or child of E-11, E-12 or E-13	C09	N
E-21	Employment based	Professional holding advanced degree or alien of exceptional ability	N	N
E-22, E-23	Employment based	Spouse or child of E-21	C09	N
E-31	Employment based	Skilled worker	N	N
E-32	Employment based	Professional holding baccalaureate degree	N	N
E-34, E-35	Employment based	Spouse or child of E-31 or E-32	C09	N
EW-3	Employment based	Other worker	N	N
EW-4	Employment based	Spouse or child of EW-3	C09	N
F-2A, F-2B, F-3, F-4, F-11, F-12, F-21, F-22, F-23, F-24, F-25, F-31, F-33, F-41, F-42, F-43	Family based	Family members of permanent residents or US citizens	C09	N
F1	Non-immigrant	Student	C03	N
FX-1, FX-2, FX-3	Family based	Spouse or child of permanent resident or FX-1	Y	N
G-1, G-2, G-3, G-4	Employment based	Employees of international organizations and NATO; spouses and children	Y-spouses and children: C04	Y
G-5	Non-immigrant	Non-immigrant domestic workers	C17	Y
H1-B	Employment based	Foreign nationals working in the US in a specialty occupation	N	Y
H-2A, H-2B	Non-immigrant	Temporary workers	N	N
H-3	Non-immigrant	Temporary training	N	N
H-4	Non-immigrant	Spouse or child of H1-B	C09	Y
I-51	Employment based	Investor in pilot program	N	N
I-52, I-53	Employment based	Spouse or child of I-51	C09	N
IH-3, IH-4	Family based	Child adopted or to be adopted by US citizen	C09	N
IR-1, IR-2, IR-3, IR-4, IR-5	Family based	Spouse, child or child to be adopted of US citizen	C09	N
J	Non-immigrant	Cultural exchange visitor	C05	N
K-1	Family based	Fiancée of US citizen	A09	Y
K-3	Family based	Fiancée of US citizen	A09	N
L-1A, L-1B*	Employment based	Intracompany transferees	N	Y
L-2*	Employment based	Spouse or child of L-1	A18	Y

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible¹</u>
*L-1 and L-2 blanket visas are not permitted				
M-1, M-2, M-3	Non-immigrant	student seeking practical training after completing studies	C06	N
N-8, N-9	Non-immigrant	Parent or child of int'l org. employee granted permanent residence	A07	N
NATO- 1, NATO-2, NATO-3, NATO-4, NATO-5, NATO-6	Non-immigrant	NATO members, staffs and families for temporary stay	C07	N
O-1A, O-1B	Employment based	Extraordinary ability in science, education, the arts, business or athletics	N	Y
O-2	Employment based	Assistant to O-1	N	Y
O-3	Employment based	Spouse or child of O-1 or O-2	N	N
P-1A	Employment based	Internationally recognized athlete	N	Y
P-1B	Employment based	Internationally recognized artist	N	Y
P-2	Employment based	Performer (artist)- reciprocal exchange program	N	N
P-3	Employment based	Entertainer (artist) - culturally unique program	N	N
P-4 ¹	Employment based	Spouse or child of P1A, P-1B, P-2, or P-3	C09	N
Q	Non-immigrant	Cultural exchange program	N	N
R-5, R-51	Employment based	Investor in pilot program	N	N
R-52, R-53	Employment based	Spouse or child of R-51	C09	N
SD-1	Employment based	Religious workers	N	N
SD-2, SD-3	Employment based	Spouse or child of SD-1	C09	N
SE-1	Employment based	Employees or former employees of the US Gov't abroad	N	N
SE-2, SE-3	Employment based	Spouse or child of SE-1	C09	N
SF-1	Employment based	Former employees of the Panama Canal Company or Canal Zone Gov't	N	N
SF-2	Employment based	Spouse or child of SF-1	C09	N
SG-1	Employment based	Former employees of the US gov't in the Panama Canal Zone	N	N
SG-2	Employment based	Spouse or child of SG-1	Y	N
SH-1	Employment based	Certain former employees of the Panama Canal Company or Canal Zone gov't on 4/1/79	N	N
SH-2	Employment based	Spouse or child of SH-1	C09	N
SI	Employment based	Interpreters	N	N
SJ-1	Employment based	Foreign medical graduate	N	N
SJ-2	Employment based	Spouse or child of SJ-1	C09	N
SK-1	Employment based	Retired international organization employee	N	N

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible¹</u>
SK-2	Employment based	Spouse of SK-1	C09	N
SK-3	Employment based	Unmarried child of an international organization employee	C09	N
SK-4	Employment based	Surviving spouse of deceased international organization employee	C09	N
SN-1	Employment based	Retired NATO-6 civilian	N	N
SN-2, SN-3	Employment based	Spouse of child of NATO-6 civilian employee	C09	N
SN-4	Employment based	Surviving spouse of deceased NATO-6 civilian employee	C09	N
SQ	Employment based	Iraqi/Afghans who work on behalf of the US government	N	N
SR-1	Employment based	Religious workers	N	N
SR2, SR3	Employment based	Spouse or child of SR-1	C09	N
T-1, T-2, T-3, T-4	Subject to extreme cruelty	Victim or spouse or child or parents of victim of human trafficking	A16 OR C25	N
T-5, T-51	Employment based	Employment creation	N	N
T-52, T-53	Employment based	Spouse or child of T-51	C09	N
TN NAFTA, TC NAFTA	Employment based	Canadian or Mexican citizens working in the US	N	Y
TD NAFTA	Employment based	Spouse or child of TN	N	N
U-1, U-2, U-3, U-4	Subject to extreme cruelty	Victim or family member of victim of criminal activity	A19 OR A20	Y
V-1, V-2, V-3	Family based	Married to or a child of a legal permanent resident and you have been waiting at least 3 yrs. for the approval of a petition for lawful permanent resident status	A15	Y

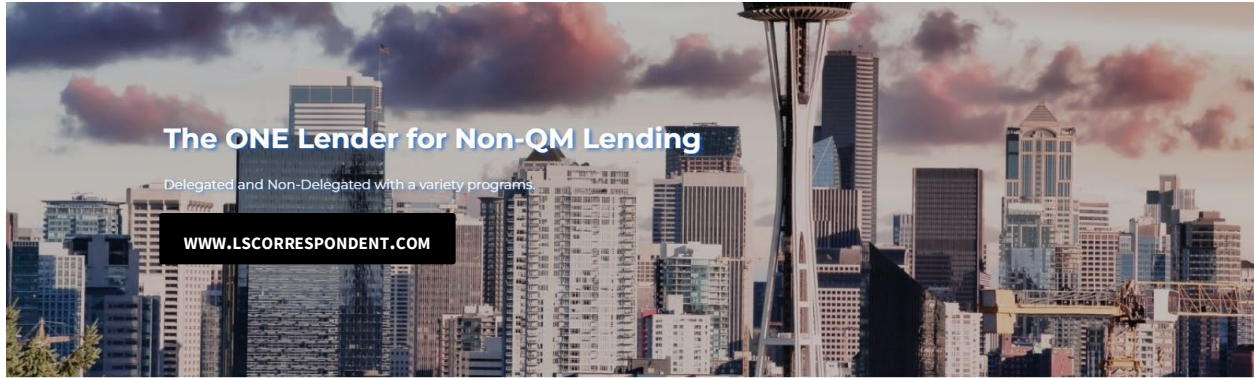
¹ Must be spouse or child of P1A or P-1B, spouse or child of P-2 or P-3 are ineligible

<u>EAD Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Automatic Extension</u>	<u>Eligible¹</u>
A02	Non-immigrant	Lawful temporary resident pursuant to sections 245a or 210 of the INA (temp. agricultural worker)	N	N
A03	Refugee	Refugee	Y	N
A04	Cuban or Haitian entrant	Cuban or Haitian entrant paroled as a refugee	N	N
A05	Asylum granted	Asylum granted	Y	Y
A06	Non-immigrant	K-1, non-immigrant fiancé of US citizen or K-2 child of K-1	N	N
A07	Non-immigrant	N-8 parent of international organization employee granted permanent residence or N-9 dependent child of international organization employee granted permanent residence	Y	N

<u>EAD Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Automatic Extension</u>	<u>Eligible¹</u>
A08	Non-immigrant	Citizens of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau admitted as a non-immigrant	Y	N
A09	Non-immigrant	K-3 non-immigrant spouse of US citizen or K-4 child of K-3	N	Y
A10	Non-immigrant	Granted withholding of Deportation or Removal	Y	N
A11	Non-immigrant	Deferred Enforced Departure (DED)	N	N
A12	Non-immigrant	Temporary Protected Status (TPS) granted under 8 CFR 244.12	Y	N
A13	Non-immigrant	IMMACT Family Unity beneficiary	N	N
A14	Non-immigrant	LIFE Act Family Unity beneficiary	N	N
A15	Non-immigrant	V-1 spouse of lawful permanent resident or V-2 minor unmarried child of lawful permanent resident or V-3 minor unmarried child of V-1 or V-2	N	N
A16	Non-immigrant	T-1 non-immigrant (victims of a severe form of trafficking)	N	N
A17	Non-immigrant	Spouse of principal E non-immigrant with an unexpired I-94 showing E (included in E-1S, E-2S, E-3S) non-immigrant status	Y	N
A18	Non-immigrant	Spouse of principal L-1 non-immigrant with an unexpired I-94 showing L-2 (including L-2S) non-immigrant status	Y	N
A19	Non-immigrant	U-1 non-immigrant (victims of certain criminal activity)	N	N
A20	Non-immigrant	U-2 spouse of U-1 aliens or U-3 children of U-1 aliens (16 or under) or U-5 unmarried sibling under age 18 of UJ-1 alien under the age 21	N	N
C01	Non-immigrant	Dependent of A-1 or A-2 foreign government official	N	N
C02	Non-immigrant	Dependent of TECRO (Taipei Economic and Cultural Representative Office) E-11 non-immigrant)	N	N
C03A	Non-immigrant	Pre-completion of OPT F-1 students	N	N
C03B	Non-immigrant	Post-completion of OPT F-1 students	N	N
C03C	Non-immigrant	24 month extension for Science, Technology, Engineering or Mathematics (STEM) OPT students	N	N
C03(ii)	Non-immigrant	F-1 student offered off-campus employment under the sponsorship of Qualifying International Organization	N	N
C03(iii)	Non-immigrant	F-1 student seeking off-campus employment due to severe economic hardship	N	N
C04	Non-immigrant	Spouse or unmarried dependent child of G-1, G-3 or G-4 non-immigrant (Representative of International Organization and their dependents)	N	Y

<u>EAD Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Automatic Extension</u>	<u>Eligible¹</u>
C05	Non-immigrant	J-2 spouse or minor child of a J-1 exchange visitor	N	N
C06	Non-immigrant	M-1 student seeking practical training after completing studies	N	N
C07	Non-immigrant	Dependent of NATO-1 through NATO-7 non-immigrant	N	N
C08	Non-immigrant	Asylum applicant, status pending	Y	N
C09	Non-immigrant	Pending adjustment of status under Section 245 of the Act	Y	Y
C10	Non-immigrant	Nicaraguan Adjustment & Central American Relief act	Y	N
C11	Non-immigrant	Alien paroled into the US for emergency, temporary reason	N	N
C12	Non-immigrant	Spouse of an E2 commonwealth of the Northern Mariana Islands investor, eligible for employment. In the CNMI only.	N	N
C14	Non-immigrant	Alien granted deferred action	N	N
C16	Non-immigrant	Registry applicant based on continuous residence since Jan 1, 1972	Y	N
C17(ii)	Non-immigrant	B-1 non-immigrant who is the personal or domestic servant of a non-immigrant employer	N	N
C17(iii)	Non-immigrant	B-1 non-immigrant employed by a foreign airline	N	N
C18	Non-immigrant	Alien with final order of deportation/supervision	N	N
C19	Non-immigrant	Temporary Protected status applicant under 8 CFR 244.5	Y	N
C20	Non-immigrant	Alien who filed legalization application for agricultural workers	Y	N
C22	Non-immigrant	Alien who filed legalization application under INA 245a	Y	N
C24	Non-immigrant	LIFE legalization applicant	Y	N
C25	Non-immigrant	T-2 spouse of T-1, the victim of trafficking or T-3 child or T-1 or T-4 parent of T-1 (if T-1 is < age 21)	N	N
C26	Non-immigrant	Spouse of certain H-1B principal non-immigrants with an unexpired I-94 showing H-4 non-immigrant status	Y	N
C27	Non-immigrant	Abused spouse of an A non-immigrant	N	N
C28	Non-immigrant	Abused spouse of an E-3 non-immigrant	N	N
C29	Non-immigrant	Abused spouse of an G non-immigrant	N	N
C30	Non-immigrant	Abused spouse of an H non-immigrant	N	N
C31	Non-immigrant	Principal beneficiary or qualified child of approved VAWA self petition or Qualified child of a beneficiary of an approved VAWA self-petition	Y	N

<u>EAD Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Automatic Extension</u>	<u>Eligible¹</u>
C33	DACA	An alien who has been granted Deferred Action for childhood arrivals (DACA)	N	Y
C35	Non-immigrant	Principal beneficiary of an approved employment based immigrant petition facing compelling circumstances	N	N
C36	Non-immigrant	Spouse of unmarried child of a principal beneficiary of an approved employment based immigrant petition facing compelling circumstances	N	N



LOAN
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Non-Delegated
LoanStream Correspondent Guide

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SECTION 1.0. PROGRAMS

1.1 OVERVIEW

The LoanStream ONE program guidelines are structured to guide towards making common sense lending decisions on loans to borrowers who may have limited access to credit. These borrower's situations generally require the underwriter to consider alternative forms of documenting income and/or compensating factors which offset risk indicated by a recent credit event or elevated debt-to-income ratio. The borrower's ability to repay must be proven in all instances.

LoanStream Mortgage has a zero-tolerance policy for fraud. LoanStream follows the current established fraud and identity procedures on every loan to prevent and detect fraud (including, but not limited to, Social Security number verification, Verification of Assets, Verbal Verifications of Employment, processing of 4506-C(Ts), Fraud Guard, etc.). Loans containing misrepresentations will be immediately declined and forwarded to our Legal/QC Team for further review/action(s).

1.2 ELIGIBLE LOAN TERMS

1.2.1 TRID (NON-BUSINESS PURPOSE) LOAN TERMS

Fully Amortized ARM

- Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the loan term at the greater of the Fully Indexed Rate or Note Rate
 - 5/6 SOFR:
 - Caps: 2/1/5
 - 30-Year (360 Months)
 - 40-Year (480 Months)
 - 7/6 SOFR:
 - Caps: 5/1/5
 - 30-Year (360 Months)
 - 40-Year (480 Months)

Fully Amortized Fixed (Nonstandard terms available)

- Qualifying Ratios = Note Rate
- 15-Year Fixed (180 Months)
- 30-Year Fixed (360 Months)
- 40-Year Fixed (480 Months)

Interest-Only

- Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the scheduled remaining loan term at the time of recast after the interest-only period has expired, qualified at the greater of the Fully Indexed Rate or Note Rate with a 120 Month Interest Only Term
- Refer to applicable **NonQM Matrix** for FICO qualifications or restrictions

- 5/6 SOFR: (2/1/5 Cap Structure)
 - 30-Year (360 Months)
 - 40-Year (480 Months)
- 7/6 SOFR: (5/1/5 Cap Structure)
 - 30-Year (360 Months)
 - 40-Year (480 Months)

Fully Amortized Fixed Interest Only

- 30-Year Fixed (360 Months)
- 40-Year Fixed (480 Months)

Programs and terms are subject to change. See matrix and rate sheet for currently available loan terms.

1.2.2 NON-TRID (BUSINESS PURPOSE) LOAN TERMS

Fully Amortized ARM

- Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the loan term at Note Rate
- 5/6 SOFR:
 - Caps: 2/1/5
 - 30-Year (360 Months)
 - 40-Year (480 Months)
- 7/6 SOFR:
 - Caps: 5/1/5
 - 30-Year (360 Months)
 - 40-Year (480 Months)

Fully Amortized Fixed (Nonstandard terms available)

- Qualifying Ratios = Note Rate
- 15-Year Fixed (180 Months)
- 30-Year Fixed (360 Months)
- 40-Year Fixed (480 Months)

Interest-Only

- Qualifying Ratios are based on ITIA at Note Rate with a 120 Month Interest Only Term
- Refer applicable **NonQM Matrix** for FICO qualifications or restrictions
- 5/6 SOFR: (2/1/5 Cap Structure)
 - 30-Year (360 Months)
 - 40-Year (480 Months)
- 7/6 SOFR: (5/1/5 Cap Structure)
 - 30-Year (360 Months)
 - 40-Year (480 Months)
- 30-Year Fixed (360 Months)
- 40-Year Fixed (480 Months)

Programs and terms are subject to change. Refer to matrix and rate sheet for currently available loan terms.

1.3 UNDERWRITING

The Underwriter is required to perform a manual underwrite of the credit file and document the file based upon the criteria contained in this manual. Where this document is silent, please refer to Fannie Mae definitions, documentation and underwriting guidelines.

1.4 LOAN AMOUNTS

Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions.

1.4.1 LOAN AMOUNT > \$3.0MM

- **FTHB:** 24-month income documentation options only; gifts not allowed; payment shock max of 200%
- **Gifts:** Owner-occupied only, after 10% from borrower's own funds
- **Housing History:** All information must be verifiable
- **Limited Tradelines:** Not eligible
- **Listed for Sale:** Properties listed in the last 6 months not allowed
- **Non-Occupants:** Not allowed; housing history must be verifiable
- **Reserve Waiver:** Not allowed, and cash-out to cover reserves not allowed
- **Seasoning:** 6 months seasoning required on cash-out loans

1.5 MINIMUM FICO

Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions.

1.6 MAXIMUM LTV/CLTV

Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions.

1.7 INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS)

Interested party contributions (IPC) may only be used for closing costs and prepaid expenses (Financing Concessions) and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If IPCs are present, both the appraised value and sales price must be reduced by the concession amount that exceeds the limits referenced below. IPC includes funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the Real-Estate transaction held to the following.

LTV	Maximum Interested Party Contributions (IPC)
	TRID (Non-Business Purpose) & Non-TRID (Business Purpose)
> 80%	4%
≤ 80%	6%

1.8 ESCROWS - IMPOUND ACCOUNTS

1.8.1 OWNER OCCUPIED PRIMARY RESIDENCE/SECOND HOME

Impound accounts must be established for all Loans greater than 90% LTV(CA) & 80% LTV (all other states). Impounds are required on all HPML (higher priced mortgage loans) loans and may never be waived, regardless of LTV.

1.8.2 INVESTMENT PROPERTIES OR NON-TRID BUSINESS PURPOSE LOANS

Impound accounts are optional on Investment properties and not required.

NOTE: Refer to rate sheet for any costs associated with buyout.

1.9 SECONDARY FINANCING

Secondary financing must be institutional. Underwriters must employ reasonable underwriting judgment to determine whether the borrower has applied for another credit transaction secured by the same dwelling. Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation the line of credit is past its draw period.

Seller Carry Backs are not allowed. Refer to [the applicable NonQM Matrix](#) for additional restrictions.

1.10 ALLOWABLE AGE OF CREDIT DOCUMENTS

Underwriting and borrower credit documents may not be more than 90 days seasoned at the Note Date. The credit report should be dated no more than 120 days prior to the Note Date.

The Appraisal should be dated no more than 120 days prior to the Note Date. After a 120-day period, a re-certification of value is acceptable up to 180-days. After 180-days, a new appraisal report is required.

1.11 FEES

Refer to the **LoanStream Mortgage seller Guide/Section 8.9** for applicable fees.

1.12 BORROWER STATEMENT OF OCCUPANCY

1.12.1 TRID (NON-BUSINESS PURPOSE)

Borrower must acknowledge the intended purpose of the subject property ("Primary Residence" or "Second Home" or "Investment Property") by completing and signing an occupancy certification form. Refer to [Exhibit A](#) of this guide.

1.12.2 NON-TRID (BUSINESS PURPOSE)

Borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the "Borrower Certification of Business Purpose" in [EXHIBIT I](#) of this Guide.

1.13 AUTOMATIC PAYMENT AUTHORIZATION (ACH)

It is recommended that the borrower execute an assignable Automatic Debit Payment Agreement (ACH) Form. The ACH form must include the bank routing number, account number, and type of account, similar to [Exhibit B](#).

1.14 BORROWER CONTACT CONSENT FORM

To assist the loan servicer in contacting the borrower in a timely manner, LSM is required to obtain a valid phone number for the borrower(s). The phone number can be collected on the 1003 loan application or by using the Borrower Contact Consent Form (Refer to [Exhibit F](#)).

1.15 ABILITY TO REPAY/QUALIFIED MORTGAGE RULE

1.15.1 TRID (NON-BUSINESS PURPOSE)

Loans may be designated as Non-Qualified or Qualified Loans. Both safe harbor and rebuttable presumption standards apply to these designations. Loans are subject to general ability-to-repay (ATR) standards (12 C.F.R 1023.43(c)) and require the lender to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan. The following eight underwriting factors are considered when making this determination:

- I. Current or reasonably expected income or assets
- II. Current employment status
- III. The monthly payment on the covered transaction
- IV. The monthly payment on any simultaneous loan
- V. The monthly payment for mortgage-related obligations
- VI. Current debt obligations, alimony and child support
- VII. The monthly debt-to-income ratio or residual income
- VIII. Credit history

1.15.2 NON-TRID (BUSINESS PURPOSE)

Business Purpose Loans are exempt from ATR/QM Restrictions & Rules.

1.16 INTEREST CREDIT

Loans closed within the first 7 days of the month may reflect an interest credit to the borrower.

1.17 STATE AND FEDERAL HIGH-COST LOANS

State and Federal High-Cost Loans are not allowed. The allowable points and fees threshold is the more restrictive of state law, as applicable, or 5.00%

1.18 PREPAYMENT PENALTY

1.18.1 OWNER OCCUPIED, SECOND HOMES AND INVESTMENT PROPERTIES WHERE CASH-OUT IS USED FOR CONSUMER PURPOSE

Prepayment penalties are not allowed.

1.18.2 INVESTMENT PROPERTIES BUSINESS PURPOSE

- Prepayment penalties are eligible for investment properties only where permitted by applicable state law and regulations. Prepayment penalties are not allowed on primary residence or second home transactions.

1.19 PROPERTIES LISTED FOR SALE

1.19.1 TRID (NON-BUSINESS PURPOSE)

Rate and Term Refinance:

- The property must be delisted at least one day prior to application date

Cash-out Refinance:

- The property must be delisted for at least 180 days (6 Months), measured from the listing expiration date to the new loan application date

1.19.2 NON-TRID (BUSINESS PURPOSE)

Rate and Term Refinance:

- The property must be delisted at least one day prior to application date

Cash-out Refinance (One of the Following)

- The property must be delisted for at least 180 days (6 Months), measured from the listing expiration date to the new loan application date
- Properties delisted less than 180 days are allowed with the following requirements:
 - Property must be leased with current lease
 - Fully executed lease and receipt of security deposit into borrower's account to be provided
 - Three (3) months reserves required, cash out proceeds cannot be used as reserves
 - Minimum one year prepayment penalty
 - Property must be delisted at least thirty days prior to the application date
 - Value is based on the lower of the lowest list price (within the last 180 days) or appraised value. Increased value due to documented major renovations completed in the last 180 days will be reviewed on an exception basis.
 - Maximum LTV is the lower of 70% or program requirement

1.20 ASSUMABILITY

Adjustable-Rate Notes may be assumable based upon the Note. In general, Fannie Mae Notes contain an assumable clause. If the Note shows an assumable clause, the verbiage in the Note and Closing Disclosure must match.

Fixed-Rate Notes are not assumable.

1.21 HOUSING COUNSELING

All borrowers who are paying off an existing reverse mortgage with a new first (forward) mortgage must complete a homeownership education course provided by a HUD-approved agency. Proof of course completion is required prior to closing.

1.22 PROPERTY INSURANCE

1.22.1 COVERAGE REQUIREMENTS

Property insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion.

Policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain property insurance policies that include such limitations or exclusions unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions.

Additional insurance requirements apply to properties with solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement. Please refer to Fannie Mae Selling Guide [B7-03-02](#) for more detailed information.

For insurance not addressed in this section, such as condo, walls-in, etc., defer to Fannie Mae requirement Section B.7-3 Property and Flood Insurance for requirements for property and flood insurance, including coverage types, amounts and evidence.

The insurance coverage must reflect one of the following:

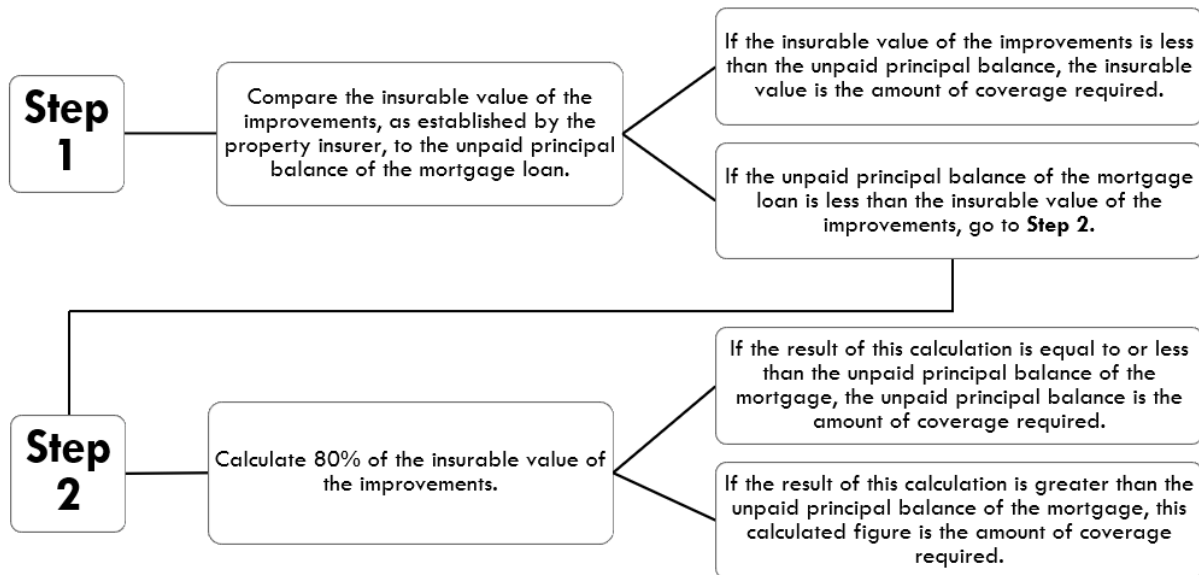
- 100% of the insurable value of the improvements, as established by the property insurer; or
- Determining the Amount of Required Property Insurance

The following table describes how to calculate the amount of required property insurance coverage:

STEP	DESCRIPTION
1	Compare the insurable value of the improvements as established by the property insurer to the unpaid principal balance of the mortgage loan.
1A	If the insurable value of the improvements is less than the unpaid principal balance, the insurable value is the amount of coverage required.
1B	If the unpaid principal balance of the mortgage loan is less than the insurable value of the improvements, go to Step 2.
2	Calculate 80% of the insurable value of the improvements.
2A	If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance is the amount of coverage required.
2B	If the result of this calculation is greater than the unpaid principal balance of the mortgage, this calculated figure is the amount of coverage required.

Examples

Category	PROPERTY A	PROPERTY B	PROPERTY C
Insurable Value	\$90,000	\$100,000	\$100,000
Unpaid Principal Balance	\$95,000	\$ 90,000	\$ 75,000
80% Insurable Value	—	\$ 80,000	\$ 80,000
Required Coverage	\$90,000	\$ 90,000	\$ 80,000
Calculation Method	Step 1A	Step 2A	Step 2B

**SECTION 2.0. PROPERTY****2.1 APPRAISAL REQUIREMENTS**

LoanStream may, at its discretion, examine all valuation reports, including review products, to verify the accuracy of the subject property's value. If the value is deemed unsupported, LoanStream reserves the right to adopt a lower value determined through an internal desk review of the appraisal(s) and review product.

Full Interior/ Exterior appraisal required. Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465 or 2090 must be used. The appraisal must comply with all applicable regulations and standards including but not limited to USPAP, FIRREA, AIR and HVCC compliance. . The licensed appraiser must complete an interior inspection of the subject property.

The Appraisal should be dated no more than 120 days prior to the Note Date. After a 120-day period, a re-certification of value is acceptable up to 180 days. After 180 days, a new appraisal report is required.

- Not eligible for approval:
 - Properties for which the appraisal indicates condition ratings of C5 or C6 or a quality rating of Q6, each as determined under the Uniform Appraisal Dataset (UAD) guidelines
 - LSM will consider if issue has been corrected prior to loan funding with proper documentation
- All properties must:
 - Be improved real property
 - Be accessible and available for year-around residential use
 - Represent the highest and best use of the property
 - Not contain any health and safety issues

2.1.1 SECOND APPRAISAL

Second Appraisal is required when:

- Loan amount exceeds \$2,000,000
 - Enhanced Desk Review from approved vendor is required on the lower valued appraisal regardless of the SSR score
- The transaction is an HPML (Higher-Priced Mortgage Loan) and a flip as defined in the [Property Flipping – HPML Appraisal Rule](#) section of this guide
- As required under the [Appraisal Review Products](#) section of this guide

When a second appraisal is required, the “Appraised Value” will be the lower of the two appraisals. The second appraisal must be from a different appraiser than the first appraisal.

Underwriter has discretion to accept differences between the two appraisals, as each appraiser may appraise a property differently, for example one appraiser may call a room an office when the other appraiser may call the same room a bedroom or one appraisal may state that there is 1000 sq ft. and the other appraiser measured out 980 sq ft. The Underwriter needs to assure that the qualifying value used to calculate the final LTV/CLTV is supported.

2.1.2 TRANSFER OF APPRAISAL

To transfer an appraisal, a transfer letter must be executed by the Lender that ordered the appraisal and must be signed by an authorized member of the company. The letter should include the following:

- Prepared on the Letterhead of the original Lender
- Current Date
- Borrower Name
- Property Address
- Statement that the appraisal was prepared in compliance of Appraisal Independence Requirements
- Signed by an Authorized Representative

2.2 APPRAISAL REVIEW REQUIREMENTS

2.2.1 APPRAISAL REVIEW PRODUCTS

An appraisal review product is required on every loan file for loan amounts $\leq$ \$2,000,000 unless the SSR Report shows a Fannie Mae Collateral Underwriter Score of 2.5 or less. Refer to [Second Appraisal](#) for loan amounts $>$ \$2,000,000 appraisal review product requirements. The options for review products include are below.

Submission Summary Report (SSR)

- Not available for multi-unit properties

Collateral Underwriter

- The appraisal report must be submitted to the UCDP Application and SSR reports should be generated
- Scoring:
 - If a CU score is present (will not show for units) and it is at 2.5 or below we may proceed without an enhanced desk review product unless required by underwriting
 - If the CU score is above 2.5, there is no score or the property is a 2-4 Unit, an enhanced desk review is required

Enhanced Desk Review

- Approved enhanced desk review products:
 - ARR (Appraisal Risk Review) from ProTeck/Stewart
 - CCA (Consolidated Collateral Analysis) from Consolidated Analytics
 - CDA from Collateral Desktop Analysis from Clear Capital
- A field review, drive by appraisal (Form number 2055) or second appraisal is acceptable
- The field review or 2nd appraisal may not be from the same company or appraiser as the original report

If the Appraisal Review Product reflects a value more than 10% below the appraised value or cannot provide a validation, the next option in the review waterfall must be followed:

- The next option is either a field review or second appraisal, and both must be from a different appraisal company and appraiser than the original appraisal; or
- If variance is between 10.01% to 15%, using the lower value without an additional report, is acceptable

2.2.2 MINIMUM SQUARE FOOTAGE

Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions.

2.2.3 ACCESSORY DWELLING UNITS

An Accessory Dwelling Unit (ADU) is generally an additional living area independent of the primary dwelling that may have been added to, created within, or detached from the primary dwelling. ADUs must be subordinate in size to the subject property, must be on the same parcel and may be either site constructed or modular. When giving value if modular, the dwelling must be on a permanent foundation.

When reporting the living area of an ADU, it should not be included with the Gross Living Area calculation of the primary dwelling. It should be reported and adjusted for on a separate line in the grid, unless the ADU is contained within or part of the primary dwelling with interior access and above grade. If a standalone structure does not meet the ADU minimum requirements, it should be treated as any other ancillary structure and included as a

separate line item in the sales comparison approach then adjusted based on its contributory value to the subject property.

Whether a property is defined as a one-unit property with an ADU or a two- to four-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utility meter(s), a unique postal address, and whether the unit can be legally rented. The appraiser must determine compliance with this definition as part of the analysis in the Highest and Best Use section of the appraisal. When there is an ADU, the appraisal report must include a description of the ADU and analysis of any effect it has on the value or marketability of the subject property. The appraisal report must demonstrate that the improvements are acceptable for the market. An aged-settled sale will qualify as a comparable, and an active listing or under contract sale will qualify as a supplemental exhibit to show marketability.

Examples of ADUs Include (but are not limited to)

- Living area over a garage
- Living area in a basement, it must have outside access
- Small addition to the primary dwelling with outside access
- A modular home (legally classified as real property)

Zoning for an ADU:

If it is determined that the property contains an ADU that is not allowed under zoning (where an ADU is not allowed under any circumstance), the property is eligible under the following additional conditions:

- The lender/borrower confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property
- The illegal use conforms to the subject neighborhood and to the market
- The property is appraised based upon its current use
- The appraisal report states that the improvements represent a use that does not comply with zoning (“illegal” use)

The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least two comparable sales with the same non-compliant zoning use. Aged, settled sale(s) with the same non-compliant zoning use are acceptable if recent sales are not available. At a minimum, the appraisal report must include a total of three settled sales.

Calculating Income from ADU:

See [Income Section](#) for income qualifying on ADU Income.

2.2.4 RURAL PROPERTY

A property could be classified as rural if the following conditions exist:

- The property is classified as rural by the appraiser
- Two of the three comparable properties are more than 5-miles from the subject property
- Less than 25% of the surrounding area is developed

The Underwriter has the discretion to determine if the subject property is a rural property by scrutinizing some of these following characteristics:

- Property is located on a gravel road
- The majority of comparable properties are more than 5 miles from the subject property

- Less than 25% of the surrounding area is developed
- Distance to schools and amenities is greater than 25 miles
- Surrounding area is Forest
- Surrounding area is Agricultural
- Does not have adequate utilities available in service
- Property located in remote, isolated area

2.2.5 PERSONAL PROPERTY

Any personal property transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and/or the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.

2.2.6 ESCROW HOLDBACKS

Escrow holdbacks are not allowed. Any repair or maintenance required per the appraiser must be completed prior to closing.

2.2.7 MIXED USE PROPERTIES

Owner Occupied & Second Home Occupancy

Mixed use properties are allowed per Fannie Mae Guidelines.

(Examples: Business use in addition to residential use, such as property with space set aside for a day care facility, a beauty or barber shop, or a doctor's office):

- The property must be a one-unit dwelling that the borrower occupies as a principal residence or 2nd Home
- The borrower must be both the owner and the operator of the business
- The property must be primarily residential in nature
- The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residential property

The property must meet appraisal requirements for mixed use properties under Fannie Mae Section [B4-1.4-07](#). Appraisal must indicate:

- A detailed description of the mixed-use characteristics of the subject property
- That the mixed use of the property is a legal, permissible use of the property under the local zoning requirements
- Any adverse impact on marketability and market resistance to the commercial use of the property
- Market value of the property based on the residential characteristics, rather than of the business use or any special business-use modifications that were made

2.2.8 INVESTMENT MIXED USE PROPERTIES

- Not allowed
 - Sober Living Homes are allowed in California per recent California Supreme Court Decisions and Legal Opinions. State law reinforces federal law prohibiting housing discrimination against persons with disabilities, including alcoholics and addicts in recovery. Under The Fair Housing Act (1988), The American with Disabilities Act (1990), Fair Employment and Housing Act (1959), Government Code 65008 (a), (b) and (d)(2), and under the Code of Federal Regulations §100.201, it requires the states to abide by Federal Regulations and allows for the placement of these individuals in community settings

rather than institutions. This section defines “handicapped” status protected by FHA, Fannie Mae, and ADA to include recovering alcoholics and addicts and prohibits mortgage lenders from discriminating from homeowner’s that run such facilities. We, therefore, will allow for the financing of single and multi-family properties with the following restrictions:

- 1007 market rents will be used for qualifying purposes (lease agreements between multiple parties will not be considered or used)
- No modifications to the home unless allowed under the ADA are allowed
- Sober Living Homes outside the state of California are not permitted

Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions.

2.2.9 PROPERTIES WITH SOLAR PANELS

The ownership and debt financing structure commonly found with solar panels are essential to determining whether panels are personal property of the homeowner, third party owned or a fixture to the real estate. Common ownership or financing structures include:

- Borrower owned panels
- Financed solar panels where the panels serve as collateral for the debt separate from any existing mortgage
- Lease agreements/power purchase agreements

Properties with solar panels may be eligible. Due diligence to determine ownership and any financing structure of the subject property’s solar panels is needed to determine initially if the property with solar panels is eligible and subsequently correctly underwrite the loan.

Underwriters are to ensure all the following:

- Borrower’s credit report is reviewed for solar-related debt and all solar-related documentation provided
- Title report is reviewed to determine if the related debt is reflected in the land records associated with the subject property
- Appraiser has accurate information about the ownership structure of the solar panels
- Appraisal appropriately addresses any impact to the property’s value
 - Any contributory value for owned or financed solar panels must be noted in the Improvements Section of the Appraisal Report
- Where solar panels are eligible the property maintains access to an alternate source of electric power that meets community standards
 - If a full appraisal is required, the appraiser is to comment if the property is connected to a traditional electrical power source.
 - If a full appraisal is not required, other alternative documentation, such as an electric bill, evidencing the property is connected to a traditional electrical power source to be provided

If insufficient documentation is not available and the ownership status is unclear, no value for the panels may be attributed to the property value on the appraisal unless a UCC “personal property” search is provided and confirms the solar panels are not claimed as collateral by any non-mortgage lender.

A UCC financing statement that covers personal property and is not intended as a fixture filing* must be filed in the office identified in the relevant state’s adopted version of the UCC.

** A fixture filing is a UCC-1 financing statement authorized and made in accordance with the UCC adopted by each state in which the related real property is located. It covers property that is, or will be, affixed to improvements such as real property. It contains both a description of the collateral that is, or is to be, affixed to that property, and a description of the real property. It is filed in the same office that mortgages are recorded under the law of the state in which the real property is located. This filing in the land records provides notice to third parties, including title insurance companies, of the existence and perfection of a security interest in the fixture. If properly filed, the security interest in the described fixture has priority over the lien of a subsequently recorded mortgage.*

The sections below identify the additional specific requirements that must be followed based on the ownership and financing structure.

Free and Clear or Included in the Home Purchase

Solar panels that were a cash purchase and owned free and clear without outstanding debt or were included in the home purchase price and secured by the existing first mortgage.

- Properties with solar panels that meet the above definition are eligible and standard requirements must be followed (appraisal, insurance and title).
- Appraiser to include the solar panels in the value of the property (based on standard appraisal requirements)

Financed and Collateralized (UCC on Title)

Solar panels were purchased with financing. The solar panels are collateral for the separate debt used to purchase the panels and a UCC fixtured filing has been filed for the panel as evidenced on the title report.

Properties with solar panels that meet the above definition are eligible when complying with the following requirements:

- Credit report, title report, appraisal (if applicable) and related promissory note and security agreement that reflect the terms of the secure loan to be obtained and reviewed
- Appraiser to include the solar panels in the value of the property (based on standard appraisal requirements) as long as the documents provided evidence the panels cannot be repossessed for default on the financing terms,
- Debt obligation to be included in the debt-to-income ratio (DTI) calculation and LTV/CLTV because a UCC fixture filing is of record
- The UCC filing must be subordinated:
 - Debt obligation must be included in the DTI and LTV/CLTV
 - If the UCC filing was recently terminated, the subordination agreement is waived with recorded copy of termination
 - Debt obligation must be included in the DTI unless evidenced the debt has been paid off in full (UCC termination is not evidence the debt has been paid in full.)
- CLTA endorsement 150.06 is not allowed in lieu of a subordination agreement or UCC termination

Financed and Collateralized (UCC not on Title)

The solar panels were purchased with financing and treated as personal property not affixed to the home. The UCC filing does not appear on the title report.

Properties with solar panels that meet the above definition are eligible when complying with the following requirements:

- Review documentation such as the credit report, title report, UCC financing statement, related promissory note or security agreement to confirm the terms of the secured loan
- Debt obligation to be included in the debt-to-income (DTI) calculation
- Confirm the appraiser did not include contributory value of the solar panels toward the appraised value
- The loan secured by the solar panels is not to be included in the LTV/CLTV ratio
- If a previously filed UCC was temporarily removed from title through a UCC termination, evidence must be provided that the UCC was paid in full
 - If the financed balance is not paid in full it must be included in the LTV/CLTV

Note: a Notice of Independent Solar Energy Producer Contract on title is not to be treated as a UCC fixture filing

Financed with a PACE loan

Solar panels financed with a PACE loan paid through an assessment in their annual property tax bill.

- Properties with solar panels financed with a PACE loan are ineligible unless paid in full at or prior to closing
- If the property tax statement indicates a PACE loan the outstanding loan must be paid in full prior to or at closing
 - Proceeds from the second lien may be used to pay off the existing PACE loan

Note: In some cases, PACE loans are also referred to as HERO loans and must adhere to PACE loan requirements.

Leased or Covered by a Power Purchase Agreement

Solar panels are leased from or owned by a third party under a power purchase agreement or similar lease arrangement.

Properties with solar panels that meet the above definition are eligible when complying with the following requirements:

- Lease or power purchase agreement to be obtained and reviewed
- Monthly payment must be included in the debt-to-income (DTI) calculation unless the lease/agreement is structured to:
 - Provide delivery of a specific amount of energy at a fixed payment during a given period, AND
 - Have a production guarantee that compensates for the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease/agreement for that period
- Payments under the power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI calculation
- Confirm the appraiser did not include value of the solar panels in the appraised value
- Value of the solar panels must not be included in the LTV/CLTV even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority
 - A “precautionary” UCC filing is one that lessors may file to put third parties on notice of their claimed ownership interest in the property described within the filing and is allowed when meeting all of the following:
 - The only property described in the UCC filing as collateral is the solar equipment covered by the lease or power purchase agreement and not the underlying land
 - Loan is underwritten in accordance with “Leased or Covered by a Power Purchase Agreement” section of the guidelines
- The lease or power purchase agreement must indicate the following:
 - Any damage that occurs as a result of installation, malfunction, manufacturing defect or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (such as sound and watertight conditions that are architecturally consistent with the home)
 - The owner of the solar panels must agree not to be named as insured and/or loss payee on the property owner’s property insurance policy covering the residential structure on which the panels are attached.
 - Acceptable alternative documentation is a current copy of the property owner’s property insurance policy verifying the owner of the solar panels is not currently named as the insured or loss payee.
- In the event of a foreclosure, the lender or assignee has the right to:
 - Terminate the lease/agreement and require the third-party to remove the equipment, or
 - Transfer, without payment of any transfer or similar fee, the beneficiary of the borrower’s lease/agreement with the third party, or
 - Enter into a new lease/agreement with the third party under terms no less favorable than the prior owner

- NOTE: If the required verbiage above is not present in the original lease/agreement a fully executed addendum to the lease/agreement identifying the requirements is acceptable
- If a UCC filing is on record and will remain, the solar title endorsement is required

2.3 INELIGIBLE PROPERTY TYPES

- A-Frame Homes
- Agricultural properties, including farms, ranches, and orchards
 - Properties zoned agricultural/residential are eligible as long as not being used as agricultural
- Assisted living facilities with medical services or other types of assisted care facilities
- Barndominiums
- Boarding House or Bed & Breakfast
- Commercial Properties
- Condominium hotels (condotels)
- Container Homes
- Co-op/Timeshare Hotels
- Cooperative Share
- Deed Restricted Properties (DSCR only)
- Dome or Geodesic Homes
- Fractional Ownership
- Hawaii properties located in lava zones 1 and/or 2
- Homes on Native American Land (Reservations)
- Hotel or motel conversions (or conversions of other similar transient properties)
- Houseboats
- Log homes
- Manufactured or Mobile Homes
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy regardless of location
- Properties offering individual room leases such as Single Room Occupancy (SRO), PadSplit, etc.
- Properties with zoning violations
- Stilt homes which are defined as dwellings constructed on elevated platforms built above the ground or water. The foundation typically consists of series of columns or long pillars made up brick, stone, wood, or steel that support the weight of the home.
- Vacant land or land development properties

2.4 PROPERTY LIMITATIONS

- Log façade homes considered with like comparables and upper management review

2.5 ACREAGE LIMITATIONS

- Maximum 25 acres
- Truncating not allowed

2.6 PROPERTY FLIPPING – HPML APPRAISAL RULE

- On all HPML transactions, obtaining an additional appraisal by a separate appraiser is required if:

- The seller acquired the property 90 or fewer days prior to the date of the consumer's agreement to acquire the property and the price in the consumer's agreement exceeds the seller's acquisition price by more than 10 percent; or
- The seller acquired the property 91 to 180 days prior to the date of the consumer's agreement to acquire the property and the price in the consumer's agreement exceeds the seller's acquisition price by more than 20 percent

For properties purchased by the seller that meet the above, the second appraisal must be provided to the borrower in accordance with HPML requirements.

- Second appraisal must be dated prior to the closing date
- Property seller on the purchase contract must be the owner of record
- Increases in value should be documented with commentary from the appraiser and recent comparable sales
- Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) may be required by the underwriter if the appraisal is deemed deficient
- The borrower cannot be charged for the cost of the additional appraisal

2.7 TITLE VESTING & OWNERSHIP

2.7.1 OWNER OCCUPIED & SECOND HOME

Ownership must be fee simple, except as noted in the **LEASEHOLD PROPERTIES** section.

On a refinance, at time of application, both the application and the preliminary title report must reflect at least one of either the borrower(s) or entity that plans to take title at closing. If a new spouse is being added, it can be done at the time of closing.

If the property is vested in the name of the entity (Corporation, LLC, or Partnership), the borrower must be 100% owner of the entity if vesting is changing to borrower's name through the loan transaction. Only investment property loans can be vested in a Corporation or LLC. Not available for leasehold condominiums.

Acceptable Forms of Vesting

- Individuals
- Inter-Vivos Revocable Trust
- Joint tenants
- Tenants in common

Land trusts and IRAs are not eligible.

2.7.2 INVESTMENT PROPERTIES

Ownership must be fee simple, except as noted in the **LEASEHOLD PROPERTIES** section.

On a refinance, at time of application, both the application and the preliminary title report must reflect at least one of either the borrower(s) or entity which plans to take title at closing. If a new spouse is being added, it can be done at the time of closing.

If the property is vested in the name of the entity (LLC, Corporation or Partnership), borrower must be 100% owner of the entity if vesting is changing to borrower's name through the loan transaction. Borrower and spouse with combined 100% ownership are eligible.

Acceptable Forms of Vesting

- Individuals
- Inter Vivos Revocable Trust
- Joint tenants
- Tenants in common

2.7.3 LIMITED LIABILITY COMPANY, PARTNERSHIP, CORPORATION

LLCs, Partnerships, Corporations, and S Corporations collectively referred to as an Entity.

Requirements for Vesting In an Entity

- Purpose and activities are limited to ownership and management of real property
- Layered Entities are not permitted
- Non-TRID Business Purpose Loans only
- Entity must be domiciled in the United States
- Any business structure is limited to a maximum of 4 owners or members
- All members, partners, or shareholders of the Entity, as the case may be, (each, a “Member,” and up to a maximum of 4 members per Entity) must provide personal guarantees of the obligations of the Entity in a form satisfactory to LSM
 - Personal guarantee requirement may be waived for member(s) representing aggregate ownership of 15% or less
- Personal guarantor(s) must:
 - Have authority to execute loan documents on behalf of the entity
- All borrower member(s) must be physically present at signing/closing. Power of Attorney (POA) is not allowed.
- Each Entity Member providing a personal guarantee must complete a credit application indicating clearly that such document is being provided in the capacity of guarantor
- The application of each Member and such person’s credit score and creditworthiness will also be used to determine qualification. The decision score of the member with the highest percentage of ownership is used. If all members have equal share of ownership, the lowest decision score among the members is used. All members must have a minimum credit score of 600.
- No brokers or lenders shall suggest or encourage the formation of an Entity for the purpose of obtaining a mortgage loan. Such structures shall be initiated and arranged by the Members of the Entity
- All Member(s)/Officer(s) of the Entity must receive notice of the loan and acknowledge its terms prior to closing including members who are not providing a personal guarantee
- **The following entity documentation must be provided:**
 - **Corporation**
 - Certificate/Articles of Incorporation (filed)
 - Bylaws
 - Evidence of active/good standing for the state in which the entity was formed
 - Tax Identification Number
 - Borrowing Resolution/Corporate Resolution granting authority of signer to enter the loan obligation
 - **Limited Liability Company (LLC)**
 - Entity Articles of Organization, Partnership, and Operating Agreements, if any
 - Evidence of active/good standing for the state in which the entity was formed
 - Tax Identification Number
 - Certificate of Authorization for the person executing all documents on behalf of the Entity

- **Partnership**
 - Partnership Agreement
 - Partnership Certificate, if filed
 - Evidence of active/good standing for the state in which the entity was formed
 - Tax Identification Number
 - Limited partner consents (where required by partnership agreement)
- **Documents must be completed and signed as follows:**
 - **Loan Application (1003)**
 - Completed for each Individual
 - Section labeled “Title will be held in what Name(s)” should be completed with only the Corporation/LLC/Partnership name.
 - Signed by Individuals
 - **Disclosures (GFE, TIL, Notice of Intent to Proceed, Servicing Disclosure, etc.)**
 - Completed and signed by Individual(s)
 - **HUD-1**
 - Completed and signed by Individual(s) Other Closing Documents (Final TIL, Borrower Certification of Business Purpose, etc.)
 - Completed and signed by Authorized Member(s)
 - **Personal Guarantee**
 - Completed and signed by Individual(s)
 - **Signed (at least) by Authorized Signer for the Entity who must also be a personal guarantor**
 - Note, Deed of Trust/Mortgage, and all Riders

2.7.4 EXAMPLES – SIGNATURE REQUIREMENTS

[Authorized Signatory] may be replaced by other label as specified in the Member Consent (e.g., Managing Member, Member, etc.).

Sample 1

Borrower: JJ Investors, LLC and James Johnson
Single Member of LLC: James Johnson

Note, Security Instrument & all Riders:

Signature Block

JJ INVESTORS, LLC a [] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

Sample 2

Borrower: JJ Investors, LLC, James Johnson, and Jane Nelson 2
Members of LLC: James Johnson and Jane Nelson
Both Members are Authorized Signatories of LLC

Note, Security Instrument & all Riders:

Signature Block

JJ INVESTORS, LLC a [_____] limited liability company

James Johnson,

By: James Johnson

Title: [Authorized Signatory]

and

JJ INVESTORS, LLC a [_____] limited liability company

Jane Nelson

By: Jane Nelson

Title: [Authorized Signatory]

2.7.5 INTER VIVOS REVOCABLE TRUST

An Inter Vivos revocable trust is permitted when the trust has an ownership interest in the subject property for all transaction types. The following requirements should be followed. Not all requirements may be addressed here; Fannie Mae requirements should be followed where these guides are silent.

The trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. The trust must become effective during the lifetime of the person establishing the trust. 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.

The trustee must include either:

- The individual establishing the trust (or at least one of the individuals, if 2 or more); or
- An institutional trustee that customarily performs trust functions in and is authorized to act as trustee under the laws of the applicable state.

The trustee must have the power to hold the title and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage.

The following documentation is required:

- The trust was validly created and is duly existing under applicable law
- Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all the following:
 - The trust is revocable,
 - The borrower is the settler of the trust and the beneficiary of the trust,
 - The trust assets may be used as collateral for a loan,
 - The trustee is:
 - Duly qualified under applicable law to serve as trustee,
 - The borrower,
 - The settler,
 - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets

In lieu of the above, a complete copy of the trust documents certified by the borrower to be accurate, or a copy of the abstract or summary for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents instead of the trust agreements can be provided in the loan file. The Attorney needs to also verify that the trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect.

If the property is located in the following states, a trust certification is acceptable (The below does not represent the LSM approved states list. Please Refer to [LSM Licensed States](#) list):

Alabama	Arizona	Arkansas	California	Washington
Delaware	District of Columbia	Idaho	Iowa	Wyoming
Kansas	Maine	Michigan	Minnesota	
Missouri	Nebraska	Nevada	New Hampshire	
New Mexico	North Carolina	Ohio	Oregon	
Pennsylvania	South Carolina	South Dakota	Tennessee	
Texas	Utah	Vermont	Virginia	

2.8 LEASEHOLD PROPERTIES

In areas where leasehold properties are commonly accepted and documented via the Appraisal, loans secured by leasehold properties are eligible. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold properties and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender's title policy. Leasehold not available on condominiums.

Leaseholds must meet all Fannie Mae eligibility requirements (i.e. the term of the lease).

2.8.1 RESTRICTIONS

- SFR only
- Not allowed on Indian Leased Land

2.9 TEXAS TRANSACTIONS

2.9.1 OWNER OCCUPIED

Texas Purchase Loan

- Power of Attorney is not permitted
- All transactions must require a valid survey

Rate/Term Loan

Defined as the borrower receiving no cash in hand at closing – All brokers/MLOs eligible to originate rate/term transactions provided the loan meets standard eligibility criteria, all the necessary disclosures are provided to the borrower(s), existing loans meet the seasoning requirements, and recession time-periods are followed per the Texas Constitution.

Texas Equity 50(a)(6) Loan

Texas law determines whether or not a loan is a Texas Section 50(a)(6) loan.

- Loan may not close until 12 days after the latter of:
 - The date the borrower signs a loan application, and
 - The date the customer signs the “Notice Concerning Extension of Credit”
- The Borrower must be given a complete and accurate copy of the final HUD-1/HUD-1A or Closing Disclosure (CD) no later than one business day prior to loan closing; borrowers must sign Borrower’s Certification of Receipt of Settlement Statement and the Accuracy Thereof at closing
- Both spouses must execute the mortgage; however, both spouses are not required to be parties to the Promissory Note (all individuals on title and their spouses must sign all Texas Cash out Documents)
- Borrowers must be given a copy of all documents signed at closing and sign the Texas Home Equity Receipt of Copies; the documents may not contain blank spaces
- All loans must contain a Texas Home Equity Loan Closing Instructions Addendum
- Loan must be closed by an attorney or Title Company or the Lender’s office; closings by mail or phone are not permitted
- The following forms must be executed and included in the final funding package:
 - Texas Home Equity Affidavit Agreement
 - Texas Home Equity Discount Point Acknowledgment, if applicable
 - Federal Notice of Right to Rescind
 - In addition to the borrower, the lender must sign the Acknowledgment of Fair Market Value of Homestead Property at closing with an appraisal attached to the Acknowledgment
 - Rural Homestead Affidavit, if the property is more than 10 acres
 - Notice of No Oral Agreements signed by lender and borrower
 - Texas Home Equity Receipt of Document Copies
 - Signed Affidavit Confirming Borrower Receipt of Final Itemized Disclosure of Fees
- Use the following forms at closing:
 - Texas Home Equity Security Instrument
 - Texas Home Equity Note
 - Texas Home Equity Condo Rider, if applicable
 - Texas Home Equity PUD Rider, if applicable
- Title Policy must include T42 and T42.1
- Borrowers are legally permitted to obtain a Texas Cash Out Home Equity Loan **one time per year**, but 20% equity must always remain. 80% max LTV
- The Texas Constitution only regulates cash out home equity loan on a primary residence where there is a declared homestead as shown on title (these rules **do not apply** to 2nd homes or investment property)

Reduced Fee Limitations: The Texas State Legislature has revised the Texas Home Equity Law. The Texas Constitution has reduced the fee limitation from 3% of the original principal amount of the loan to 2%, but exclude from the calculation of fees for an appraisal performed by a third party appraiser, fees incurred for a property survey performed by a state registered or licensed surveyor, and fees incurred for a state base premium for a loan policy of title insurance with endorsements established in accordance with state law or fees incurred for a title examination report if that cost is less than the state base premium for a loan policy of title insurance without endorsements established in accordance with state law. Refer to amended section 153.5 of Texas 50(a)(6) regulations.

Non-Texas Section 50(a)(6) Loan

A seasoned Texas Section 50(a)(6) loan can be refinanced into a non-Texas Section 50(a)(6) loan if certain conditions are met. A Non-Texas Section 50(a)(6) loan is eligible for purchase provided the loan meets standard eligibility criteria and the requirements of the Texas Constitution, including:

- The refinanced loan is created at least one year after the initial Texas Equity 50(a)(6) loan was closed;
- The loan amount only covers the actual cost of the refinancing, and does not provide the borrower with additional funds;
- The LTV/CLTV does not exceed 80 percent of the fair market value;
- The lender provides the borrower with certain disclosures within 3 business days of application and 12 or more days before the loan is closed; and
- An affidavit that conforms to Section 50(f-1) Article XVI of the Texas Constitution must be prepared and recorded

2.9.2 SECOND HOME, INVESTMENT & BUSINESS PURPOSE NON-TRID LOANS

The Texas Constitution only regulates cash-out home equity loans on a primary residence; the above rules do not apply to investment property.

2.10 LIMITATIONS ON FINANCED PROPERTIES/CONCENTRATED RISK

2.10.1 OWNER OCCUPIED & SECOND HOME

- LSM allows up to 20 financed properties including the subject property. All properties should be covered and included in the DTI calculations (commercial real estate excluded from DTI calculations)
- LSM's exposure to a single borrower shall not exceed \$5,000,000 (not to exceed \$10,000,000 in high-cost areas) in current UPB or six (6) properties
- All financed properties, other than the subject property, require an additional two (2) months PITIA in reserves for each property. Reserves are based upon the PITIA of the subject property (ITIA for interest-only loans)
 - Total reserve requirement is not to exceed twelve (12) months
 - Not applicable to DSCR loans
- Refer to LSM reserve matrix for additional reserve requirements

2.10.2 INVESTMENT & BUSINESS PURPOSE NON-TRID LOANS

- No limit to the number of financed properties per borrower
- LSM's exposure to a single borrower shall not exceed \$5,000,000 (not to exceed \$10,000,000 in high-cost areas) in current UPB or six (6) properties
- All financed properties, other than the subject property, require an additional two (2) months PITIA in reserves for each property
 - Reserves are based upon the PITIA of the subject property (ITIA for interest-only loans)
 - Total reserve requirement is not to exceed twelve (12) months
 - Not applicable to DSCR loans
 - Refer to reserves on LSM matrix for additional reserve requirements

2.10.3 CONCENTRATED RISK

Further scrutiny is warranted whenever a single borrower or entity is financing three (3) or more investment properties in the same area i.e., development, tract or neighborhood. Form 1007 Single Family Comparable Rent Schedule to support each property has a minimum 1.00 DSCR to be provided. Executed lease agreements, additional assets, and/or additional documentation may be required. Maximum LTV is 70%.

2.11 DISASTER AREAS

The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site at <https://www.fema.gov/disaster/declarations>. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed. Where this guidance is silent, please refer to the OCMBC (LoanStream) Disaster Area Policy.

Guidelines for disaster areas should be followed for 90 days after the disaster period end date as published by FEMA.

2.11.1 APPRAISALS COMPLETED ON OR BEFORE INCIDENT PERIOD END DATE

A final exterior inspection of the subject property is required.

- The appraiser should indicate if the subject property is in the same condition as the original date of appraisal, is free from any damage and the marketability and value remain the same
- Inspection report must include photographs of the subject property and street view
- Any damage must be repaired and re-inspected prior to closing

2.11.2 APPRAISALS COMPLETED AFTER INCIDENT PERIOD END DATE

- Appraiser must indicate the property was not impacted by the disaster and certify that there has been no change in housing values in the immediate area

2.12 CONDOMINIUMS

All projects deemed Warrantable must meet the appropriate standards set in Fannie Mae B4-2.1 General Information on Project Standards, and all applicable subpoints (except for LoanStream's warrantable overlays below). Any projects not deemed Fannie Mae Warrantable can be considered under LoanStream Mortgage's Non-Warrantable projects.

2.12.1 INELIGIBLE PROJECTS

- Assisted living facilities or any project where unit owners contract in advance for a lifetime commitment from the facility to care for them regardless of future health or housing needs
- Common-interest Apartment
 - Project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building
 - The project or building is often owned by several owners as tenants in common or by a homeowners' association
- Condo Conversion completed less than two years
- Condominium hotel (condotel)

- Condominium project in which any unit owner or the homeowner's association is a party to a revenue-sharing agreement with either the developer or another third-party entity
- Condominium project where the unit is not the lessee's residence
- Project that is managed and operated as a hotel or motel, even though the units are individually owned
- Project with the names that include the words "hotel," "motel," "resort," or "lodge"
- A project that includes registration services and offers rentals of units on a daily, weekly, or monthly basis
- Hotel or motel conversions regardless of length of time since conversion
- Fragmented or segmented ownership
 - Ownership is limited to a specific period on a recurring basis i.e. timeshare
- Houseboat project
- Manufactured Home project
- Multi-family units where single deed has ownership of more than one or all of the units
- Non-conforming zoning (cannot be rebuilt to current density)
- Project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, or habitability
- Project in which a single entity owns more than 25% of the total number of units; for projects that have 5-19 units, one owner is allowed to own two units
- Project that is not well maintained or in poor physical or financial condition
 - Excessive special assessments, low reserves, neglected repairs
- Project that is subject to the rules and regulations of the U.S. Securities Exchange Commission
- Project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association
- Project units sold with excessive seller contributions that may affect the value of the subject property
- Project with adverse environmental issue(s) involving safety, soundness, or habitability
- Project where more than 50% of total square footage in the project, or in the building that the project is located in, is used for non-residential purposes
- Project where the developer (or its affiliates) owns the common and/or limited elements and leases the elements back to the HOA
- Timeshare or project that restricts the owner's ability to occupy the unit

2.12.2 GENERAL PROJECT CRITERIA

Project Reviews

- Follow Fannie Mae guidelines

Comparable Property Selection

- When the appraisal(s) use one or more comparable sales of units conveyed from the condo developer to private parties (or entities not controlled by the developer) then the appraiser must include additional comparables from competing condominium projects AND any unit owner resales of comparable units in the subject property project
- When the appraisal(s) use only sales reflecting unit owner resales of comparable units in the subject property then all sales comparables may come from the subject property project

Two to Four Unit Condo

- Projects will not require a project review provided the following are met:
 - The project is not a Condotel, houseboat, or timeshare or segmented ownership project

- The priority of common expense assessments applies. The maximum number of months of common expense assessments allowed is 12 as shown in the condo cert or the CC&Rs
- The standard insurance requirements apply
- Project has been created and exists in full compliance with applicable local jurisdiction, State and all other applicable laws and regulations
- Project meets all Fannie Mae Insurance requirements for property liability and fidelity coverage
- Borrower must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit unless “walls in” coverage with betterments and improvements is included in the Master Insurance policy
- Underwriter to confirm Project documents do not give a unit owner or any other party priority over the rights of the 1st mortgagee

Condos in Florida

- For loans secured by a condominium unit in the state of Florida, if the project is three (3) stories or more in height and is over 30 years old (or 25 if within 3 miles of the coast), a structural inspection is required per Florida statute 533.889
 - For projects not in compliance with this statute, financing is not eligible
- High Rise Condos must adhere to the following additional overlays:
 - Sales comparables from within the neighborhood must support and reflect the same positive and negative location characteristics
 - High Rise projects are only eligible with one of the following:
 - Existing Fannie Mae PERS or HUD Review Approval Process (HRAP) full project approval OR
 - Internal approval subject to project meeting Full Condo Review standards (Full Review HOA Cert, Budget/Balance Sheet, CC&Rs required at all LTVs.)
- **Lender reserves the right to limit LTVs on condos in Florida when market conditions warrant (see Matrix)**

Site Condos

- Site Condos meeting the FNMA definition are eligible (and follow guides as a single family dwelling)
- Condo reviews are waived (appraisal needs to support single family residence)

Single Owner/ Investor Entity Concentration

- Maximum of 25% of project owned by any Single Owner / Investor Entity
- Maximum of 2 units owned by any Single Owner / Investor Entity if the project has fewer than 10 units

New Projects

A Project is considered New if any of the following apply: project is not fully completed or is subject to additional phasing or annexation, Fewer than 90 percent of the total number of units in the project have been conveyed to owners other than the developer, or control of the homeowner's association has not been turned over to the unit owners.

Projects that have a Fannie Mae PERS approval (or show as Fannie Mae approved in CPM) for the subject property Building, Phase or Unit can close per matrix recommendations and can be priced as “Warrantable”.

Projects that do not show as Fannie Mae approved in CPM but are at least 50% sold/closed, but not yet 90% sold/closed (established) can be closed under the following “Non-Warrantable” terms:

- Up to 70% max LTV if ALL Amenities and ALL buildings/phases are 100% completed (except for buyer preference items)
- Up to 60% max LTV if ALL Amenities and Subject Property phase is 100% completed (except for buyer preference items)

All units closed under this policy must have an unconditional Certificate of Occupancy (or local equivalent)

NEW CONDOMINIUM PROJECTS THAT MEET ALL THE FOLLOWING REQUIREMENTS ARE ELIGIBLE.

- **Assessments:** Developer must be responsible for assessments on unsold units built but not yet closed
- **Budget:** A minimum of 10% of the association's annual budget must provide for funding of replacement reserves for capital expenditures and deferred maintenance
 - Budget must reflect adequate funding for insurance deductible
- **Commercial Space** of up to 35% of building space is allowed when pre-sale exceeds 70%, otherwise limited to 25%; Commercial entity cannot control HOA
- **Delinquent Assessments:** Delinquent assessments greater than 60 days cannot exceed 15% of the total number of units
- **Occupancy:** A minimum of 50% of the total number of units in the project are conveyed or under contract to purchaser other than developer or successor as Primary or second home OR a minimum of 50% of the units in subject phase plus all prior legal phases must have been conveyed or under contract as Primary or Second Home
- **Subject Legal Phase** and any prior legal phases where units have been offered for sale are substantially complete, meaning that a certificate of occupancy or its equivalent has been issued and all units in the subject unit building are complete

Required Documentation for New Project Approval

- Completed Condo Project Questionnaire and Developer/Builder Questionnaire, or similar
- Current Annual Budget
- Current Balance sheet (dated within the last 60 days)
- Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines
- Project legal documents: Declarations, Bylaws and any Amendments

Established Projects

Established Projects, as defined by Fannie Mae, which meet all the following requirements are eligible for purchase.

- **OCCUPANCY:**
 - There is no non-owner-occupancy requirement if the subject unit will be Owner Occupied
 - If property will be used as an Investment property, a minimum of 50% of the total number of units (Fannie Mae Warrantable) or 30% of the total number of units (LoanStream Criteria) in the Project must be conveyed to owners who occupy their unit as a Primary Residence or Second Home
 - The Project may not have delinquencies greater than 15%
 - The Project Reserve Fund must represent a minimum of 100% of Project's annual budget and
 - Appraisal must support rental market
 - If project does not meet the above requirements non-owner occupied limited to 49%
- **BUDGET AND RESERVE FUND BALANCE** (A minimum Reserve Fund balance of 30% of annual budget must be in place)

- A minimum of 10% of the association's annual budget should provide for funding of replacement reserves for capital expenditures and deferred maintenance; if not, a lower percentage of annual income may be considered if the appraisal notes no major repairs and Reserve Fund balance supports a lower allocation as follows:
 - 7% to 9.99% requires a Reserve Fund balance of 50% of annual budget
 - 5% to 6.99% requires a Reserve Fund balance of 75% of annual budget
 - 3% to 4.99% requires a Reserve Fund balance of 100% of annual budget. Refer to the non-warrantable section in regard to the 3% exception
- DELINQUENT ASSESSMENTS
 - Delinquent assessments greater than 60 days may not exceed 15% of the total number of units in the project
 - 60-day delinquency up to 20% may be allowed as non-warrantable if HOA Reserve Fund represents 120% of its annual budgeted income
- Commercial space limited to 50% of building space
 - Commercial entity cannot control HOA

Required Documentation for Established Full Project Approval (> 90% LTV Primary and > 75% LTV NOO & Second Home) Established Project Certification:

- Current Annual Budget
- Current Balance sheet (dated within the last 60 days)
- Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines

Required Documentation for Established Limited Project Approval (≤ 90% LTV Primary and ≤ 75% LTV NOO & Second Home):

- Established Project Certification
- Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines

NOTE: Limited Review HOA Certifications that identify special assessments for property repairs, budget issues or litigation on property defects or structural repair items will require full project approval documentation

2.12.3 NON-WARRANTABLE CONDOMINIUM PROJECTS

Refer to [the applicable NonQM Matrix](#) for Max LTV/CLTV, Max Loan Amounts, FICO, LTVs, and other restrictions.

- **Commercial Space** up to 50% (see restrictions on new projects)
- **Investor Concentration** up to 50% in an Established project
- **Reserve Requirements** down to below 3% in an established Project (Refer to restrictions under [Established Projects](#))
- The following are examples of what could be considered also non-warrantable:
 - If CPM shows project as "Unavailable"
 - If project has not been pre-approved by FNMA
 - If project is only approved by FHA (HUD) or VA
- NOTE: Stacking of risk is not allowed (Only 1 Non-Warrantable factor per project)

2.12.4 CONDO DESK ESCALATIONS

For Condo projects being referred by Underwriter, to LSM main condo desk or LSM outside due diligence partner:

- Project ID must be requested prior to upload of Project Documents (email NanQcondoreview@lsmortgage.com)
- The subject line should state **Condo Project ID Request**
- In the body of the email, the lender should provide the following information:
 - Project Name
 - Project Address
 - Review Type Full Established or New Construction
 - Total Number of Units
 - LSM Loan Number (if any)

Once received, the condo review team will respond with instructions on how to upload your condo review our portal.

- Please upload the required documents (any amendments, supplements, etc. to the project legal documents) using the naming convention: **PROJECT ID#_Condo_Questionnaire**

SECTION 3.0. TRANSACTION TYPES

3.1 ELIGIBLE TRANSACTIONS

3.1.1 PURCHASE

- Proceeds from the transaction are used to finance the acquisition of the subject property
- LTV/CLTV based upon the lessor of the sales price or appraised value

3.1.2 RATE/TERM REFINANCE

- Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property
- Any subordinate loan not used in the acquisition of the subject property provided one of the following apply:
 - Closed end loan, at least 12 months of seasoning has occurred
 - HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than \$2,000
- Buying out a co-owner pursuant to an agreement
 - Property must have been owned by current owners for the last 6 months. No recent changes in property or entity (LLC, Partnership or Corporation) ownership allowed
- Paying off an installment land contract executed more than 12 months from the loan application date
- Cash back in an amount not to exceed the lesser of 2% of the new loan amount or \$5,000 can be included in the transaction
- LTV/CLTV based upon the appraised value

3.1.3 CASH-OUT – OWNER OCCUPIED & SECOND HOME

- A refinance that does not meet the definition of a rate/term transaction
- Meets ownership seasoning requirements of ≥ 6 months
- Prior cash-out transactions over 6 months seasoning are allowed
- If the property was owned prior to closing by a Limited Liability Corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted toward meeting the borrower's six (6) month ownership requirement in order to close, ownership must be transferred out of the LLC and into the name of the individual borrower(s)]
- Free and clear properties must verify housing for six (6) months with proof PITIA has been paid on time by borrower
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash out
- All cash-out transactions must be of benefit to the borrower
- Net Cash-Out (Cash-In-Hand) proceeds can be used for required reserves
- Power of Attorney (POA) is not allowed
- Loans not eligible for cash-out:
 - Properties listed for sale in the past six (6) months
 - A prior cash out transaction in the past six (6) months (except for the below exception)
 - A draw on a HELOC in the past 6 months will not be considered cash out for the 6 month seasoning requirement
 - Eligible only for 24 Months full doc transactions, with a max DTI of 43% with borrower's reserves of at least six (6) months PITIA (cash out cannot be used as reserves); enhanced appraisal review required
- Refer to [the applicable NonQM Matrix](#) for cash-out limits and other restrictions

Cash-Out Seasoning

Defined as the difference between the Note date of the new loan and prior financing Note date. In lieu of having the Note, the date may be based on when the loan was recorded. If the loan meets seasoning requirements the appraised value will be used to calculate the qualifying LTV/CLTV.

- Seasoning is waived when borrower documents ownership of the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership)
- Properties must be owned for at least six (6) months to be eligible for cash-out programs
- Cash-out transactions with less than 6 months seasoning are allowed when meeting all the following requirements:
 - All borrowers on the original Note at acquisition must be on the current Note
 - Additional borrowers may not be added for qualifying
 - LTV is determined by the lesser of the purchase price plus documents improvements or current appraised value
- An additional occupying borrower may be added under the following circumstances:
 - At least one occupying borrower already on title over six (6) months remains on title and on the new loan transaction
 - The added borrower has been occupying the property for six (6) or more months
- Sole occupying borrower may be added and qualified as the sole borrower under the following circumstances:
 - Verification of occupancy for six (6) or more months, and

- Verification the borrower has made the mortgage payments directly to the mortgage company (must cover the time on title, minimum of six (6) months, maximum per program guidelines)
 - If the home is free & clear, verification the borrower has paid the property taxes directly to the taxing authority is required
 - Must cover the time on title, minimum of six (6) months, maximum per program guidelines
 - If no taxes were due/paid within the prior six (6) months, the loan is ineligible
 - Taxes cannot be paid within 30 days prior to the application date
 - There cannot be any outstanding delinquent taxes

3.1.4 CASH-OUT – INVESTMENT & BUSINESS PURPOSE NON-TRID

- A refinance that does not meet the definition of a rate/term transaction
- A mortgage secured by a property owned free and clear is considered cash-out
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash out
- If the property was owned prior to closing by a Limited Liability Corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted toward meeting the borrower's six (6) month ownership requirement. In order to close, ownership must be transferred out of the LLC and into the name of the individual borrower(s)
- The borrower(s) must indicate the purpose of the cash-out proceeds. Cash-out proceeds must be for business purposes.
- Net Cash-Out (Cash-In-Hand) proceeds can be used for required reserves
- Power of Attorney (POA) is not allowed
- Loans not eligible for cash-out:
 - Properties listed for sale in the past six months unless requirements in section 1.19 meet (required pre-payment penalty)
 - A prior cash-out transaction in the past six months (except for the below exception)
 - A draw on a HELOC in the past 6 months will be considered cash out for this 6 month seasoning requirement
 - Eligible only for 24 Months full doc transactions, with a max DTI of 43% with borrower's reserves of at least 6 Months PITIA (cash out cannot be used as reserves); enhanced appraisal review required
- Refer to [the applicable NonQM Matrix](#) for cash-out limits

Cash-Out Seasoning

Defined as the difference between the Note date of the new loan and prior financing Note date. In lieu of having the Note, the date may be based on when the loan was recorded. If the seasoning requirements are met the appraised value will be used to calculate the qualifying LTV/CLTV.

- Properties must be owned for over six (6) months to be eligible for Cash-Out loan programs
- Seasoning is waived when borrower documents ownership of the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership)
- Cash-out transactions with less than six (6) months seasoning are allowed when meeting all the following requirements:
 - All borrowers on the original Note at acquisition must be on the current Note
 - Additional borrowers may not be added for qualifying
 - LTV is determined by the lesser of the purchase price plus documents improvements or current appraised value
- Additional borrower(s) may be added under the following circumstances:
 - At least one borrower already on title over 6 months, remains on title, and on the new loan transaction

3.1.5 DEBT CONSOLIDATION PROGRAM - OWNER OCCUPIED

A cash-out transaction meeting the below requirements follows the Rate/Term LTVs on [the applicable NonQM Matrix](#).

- Mortgage and non-mortgage debts (including delinquent taxes) are paid off and total monthly revolving and installment debt payments are lowered by at least 10%
- Closing costs are recouped within 60 months
- Cash in hand may not exceed \$5,000 or 2% of the loan balance, whichever is lower
- The closing documents must reflect the paid off debts
- Reserves reduced to 1 month PITIA when all above requirements are met

Investment & Business Purpose Non-TRID Loans Ineligible

3.1.6 DELAYED FINANCING-OWNER OCCUPIED & SECOND HOME

Borrowers who purchased the subject property within the last six (6) months (measured from the date purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all the following requirements are met (Refer to [FNMA B2.1.3.03 DELAYED FINANCING EXCEPTION](#)).

Requirements for Delayed Financing

- The Original Purchase Transaction was an arm's-length transaction
- Borrower(s) must meet Fannie Mae's borrower eligibility requirements as described in [B.2.2.01 GENERAL BORROWER ELIIBILITY REQUIREMENTS](#) of the FNMA Seller Guide
- The original purchase transaction is documented by a settlement statement, which confirms no mortgage financing was used to obtain the subject property (a recorded Trustee's Deed or similar alternative confirming the amount paid by the Grantee to the Trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at the time of sale)
 - Preliminary title search or report must confirm there are no existing liens on the subject property
- Sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or HELOC on another property)
- If source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds are used to pay off or pay down, as applicable, the loan used to purchase the property
 - Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculations for the refinance transaction
 - Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan
- The new loan amount cannot be more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage (subject to the maximum LTV/CLTV/HCLTV ratios for the cash-out transaction based on the current appraised value)
- All other cash-out refinance eligibility requirements are met (cash-out pricing is applicable; Refer to [the applicable NonQM Matrix](#) for cash in hand restrictions)
- Delayed Financing NOT available for Foreign National borrowers and Foreign National loan programs

3.1.7 DELAYED FINANCING - INVESTMENT & BUSINESS PURPOSE NON-TRID LOANS

Borrowers who purchased the subject property within the last six (6) months (measured from the date on which purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the following requirements are met. (Refer to FNMA B2-1.3-03 Delayed Financing Exception.)

Requirements for Delayed Financing

- The Original Purchase Transaction was an arm's-length transaction
- For this refinance transaction, the borrower(s) must meet Fannie Mae's borrower eligibility requirements as described in B2-2-01, GENERAL BORROWER ELIGIBILITY REQUIREMENTS of the FNMA seller guide
- The original purchase transaction is documented by a settle statement, which confirms that no mortgage financing was used to obtain the subject property
A recorded trustee's deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale
The Preliminary title search or report must confirm that there are no existing liens on the subject property
- The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property)
- If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property
 - Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction
 - Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan
- The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the current appraised value)
- All other cash-out refinance eligibility requirements are met. Cash-out pricing is applicable. Refer to [the applicable NonQM Matrix](#) for cash in hand restrictions
- Business Purpose Non-TRID (DSCR) Loans only - Properties unleased/vacant for greater than three (3) months must follow Unleased Property LTV/CLTV Restrictions and Cash in Hand Limit for Vacant Properties. Refer to [the applicable NonQM Matrix](#).
- Delayed Financing NOT available for Foreign National borrowers and Foreign National loan programs

3.1.8 HEMP FARMING ACT OF 2018

The Hemp Farming Act of 2018 was passed on December 20, 2018 and enacted into law. The law has removed hemp (defined as cannabis with less than 0.3% THC) from schedule 1 controlled substances and makes it an ordinary agricultural commodity.

- The Act has allowed hemp farmers to Refer to USDA and all forms of Government financing for their homes and farms
- The Act has availed hemp farmers and allowed for water rights, federal agricultural grants, and makes the national banking system accessible to farmers and others involved with this industry
- The Act allows for the production of recognized crops, allows for the marketing and sale of the crops, agronomy research, and crop insurance

LoanStream Mortgage will treat any borrowers in hemp production, marketing, and employment that meets federal requirements as eligible for all loan products.

Cannabis/Marijuana businesses are ineligible for financing due to federal restrictions.

3.1.9 LEASE WITH OPTION TO BUY – OWNER OCCUPIED & SECOND HOME

Lease with Option to Buy (also called Lease Option or Lease Option to Purchase) is an agreement to lease a property for a specified period of time at an agreed-upon monthly rent payment, in which a portion of the payments, in excess of market rents, is applied toward the down payment. Once the potential buyer has satisfied the terms of the down payment, he/she may execute the option to purchase the property at the sales price agreed upon in the Lease Option to Purchase Agreement.

Lease Option Stipulations

All Lease Option to Purchase transactions require all of the following:

- All parties to the transaction must execute the agreement
- The agreement must disclose the time period of the option to purchase, amount of earnest money deposit/down payment, and the terms of the monthly rental payments
- The terms of the monthly rental payments must include a specific and reasonable amount (dollar amount or percentage) in excess of the monthly rent payments that will be credited toward the down payment via comparison to fair market rents (Single Family Comparable Rent Schedule [Fannie Mae Form 1007](#))
- Proof of the borrower's earnest money for down payment via a deposit (canceled check)
- Copy of canceled checks (front/back) for the monthly rent payment covering the most recent twelve (12) months

Lease Option LTV Calculation

A Lease Option is always a purchase transaction; therefore, is required to issue a Purchase Loan Estimate (LE) and Closing Disclosure (CD) (versus the Refinance version of these disclosures). LoanStream will calculate a Lease Option LTV using the current reconciled market value in lieu of the purchase price.

- The value used for calculating LTV is the lesser of the Purchase Price or Appraised Value if:
 - The borrower's Earnest Money Deposit (EMD) is less than three percent (3%) of the sales price, or
 - The Lease Option Agreement was executed within the last twelve (12) months
- The value for determining the LTV is the current Reconciled Market Value if:
 - The borrower has occupied the subject property for the last twelve (12) months; and
 - The Lease Option Agreement was executed more than twelve (12) months ago; and
 - The borrower has equal to or greater than three percent (3%) of the sales price invested by:
 - EMD/Down Payment, or
 - The borrower provided property improvements with receipts for materials as well as a detailed list of all such improvements and time to complete

Lease Option Restrictions

Lease Option transactions that do not involve an EMD/Down Payment or property improvements including receipt(s) for materials and/or monthly rent in excess of proven market rents are not considered a Lease Option to Purchase and must comply with standard purchase transaction requirements.

Investment & Business Purpose Non-TRID Loans are ineligible.

3.1.10 DEPARTURE RESIDENCE

A departure property is defined as the owner-occupied residence the borrower resided in prior to the purchase of the current owner-occupied residence. Seventy-five percent (75%) of the market rents may be used to offset the PITIA or TIA (if the property is owned free and clear) payment of this property and is determined by form 1007 Market Rent Survey completed by a licensed appraiser. Surplus rents in excess of the PITIA or ITIA payment may be used as income.

One hundred percent (100%) of the rents may be used to offset the PITIA or TIA payment. Surplus rents in excess of the PITIA or TIA may be used as income. Actual rents are documented with both of the following:

- Copy of executed rental agreement; and
- Proof of receipt of security deposit.

Investment & Business Purpose Non-TRID Loans are ineligible.

3.1.11 TEMPORARY BUYDOWNS

Product Eligibility

- 30 year fixed rate only
- Primary residences and second homes eligible
- Purchase transactions only, not permitted on refinances
- Eligible property types are single family residences, 2-4 Units, PUDs and condos
- Seller/builder funded only

Buydown Terms

2:1 and 1:0 temporary buydowns allowed

- 2:1 Buydown:
 - Term of the temporary buydown is 24 months
 - The initial interest rate is temporarily reduced two (2) percent below the note rate for year one (1) and reduced one (1) percent below the note rate for year two (2). The non-reduced note rate applies for years three (3) through thirty (30).
- 1:0 Buydown:
 - Term of the temporary buydown is 12 months
 - The initial interest rate is temporarily reduced one (1) percent below the note rate with the non-reduced note rate applying for years two (2) through thirty (30)

Underwriting Criteria

- Borrowers qualify using the note rate, not the buydown rate
- Reserves are calculated using the note rate, not the buydown rate
- Standard interested party contribution guidelines apply

3.2 NON-ARM'S LENGTH AND INTERESTED PARTY TRANSACTIONS

3.2.1 NON-ARM'S LENGTH TRANSACTION

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with subject property Builder, Developer, or Seller. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales and flip transactions.

When the property seller is a corporation, partnership or any other business entity it must be ensured that the borrower is not an owner of the business entity selling the property.

A non-arm's length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required as well as the payment history pattern (VOM on the Seller's mortgage)

3.2.2 INTERESTED PARTY TRANSACTION

A Conflict-of-Interest Transaction occurs when the borrower has an affiliation or relationship with the Mortgage Broker, Loan Officer, Real Estate Broker or Agent, or any other interested party to the transaction.

In the case of the Mortgage Broker, Loan Officer, or Real Estate Broker/Agent extra due diligence must be exercised. For example the seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property. An examination of the relationship among the Mortgage Broker, Title/Escrow Companies, Appraiser and any other party to the transaction must be closely examined. A Letter of Explanation regarding the relationship between the parties may be required.

3.2.3 ELIGIBLE NON-ARM'S LENGTH AND INTERESTED PARTY TRANSACTIONS

This list of eligible non-arm's length and interested party transactions is for example purposes only and may not include all eligible scenarios. Underwriters must use prudent decision making and close scrutiny when approving loans with these or similar circumstances.

- Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction
 - Commission earned by buyer/borrower may be used for down payment, closing costs, or monthly PITIA reserves
- Seller(s) representing themselves as agent in real estate transaction
- Mortgage Broker/Lender Owner completing their own real estate transaction:
 - Any compensation charged (LPC or BPC will be considered cash out and therefore ineligible) however, a reasonable processing fee may be charged
 - A different LO must have taken the 1003 application
- Employee of mortgage Broker/Lender loan:
 - Any compensation charged (LPC or BPC will be considered cash out) however, a reasonable processing fee may be charged
 - A different LO must have taken the 1003 application
- Renter(s) purchasing from Landlord:
 - 12 months cancelled checks or bank statements to prove timely payments required
 - A private party VOR is not acceptable
 - A VOR obtained from a property management company is acceptable
- Purchase between family members
 - Gift of Equity requires a gift letter, and the equity gift credit is to be shown on the CD
 - Must provide a 12-month mortgage history on existing mortgage securing subject property confirming Family Sale is not a foreclosure bailout
- Employer to employee sales
 - Must provide a 12-month mortgage history on existing mortgage securing subject property confirming the sale is not a foreclosure bailout
 - Full Doc loans only with valid transcripts
 - If borrower was not on job long enough to obtain at least one year of transcripts, loan will only be eligible if VOE is reporting through the Work Number or similar verification service.

- Family Sales. A family sale is not intended to be a bail out of a family member who has had difficulties making their mortgage payment.
- Must provide a 12-month mortgage history on existing mortgage securing subject property confirming the sale is not a foreclosure bailout

3.2.4 NON-ARM'S LENGTH AND INTERESTED PARTY RESTRICTIONS

- Borrower to provide cancelled check verifying the earnest money deposit
- Gift of Equity: Maximum LTV/CLTV – Refer to [the applicable NonQM Matrix](#)
- Not available on Select NonQM or Select DSCR
- For Sale by Owner (FSBO) transactions must be carefully scrutinized
- Property trades between buyer and seller not allowed

SECTION 4.0. BORROWER ELIGIBILITY

4.1 INELIGIBLE BORROWERS

- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- Irrevocable Trust
- Land Trust

4.2 NON-OCCUPANT CO-BORROWERS – OWNER OCCUPIED ONLY

- Eligible transactions limited to Purchase and Rate & Term only
- Income of occupying borrower(s) must exceed the subject PITIA
- ITIN borrowers not allowed
- Primary Residence only
- Second Home, Investment & Business Purpose Non-TRID Loans not allowed
- The Non-Occupant Co-borrower cannot be considered the primary wage earner regarding credit

4.3 FIRST TIME HOMEBUYERS

A first time homebuyer (FTHB) is defined as an individual who:

1. Is purchasing a property, and
2. Has not owned or had ownership interest in a residential property (solely or jointly) in the past three (3) years

The following requirements apply to first time homebuyer (FTHB) transactions.

- Primary residences allowed when meeting all the following requirements:
 - 12-month rental history required reflecting 0x30
 - Rental history is not required for borrowers living rent free (Refer to the [Housing History](#) section of this guide for restrictions on borrowers living rent free)
 - Payment shock limited as shown on the table below
- Non-owner occupied investment properties are allowed when meeting all the following requirements:
 - 12-month rental history required reflecting 0x30
 - Borrowers living rent free are ineligible
 - Subject rents are not allowed to be used for qualifying purposes
 - Full income documentation only, Alt income is not allowed

- Payment shock may not exceed 300% of current housing
- Refer to **Non-QM Matrix** for LTV, FICO and loan amount restrictions
- Second homes and business purpose non-TRID loans are not allowed
- Payment shock table:

CREDIT SCORE	> 45% DTI	≤ 45% DTI
≥ 700	Payment shock not applicable*	Payment shock not applicable*
≥ 660	300% current housing	Payment shock not applicable*
< 660	Not allowed	300% current housing
*Max 300% payment shock for investment properties		

Payment Shock= (Proposed Housing Payment - Present Housing Payment) ÷ Present Housing Payment x 100

LSM will use prudent judgment in evaluating any payment shock implications and the ability of the Borrower to repay the new mortgage loan. Payment shock exceeding acceptable limits will be reviewed case by case and must be accompanied by a documented history of saving which supports the borrower's ability to handle the increased payment.

4.4 RESIDENCY

Eligible:	• U.S. Citizen • Permanent Resident Alien • Non-Permanent Resident Alien • ITIN Refer to LSM matrix for Program Eligibility
Ineligible:	• Applicants possessing diplomatic immunity • Borrowers from OFAC sanctioned countries • Politically exposed borrowers • US Citizens living abroad • Any borrower prohibited from purchase and ownership of real property in part by state and federal acts and/or statutes enacted by a legislative body • Any parties (company or individual) to transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party list or any other exclusionary list.

Refer to Fannie Mae guidelines for all definitions of eligibility status and the [applicable NonQM Matrix](#) for additional restrictions.

4.4.1 U.S. CITIZEN

Eligible without guideline restrictions.

4.4.2 PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States.

- Acceptable evidence of permanent residency include the following:

- Alien Registration Receipt Card I-151 (referred to as a green card)
- Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card)
- Eligible without guideline restrictions

4.4.3 NON-PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States. LoanStream purchases and allows loans to be made to non-U.S. citizens who are lawful permanent or non-permanent residents of the United States under the same terms that are available to U.S. citizens. A non-permanent resident alien must document and prove that they are legally present in the country. They must have a valid social security card/number. Borrowers without a valid social security number are not allowed (Refer to [ITIN Requirement](#) for someone that does not possess an SSN but has a Tax ID Number).

Effective July 1, 2023, Florida Senate Bill 264 *Interests in Foreign Countries* prohibits any person or entity from the People's Republic of China who is not a citizen or lawful permanent resident of the US to purchase or acquire any interest in real property in the state of Florida. The law also prohibits foreign principals which includes any person and/or entity from People's Republic of China, the Russian Federation, the Islamic Republic of Iran, the Democratic People's Republic of Korea, the Republic of Cuba, the Venezuelan regime of Nicolás Maduro, or the Syrian Arab Republic, including any agency of or any other entity of significant control of such foreign country of concern from purchasing real property within 10 miles of a military installation or critical infrastructure.

All nonpermanent resident aliens must provide evidence of a valid, acceptable visa or an Employment Authorization Document (EAD). Depending on the EAD category type, both a valid visa and EAD may be required. A copy of the unexpired visa (refer to expired visa requirements below) or EAD must be included in the loan file. Refer to [Exhibit J](#) for a list of eligible visas and EADs. Any visa or EAD category not listed would generally be ineligible.

All standards for determining stable monthly income, adequate credit history and sufficient liquid assets must be applied in the same manner to each borrower including borrowers who are nonpermanent resident aliens. US credit requirements must be met and are treated the same as a Permanent Resident Alien and U.S. Citizen.

VISA TYPES ALLOWED

All nonpermanent resident aliens must provide evidence of a valid, acceptable visa. A copy of the visa must be included in the loan file evidencing one of the following visa classifications:

- A Series (A-1, A-2, A-3): these visas are given to officials of foreign governments, immediate family members and support staff; only those without diplomatic immunity, as verified on the Visa, are allowed
- E-1 Treaty Trader and E-2 Treaty Investor: this visa is essentially the same as an H-1 or L-1; the title refers to the foreign country's status with the United States
- E-3: these visas are given to Australian nationals employed in a specialty occupation
- G Series (G-1, G-2, G-3, G-4, G-5): these visas are given to employees of international organizations that are located in the United States; some examples include the United Nations, Red Cross, World Bank, UNICEF, and the International Monetary Fund (verification the applicant does not have diplomatic immunity must be obtained from the applicant's employer and/or by the viewing the applicant's passport)
- H-1 Temporary Worker (includes H-1B): this is the most common visa given to foreign citizens who are temporarily working in the United States
- H-4: these visas are given to dependents (spouse and unmarried children under 21 years of age) of a qualified H-1 visa holder; when income is being used to qualify, a current (unexpired) Employment Authorization Document (EAD) issued USCIS is also required

- K-1, K-3: These visas are given to a foreign-citizen fiancé of a US citizen and family members of a foreign-citizen fiancé of a US citizen
- L-1 Series (L-1A, L-1B): Intra-Company Transferee: an L-1 visa is given to professional employees whose company's main office is in a foreign country
- L-2: these visas are given to dependents (spouse and unmarried children under 21 years of age) of a qualified L-1 visa holder; when income is being used to qualify, a current (unexpired) EAD issued by USCIS is also required.
- O-1A: individuals with an extraordinary ability in the sciences, education, business, or athletics (not including the arts, motion pictures or television industry)
- O-1B: individuals with an extraordinary ability in the arts or extraordinary achievement in motion picture or television industry
- O-2: individuals who will accompany an O-1 artist or athlete to assist in a specific event or performance
- P-1A: Visa given to internationally recognized athletes in the US competing in the respective sport
- P-1B: Visa given to internationally recognized artists that perform as members of an entertainment group that has been established for at least one year and internationally recognized
- TN, NAFTA visa: used by Canadian or Mexican citizens for professional or business purposes
- TC, NAFTA visa: used by Canadian citizens for professional or business purposes
- V-1, V-2, V-3: These visas are given to spouses or children of a legal permanent resident who have been waiting for at least 3 years for the approval of a petition for lawful permanent resident status

EMPLOYMENT AUTHORIZATION DOCUMENT (EAD) TYPES ALLOWED

A current (unexpired) EAD issued by USCIS may be provided in lieu of a visa. Refer to [Exhibit J](#) for a list of eligible EADs. Any EAD category not listed would generally be ineligible. If the EAD expired within six (6) months, one of the following must also be provided:

- Documentation of one previous EAD renewal
- If there are no prior EAD renewals, documentation from USCIS confirming the likelihood of renewal

C-33 WORK PERMIT/DACA

- Allowed refer to [the applicable NonQM Matrix](#)

DIPLOMATIC IMMUNITY

Due to the inability to compel payment or seek judgment, loans to individuals who are not subject to U.S. jurisdiction are ineligible. This includes embassy personnel with diplomatic immunity. Verify the borrower does not have diplomatic immunity by reviewing the visa or passport.

4.4.4 ITIN REQUIREMENT

The ITIN loan program is for borrowers living in the US, who have never been issued a US Social Security number. Non-Permanent resident aliens, who have been issued US Social Security numbers, refer to the NON-PERMANENT RESIDENT ALIEN section of this guide.

Any Effective July 1, 2023, Florida Senate Bill 264 *Interests in Foreign Countries* prohibits any person or entity from the People's Republic of China who is not a citizen or lawful permanent resident of the US to purchase or acquire any interest in real property in the state of Florida.

- **Eligibility:**
 - Loan file must contain a copy of the original ITIN letter issued by IRS
 - Credit report must be pulled utilizing borrower's ITIN number issued by the IRS

- Non-married borrowers must document that they have lived together for the last two years
- Must own Primary Residence for at least 12 months to be eligible for a Cash-Out Refinance or at least 6 months for a Rate & Term Refinance
- Non-Occupant Co-Borrowers are not allowed on an ITIN program
- **Credit:**
 - Borrower must meet standard tradeline requirements. Borrowers who do not meet the standard tradeline requirements may be eligible when satisfying the reduced tradeline requirements listed below
 - Borrowers with no Housing History or living rent-free are not allowed if FTHB, a free and clear home is not considered living rent free or no housing history. If borrower recently sold their home and waiting to buy new home, not considered living rent free or no housing history.
 - Tradelines must be reporting based on the ITIN issued by the IRS; if any social security numbers or other numbers are reflected on the credit report, the underwriter must ensure the tradelines are reported under the ITIN or the ITIN was issued before the first tradeline was established or tradelines **used to qualify** were established from the date of issuance or renewal date of the ITIN
 - If tradelines reported are verified per the credit report under the ITIN (no SSN shows on the credit report) no further action is required
 - If original ITIN issuance letter from IRS can be obtained and is dated prior to any tradelines on credit, credit will be considered acceptable with no further action
 - If a renewal letter from the IRS can be obtained and it is dated prior to any tradelines used to meet tradeline qualification requirements, credit will be considered acceptable with no further action
 - If original or renewal letter cannot be provided or tradelines cannot be verified as reported under the ITIN, additional documentation must be obtained to show ITIN issuance pre-dates the oldest tradeline on the credit report
 - ♦ Example such as but not limited to: Original tax year filing with ITIN and tax transcript for that year (full doc loans only); or
 - ♦ Credit report stripped of any tradelines associated with the erroneous SSN(s)
 - Married Borrowers do not need to individually meet tradeline requirements; their combined credit will be considered when evaluating acceptable tradelines
- If the borrower does not have the required active tradelines reporting, they may use up to 2 non-traditional credit tradelines to meet the minimum tradeline requirement in addition to at least 1 traditional tradeline (must have minimum of 1 traditional tradeline before using non-traditional)
- Refer to [the applicable NonQM Matrix](#) for restrictions
- Non-traditional credit references include but are not limited to:
 - Auto and renter's insurance
 - Childcare from a reputable and known entity (KinderCare, etc.)
 - Installment loan payments not listed on credit report
 - Lease payments for durable goods (i.e. auto)
 - Local store payments (department, furniture, appliances)
 - Non-payroll deducted medical and life insurance
 - Rent-to-own contracts (e.g. Rent-A-Center)
 - School tuition
 - Utilities (electricity, water, gas, phone, cable)
 - VOR/VOM reported on credit or, received directly from an institutional management company/servicing company that can be verified via third party sources; if none exist, then 24 months of consecutive cancelled checks/money orders is an acceptable alternative
- **Income:**
 - 12-Month Full Documentation or 12 months Bank Statements only (24 months full doc or bank statements if required by the Underwriter); NOTE P&L Statement with 3 Months Bank Statements, W-2 Only, VOE Only, and 1099 Only loans are not allowed
 - Personal tax returns are required and must reflect the ITIN on all ITIN loans unless Self Employed Bank Statement loan

- Recently amended returns are not accepted if they include a higher income than the original 1003, but will be accepted if the sole purpose were to add the ITIN
- Paystubs or W-2s should not be submitted unless they show the ITIN; a written VOE may be used instead
- Seasonal employment is an unacceptable source of income due to ITIN borrowers being ineligible for unemployment during off-season periods
- Bank statements loans require a copy of either the Issuance letter or the Renewal letter
- Two government issued photo identification cards are required to validate identity. Example of acceptable documents are, but not limited to, the following:
 - Consular ID Card (even if expired)
 - Non-U.S. Driver license
 - Passport from Country of Origin (even if expired)
 - State issued ID
 - U.S. Driver License
 - U.S. Visa (even if expired)
 - Voter ID (even if expired)

SECTION 5.0. CREDIT

5.1 CREDIT REPORTS AND CREDIT SCORE

Fannie Mae guidelines should be utilized for processing and documenting all required credit reports and determining borrower's credit eligibility and credit score selection. The following exception is allowed:

- **Decision Score:** All borrowers must have a credit score
 - Minimum of one (1) borrower with two (2) credit scores (all three (3) repositories must be attempted)
 - Must use the lower of the two (2) credit scores or median of the three (3) credit scores generated unless one of the following occurs:
 - **For multiple borrowers:**
 - ♦ Full Doc and Alt Doc income document types: Use the Decision Score for the primary wage; all borrowers must have a minimum Credit Score of 600
 - ♦ DSCR: Lowest decision score among all borrowers to be used
 - When vesting in an entity (Non-TRID Business Purpose Loans only), the decision score of the member with the highest percentage of ownership is used. If all members have equal share of ownership, the lowest decision score among the members is used. All members must have a minimum credit score of 600.

For Frozen Credit, Refer to Fannie Mae Guidelines [B3-5.1-01](#).

5.2 LOAN INTEGRITY & FRAUD CHECK

Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. All loans should be submitted to an automated fraud and data check tool (i.e. Fraud Guard, DataVerify, etc.). A copy of the findings report should be provided in the loan file along with any documentation resolving any deficiencies or red flags noted.

5.3 CREDIT INQUIRIES

Any credit inquiries on the borrower's credit report in the last 90 days must have documentation signed by the borrower explaining the inquiry and attestation of no new credit was established. If new credit was established borrowers must provide documentation on the current balance and payment and qualify accordingly. It is recommended the underwriter do additional diligence as necessary to ensure there is no undisclosed debt.

5.4 HOUSING HISTORY

Mortgage/rental history is required for most LSM programs. If a borrower's mortgage or rental history is not reported on the credit report, alternative documentation showing the most recent 12-month history (VORs and VOMs from servicing/mortgage companies and companies/management companies, etc., canceled checks, mortgage/rental statements including payment history, etc.) should be provided. See [the applicable NonQM Matrix](#) for LTV restrictions for accepting private party VORs. All loans held and/or serviced by the submitting broker, lender or banker that will be paid off through our transaction will require 12 months canceled checks. Bank statements in lieu of canceled checks may be allowed at the underwriter's discretion.

Borrower mortgage and/or rental history may reflect late payments based on Documentation Option and eligibility criteria. Refer to [the applicable NonQM Matrix](#) for requirements. All housing late payments must be cured at the time of application and remain paid as agreed through closing.

Housing late payments exceeding 1x60x24 require a letter of explanation from the borrower. The situation causing the delinquency must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved.

Owner occupied properties: On owner occupied properties where the mortgage rating is in the name of the non-borrowing spouse and both are residing in the home together, the mortgage rating will be required and deemed acceptable for housing history requirements.

Second home and investment properties: Ratings in the name of non-borrowing spouse are not acceptable unless a joint account has been used to make the payments.

Borrowers who live rent-free are not allowed if the initial 1003 reflects any rent amount listed. Borrowers who cannot validate and verify that they live rent-free are not allowed.

Borrowers who can validate and verify that they live rent-free or borrowers without a complete 12 month housing history are allowed with the following restrictions:

- Full documentation and bank statement
 - Primary Residence only
- Select NQM ineligible
- DSCR Experienced Investors only
- 5% minimum borrower contribution
- Any available portion of a 12-month housing history must be paid as agreed
- Borrower(s) who own their primary residence free and clear are not considered living rent free
- Borrower(s) who sold a primary residence within the past 6 months and are currently residing rent free until subject transaction closes, are not considered to be living rent free and a Gap Housing history is not required

Refer to [the applicable NonQM Matrix](#) for further guidance.

5.5 CONSUMER CREDIT

5.5.1 CONSUMER CREDIT HISTORY

Any delinquent account must either be brought current or paid off at closing.

All mortgage accounts must be current at application and remain paid as agreed through closing.

5.5.2 TIMESHARES

Timeshare obligations will be treated as a consumer installment loan.

5.5.3 CONSUMER CREDIT CHARGE-OFFS AND COLLECTIONS

- Accounts with a cumulative balance greater than \$5,000 must be paid in full prior to or at closing unless they exceed state statute of limitations for debt collection
- Medical collections/charge-offs may remain open
- A 2nd mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods based upon the charge off date
- Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded. Evidence of expiration must be documented

Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following:

- Payments for open charge-offs or collections are included in the DTI (Subject to program DTI restrictions)
 - If there is no payment, use 5% of the balance
- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements
- **DSCR Loans Only**: Collections and Charge-offs can be left open when Mortgages are paid as agreed and LTV is 65% or less (Select DSCR or Sub1DSCR excluded)

5.5.4 CONSUMER CREDIT COUNSELING SERVICES

Borrowers currently participating in Fannie Mae approved credit counseling services are acceptable if most recent 12 months paid as agreed, and the CCCS administrator provides a letter allowing borrower to seek new mortgage financing.

5.5.5 JUDGMENT OR LIENS

All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing.

5.5.6 DELINQUENT TAX INCOME

All delinquent tax (federal, state, local) must be paid off prior to or at loan closing. Tax liens and delinquent tax debt that has not become a lien, that does not impact title (open liens reflected on credit report will impact title and must be paid off) may remain open provided the following are met:

- The file must contain a copy of the repayment agreement
- A minimum of 2 payments were made under the plan with all payments made on time
- If a lien: The balance of the lien must be included when determining the maximum CLTV for the program
- If a lien: Refinance transactions require a subordination agreement from the taxing authority

For Purchase Money Transactions

- A copy of the repayment agreement is obtained
- A minimum of 2 months elapsed on the plan and evidence of timely payments for the most recent 2 months is provided
- The maximum payment required under the plan is included in the debt-to-income ratio

- The title company must provide written confirmation confirming (a) the title company is aware of the outstanding tax lien with no exception to final title policy, and (b) subordination agreement from IRS, when necessary
- Maximum DTI of 50%
- Evidence of two timely payments is not required if two months have not elapsed since entering into the repayment agreement, the balance owed is for the current tax filing year and is less than or equal to 5% of the property value
- If a lien: The balance of the lien must be included when determining the maximum CLTV for the program
- If a lien: Refinance transactions require a subordination agreement from the taxing authority

5.6 BANKRUPTCY HISTORY

Recent bankruptcies are allowed. All bankruptcies (except for a Chapter 13, see below) must be settled for a minimum of twelve months.. Specific programs may have longer seasoning periods, refer to [the applicable NonQM Matrix](#) for details.

Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal (settled) date to the Note date.

Bankruptcies resolved in the last 24 months require a letter of explanation from the borrower. The situation causing the bankruptcy must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple bankruptcies exist in this time frame each must be addressed in the explanation.

5.6.1 CHAPTER 13

Recently discharged Chapter 13 bankruptcies may be allowed with most recent 24 months satisfactory pay history (if full term of BK is less than 24 months, a pay history for the full term is required). (Refer to [the applicable NonQM Matrix](#) for additional information.) Chapter 13 bankruptcy pay history is not required if standard seasoning for credit event is met.

A cash-out refinance may be used to settle the remaining balance of a Chapter 13 repayment plan if all of the following requirements are met:

- A minimum of 12-months of payments have been made under the bankruptcy plan
- The most recent 12-months of payment plans have been made on time
- The borrower has received written permission from the bankruptcy court for the mortgage transaction
- 70% max LTV and \$1,000,000 max loan amount

Refer to [the applicable NonQM Matrix](#) for specific restrictions.

5.7 FORECLOSURE SEASONING

Foreclosures completed in the last 24 months require a letter of explanation from the borrower. The situation causing the foreclosure must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple foreclosures exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the Note date. In the case of a foreclosure which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the foreclosure completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the foreclosure date will be used. Active foreclosures are not allowed.

Refer to [the applicable NonQM Matrix](#) for specific restrictions.

5.8 SHORT SALE/DEED-IN-LIEU SEASONING

Short Sales and Deed-in-Lieu of Foreclosures completed in the last 24 months require a letter of explanation from the borrower. The situation causing the Short Sale / Deed-In-Lieu must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple Short Sales and/or Deed-In-Lieu exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the Note date. Where the housing event can be settled, the delinquency proceeding the housing event can be ignored.

In the case of a short sale/deed-in-lieu which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the short sale/deed-in-lieu completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the completion date will be used. Short Sale or Deed-In-Lieu currently in process are not allowed.

Refer to [the applicable NonQM Matrix](#) for specific restrictions.

5.9 FORBEARANCE OR MODIFICATION

Forbearance or loan modifications are treated as a short sale / deed-in-lieu for grading and pricing purposes. Where the housing event can be settled, the delinquency proceeding the housing event can be ignored. Servicing retention related interest rate modifications are excluded from the seasoning requirement. A letter or explanation from the borrower addressing the situation that made forbearance or modification necessary must be provided. The current housing payment history along with the new housing payment must be considered when determining if the situation is adequately resolved.

5.10 TRADELINES

5.10.1 STANDARD TRADELINES

If the primary wage earner has three (3) credit scores reporting, the minimum tradeline requirement is met. If the primary wage earner has less than three (3) credit scores, each borrower must meet the minimum tradeline requirement, unless the co-borrower is the spouse.

DSCR:

If each borrower has three (3) credit scores reporting, the minimum tradeline requirement is met. If any borrower has less than three (3) credit scores, each borrower must independently meet the minimum tradeline requirement.

When vesting in an entity, if the member with the highest percentage of ownership has three (3) credit scores reporting, the minimum tradeline requirement is met. If all members have equal share of ownership each borrower is evaluated individually. If any borrower has less than three (3) credit scores, each borrower must independently meet the minimum tradeline requirement.

Note: Borrowers whose credit scores are primarily based on thin credit—such as authorized user accounts, self-reported accounts or recently opened accounts with limited activity—must still meet one of the standard tradeline requirements to qualify.

The minimum standard tradeline requirements for all programs are as follows:

- At least three (3) tradelines reporting for a minimum of 12- months with activity in the last 12months, or
- At least two (2) tradelines reporting for a minimum of 24-months with activity in the last 12months, or

- At least one (1) revolving tradeline reporting for 60 months with activity in the last 12 months and a verified 12-month housing history 0x30; or
- At least one (1) installment tradeline reporting for 36 months with activity in the last 12 months and a verified 12-month housing history 0x30

Owner Occupied & Second Home:

Borrowers who do not meet one of the above standard tradeline requirements can alternatively satisfy the standard tradeline requirement with the following:

- Recent full 12 month mortgage or rental history with no late payments. On a refinance, a full 12-month mortgage history tradeline with no late payments to be provided.
- For purchases, borrowers must have 5% of their own funds
- Allowed under Core NonQM only, Select NonQM is ineligible

Mortgage accounts count toward required tradelines. VORs and VOMs from servicing companies and/or management companies also count toward tradelines with a credit supplement.

Married borrowers do not need to individually meet tradeline requirements.

The following are not acceptable to be counted as a tradeline:

- “Non-traditional” credit as defined by Fannie Mae
- Authorized user accounts
- Any liabilities in deferment status, accounts discharged through bankruptcy, charge-offs, collection accounts, foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales.

Any tradeline that cannot be used as a qualifying tradeline also will not affect the DTI

Note: ITIN borrowers have different restrictions, refer to ITIN section.

5.10.2 LIMITED TRADELINES

If [Standard Tradelines](#) requirements are not met, and the borrower has a valid credit score per the [Credit Reports and Credit Score](#) section of this guide the following restrictions apply:

Owner Occupied & Second Home:

- 80% max LTV allowed on Core NonQM, Select NonQM is ineligible
- Foreign nationals are ineligible

Investment & Business Purpose Non-TRID Loans

- Max 80% LTV on Full Doc and Alt-Doc Loans
- Max 70% max LTV on DSCR, Select DSCR, Sub1 DSCR and No Ratio DSCR programs are ineligible
- Not allowed on the DSCR 5-8 Unit Residential program
- Foreign nationals are ineligible

Note: ITIN borrowers have different restrictions, refer to ITIN section.

5.11 OBLIGATIONS NOT APPEARING ON CREDIT REPORT

5.11.1 HOUSING AND MORTGAGE-RELATED OBLIGATIONS

Housing and mortgage-related obligations include property taxes, premiums and similar charges that are required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments. All properties owned by the borrower must be fully documented in this regard. These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowner's association billing statements, information obtained from a valid and legally executed contract.

Note: Refer to [Credit \(DSCR\)](#) section for Housing History on DSCR Loans.

5.11.2 CURRENT DEBT OBLIGATIONS, ALIMONY AND CHILD SUPPORT

A lender may use a credit report to verify a borrower's current debt obligations, unless the lender has reason to know that the information on the report is inaccurate or disputed. Obligations that do not appear on the credit report, such as alimony and child support, must be documented through other methods according to Fannie Mae guidelines.

Not applicable to DSCR Loans.

5.11.2.1 DEBTS PAID BY OTHERS

Certain debts can be excluded from the borrower's recurring monthly obligations ratio:

- When a borrower is obligated on a non-mortgage debt—but is not the party who is actually repaying the debt—the lender may exclude the monthly payment from the borrower's recurring monthly obligations
 - This policy applies whether or not the other party is obligated on the debt but is not applicable if the other party is an interested party to the subject transaction (such as the seller or realtor)
 - Non-mortgage debts include installment loans, student loans, revolving accounts, lease payments, alimony, child support, and separate maintenance. See below for treatment of payments due under a federal income tax installment agreement
- When a borrower is obligated on a mortgage debt - but is not the party who is actually repaying the debt, the lender may exclude the full monthly housing expense (PITIA) from the borrower's recurring monthly obligations if:
 - the party making the payments is obligated on the mortgage debt,
 - there are no delinquencies in the most recent 12 months, and
 - the borrower is not using rental income from the applicable property to qualify
- In order to exclude non-mortgage or mortgage debts from the borrower's DTI ratio, the lender must obtain the most recent 12 months' canceled checks (or bank statements) from the other party making the payments that document a 12-month payment history with no delinquent payments
- When a borrower is obligated on a mortgage debt, regardless of whether or not the other party is making the monthly mortgage payments, the referenced property must be included in the count of financed properties (if applicable per Fannie Mae [B2-2-03](#), Multiple Financed Properties for the Same Borrower)
- Not applicable to DSCR Loans

5.12 PAYMENT SHOCK

Payment shock should not exceed 300% of the borrower's current housing payment unless DTI is less than or equal to 45%. If payment shock exceeds this limit the underwriter must provide justification of borrower's ability to handle the increased payment. If the loan purpose is debt consolidation, and the net tangible benefit test is

met, a payment shock calculation is not required. NOTE: Refer to additional payment shock restrictions in the [First Time Homebuyers](#) section of this guide.

Payment Shock= (Proposed Housing Payment - Present Housing Payment) ÷ Present Housing Payment x 100
Borrowers living rent-free use \$1 for qualification.

5.13 ADDITIONAL CREDIT CRITERIA

5.13.1 OWNER OCCUPIED & SECOND HOME

- Inquiries – Recent inquiries within 90 days of the credit report date must be explained by the borrower
- New debt/liabilities – A verification of all new debt/liabilities must be provided, and borrower should be qualified with the additional monthly payment

5.13.2 INVESTMENT & BUSINESS PURPOSE NON-TRID LOANS

Inquiries – Recent inquiries within 90 days of the credit report date must be explained by the borrower.

5.14 NEW DEBT/LIABILITIES

A verification of all new debt/liabilities must be provided, and borrower must be qualified with the additional monthly payment.

5.15 DISPUTED ACCOUNTS

- When the credit report contains tradelines disputed by the borrower and if the disputed account balance is \$1,000 or less, the payment can be included in the total debt calculation and the account can remain in dispute
 - Total aggregate balance of accounts in dispute remaining unresolved cannot exceed \$3,000
- If the account that is in dispute is currently delinquent, a Charge Off or Collection, the requirement to pay off the account is at underwriter's discretion

SECTION 6.0. ASSETS

THE FOLLOWING APPLY TO ALL TRANSACTIONS UNLESS OTHERWISE STATED.

6.1 DOCUMENTATION OPTIONS

Various forms of documentation are acceptable depending on borrower asset type. Assets and reserves should be calculated and documented to Fannie Mae guidelines unless otherwise specified in LSM guidelines. Fannie Mae guidelines prevail where this guide is silent regarding sources and types of assets as well as asset types not eligible to be included.

6.2 RESERVES

- The minimum reserve requirements are outlined on the [applicable NonQM Matrix](#)
- Reserves must be sourced and documented per section 7.5 of these guidelines
- Additional Reserves - Each financed property in addition to the subject property will increase the applicable reserve requirement by two (2) months PITIA on the subject property to a maximum requirement of 12 months (Additional reserves based upon the PITIA of the subject property); On all income documentation loans, full doc and bank statements, when reserves are required. Not applicable to DSCR Loans.

- Reserves for an additional financed property with an interest only loan feature is based upon the interest only (ITIA) payment
- Reserves for an additional financed property with an ARM loan without an interest only feature is based upon the initial PITIA
- Proceeds from a cash out refinance can be used to meet the reserve requirements
- **Owner Occupied & Second Home ONLY:**
 - Reserve requirements are waived for Rate-and-Term Refinance transactions when the transaction results in a reduction to the monthly principal and interest payment of 5% or greater AND housing history is 1x30x12 or better (no housing history, unless the property is free and clear, is not allowed); waiver not eligible for DTI greater than 50%
 - For an interest only loan the reserves are based on the interest only payment
- Proceeds from 1031 Exchange cannot be used to meet reserve requirements
- Gift funds may NOT be used to meet reserves requirements

6.3 DOWN PAYMENT SOURCING

Down payment funds should be documented for the most recent one full month (30 days) per the Fannie Mae Verification of Deposits and Assets guidelines with the documentation included in the loan file. LSM will require that the borrower state the source of the down payment and provide verification. If the underwriter determines that the source of the down payment is another extension of secured credit, the underwriter must then consider that loan as simultaneous secondary financing. Refer to the [Secondary Financing](#) section.

6.4 GIFT FUNDS/GIFT OF EQUITY

- When gift funds or gift of equity are used for all or part of the down payment, they are acceptable in either scenario:
 - 100% of gift funds with 10% LTV reduction, or
 - 5% down payment has been made by the borrower from their own resources
- Gift funds are not eligible under Asset Utilization program
- Fannie Mae guidelines are to be followed for acceptable donors and documentation requirements included verifying donor availability of funds and transfer of gift funds, refer to [B3-4.3-04, Personal Gifts](#)
- Gift funds may NOT be used to meet reserve requirements
- When a gift from a non-borrowing spouse or registered domestic partner is being combined with the borrower's funds to meet the required minimum cash down payment, the funds are not considered a gift when all the following items are provided:
 - Certification from the non-borrowing spouse or registered domestic partner stating that he/she has lived with the borrower for the past 12 months and will continue to do so
 - Documentation evidencing a history of shared residency. The spouse's address must be the same as the borrower's address. Examples include but are not limited to a current utility bill or bank statement.
 - If funds are held in a separate asset account, asset statements covering the most recent 60 day period, (30 day period for DSCR loans) are to be provided and must adhere to the asset guidelines

6.5 ASSET DOCUMENTATION

In addition to documenting the minimum reserve requirements, all borrowers must disclose, and Underwriters must verify all other liquid assets.

6.5.1 DOCUMENTATION REQUIREMENTS

- Account statements should cover most recent one full month period of account activity (30-days)
 - Transaction histories may not be utilized in place of one full month account statement. Transaction histories may only be used in addition to the statement to evidence updated balances.
- If account has other names in addition to the borrower(s), a 100% access letter and an LOE is required (this pertains to personal and business accounts; if a borrower owns a business 100%, no access letter is required, even if there are other names on the business account)
- Investments in Stocks/Bonds/Mutual Funds/Annuities/ certificates of deposit/money market funds/ and Trust Accounts for which the borrower is a direct beneficiary - 100% of these accounts can be considered in the calculation of assets for closing and reserves
- Vested Retirement Account funds – 100% may be considered for reserves (refer to Fannie Mae [B3-4.3-03](#))
- Vested Retirement Account funds – 60% may be considered for closing costs and down payment
- Non-vested or restricted stock accounts are not eligible for use as down payment or reserves
- Asset Utilization: Any assets that are depleted and used as income are not eligible for use as reserves
- When bank statements are used, large deposits must be evaluated; large deposits are defined as any single deposit that exceeds more than 75% of the monthly average deposit balance, and they must be sourced based upon the [Down Payment Sourcing](#) section of this Guide

An example of how to identify a large deposit:

- Month 1 deposits
 - \$1,000
 - \$1,500
- Month 2 deposits
 - \$2,500
 - \$5,000
- Total deposits equal \$10,000 or a monthly average of \$5,000
- 75% of the monthly average is \$3,750
- The \$5,000 deposit from month 2 needs to be sourced

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least three (3) days prior to closing.

- Documenting Assets Held in Foreign Accounts:
 - Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the [Wall Street Journal conversion table](#)
 - A copy of the two (2) most recent statements of that account are required; if the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds

6.5.2 SOLE PROPRIETOR ASSETS/BUSINESS FUNDS

- Business funds may be used for down payment, closing costs, and for the purposes of calculating reserves; the borrower must be listed as sole owner of the account, and the account needs to be verified per requirements in Assets Documentation section of this Guide. If account has other names in addition to the borrower(s), a 100% access letter and an LOE are required. If the borrower owns 100% of the business or if the amount needed is less than their percentage of ownership, no access letter is required even if there are other names on the business account.
 - If Business funds are used, the borrower may use a maximum of their percentage of ownership as qualifying assets.

- If funds needed exceed the maximum percentage of ownership, 100% access letter is required
- Underwriter must determine that the withdrawal of funds will not have a negative impact on the business
- The following methods are acceptable:
 - Third party prepared letter from a licensed CPA or licensed Tax Professional signed and dated within 60 days of Note date stating that the use of business funds would not have a negative impact on the business cash flow
 - Underwriter completed business cash flow analysis using the two most recent business bank statements confirming that the withdrawal of funds for this transaction will not have a negative impact on the business cash flow. Fannie Mae Form 1084 or a similar cash flow analysis form will be utilized to show the business can support the withdrawal of the funds,
 - Third party prepared Balance sheet from a licensed CPA or licensed tax professional for the business reflecting positive working capital,
 - ♦ Working capital is the difference between the current assets and current liabilities. The result of working capital represents the maximum amount of business funds available to use towards down payment, closing cost and reserves
 - **Alt Doc – 12 or 24 Month Business Bank may use one of the following methods in addition to the options listed above**
 - Business Expense Coverage: Underwriter to use the most recent business bank statement used for income documentation and perform the following calculation:
 - Statement(s) Ending Balance
 - Transaction Down Payment
 - Transaction Closing Costs
 - Program Required Reserves
 - +Fund Available from Personal Account(s)
 - Funds Available for Business Expense Coverage
 - ♦ Funds Available for Business Expense Coverage must be a positive number and reflect a minimum of 2 months of average expenses as reflected on the P&L; or as determined by using the expense factor, or
 - The methods above can be waived by reducing the amount of available assets by 50%. The remaining balance must exceed total closing costs and reserve requirements.

SECTION 7.0. INCOME

7.1 GENERAL INCOME ANALYSIS

THE FOLLOWING APPLY TO ALL INCOME DOCUMENTATION OPTIONS UNLESS OTHERWISE STATED IN THE SPECIFIC SECTION OF THE GUIDELINES.

This section does not apply to any DSCR loans.

7.1.1 INCOME WORKSHEET

Unless business purpose then the loan file must include an Income worksheet detailing income calculation. Income analysis for borrowers with multiple businesses must show income/ (loss) details separately, not in aggregate.

7.1.2 EMPLOYMENT/INCOME VERIFICATION

- Most recent one (1) or two (2) years income documentation is required for all income/documentation types unless otherwise noted
- If any borrower is no longer employed in the position disclosed on the URLA at the time of funding, LSM will not allow to fund

7.1.3 STABILITY OF INCOME

- Stable monthly income is the Borrower's verified gross monthly income which can be reasonably expected to continue for at least the next three years. LSM must determine that both the source and the amount of the income are stable
- A two-year employment history is required for the income to be considered stable and used for qualifying
- When the Borrower has less than a two- year history of receiving income, underwriter must provide written analysis to justify the stability of the income used to qualify the Borrower
- While the sources of income may vary, the Borrower should have a consistent level of income despite changes in the sources of income.

7.1.4 EARNINGS TRENDS

When analyzing borrower earnings, year over year earnings trends must be incorporated into the borrower's income calculation.

YTD income must be compared to prior years' earnings where applicable.

- **Stable or increasing:** Income should be averaged
- **Declining but stable:** If the trend was declining, but has since stabilized and there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of variable income must be used
- **Declining:** If trend is declining, the income is not eligible

7.2 DEBT-TO-INCOME RATIO

The Debt-to-Income (DTI) ratio is calculated and reviewed for adherence to Fannie Mae guidelines and inclusion of all income and liability expenses. (Refer to [the applicable NonQM Matrix](#) for further details.)

7.3 RESIDUAL INCOME

Residual Income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations. Residual Income = Gross Monthly Income minus total monthly debt. (Refer to [the applicable NonQM Matrix](#) for further details.)

7.4 DOCUMENTATION OPTIONS

Various forms of documentation are acceptable depending on the borrower's income type. Income should be calculated and documented to Fannie Mae guidelines unless otherwise specified within LSM guidelines. Fannie Mae guidelines prevail regarding sources and types of income as well as ineligible income. A Fannie Mae Form 1084 or equivalent income worksheet should be included and delivered as part of the credit file.

DOC TYPE SUMMARY	Full Doc 24 Months	Full Doc 12 Months	Alt Doc	Alt Doc Asset Utilization only
Min FICO	Refer to Matrix*	Refer to Matrix*	Refer to Matrix*	Refer to Matrix*
Max LTV/CLTV	Refer to Matrix*	Refer to Matrix*	Refer to Matrix*	Refer to Matrix*
Income Documentation	2 years W2s OR Tax Returns	1year W-2s OR Tax Return	♦ 12 Months Personal Bank Statements ♦ 12 Months Business Bank Statements ♦ P&L Statement + 3 Mos Bank Statements ♦ 1099 Only ♦ WVOE Only	Amortized Liquid Assets for income or 100% Qualification
Transcripts Required	Yes	Yes	No (yes if blended with full doc)	No (yes if bended with full doc)
Employment	W2 or Self-Employed	W2 or Self-Employed	Self-Employed Only except WVOE, must be W2	None, W2 or Self Employed

7.4.1 TAX RETURNS

The following criteria applies when personal and/or business tax returns are used to verify income:

- Complete personal income and business tax returns with all schedules to be provided and signed and dated by each borrower. If tax transcripts confirm the information on the tax returns, signature and dates are not required.
- The most recent year's tax returns, if filed on extension after the federal tax deadline, should be filed at least 60 days before the earlier of the application date or the credit report date
- Amended tax returns must be filed at least 60 days before the earlier of the application date or the credit report date regardless of the current year federal tax deadline. When amended tax returns are provided, due diligence is to be used to determine if the amended tax return is acceptable. The following is to be provided in addition to the amended return:
 - Original tax return (for consistency comparison with previous filings)
 - Letter of explanation regarding the reasons for the amendment
 - Evidence of filing
 - Proof of payment, if applicable
 - If amended for income-related items documentation to support the increase in income

7.4.2 4506-C

When the IRS Form 4506-C is required, the form must be signed by the borrower and the transcript obtained and included in the credit file. If the transcript request is returned with a code 10 or the borrower is a victim of taxpayer identification theft, the following requirements must be met to validate income:

- Copy of the IRS rejection with a code of "Unable to Process" or "Limitation"
- Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower's 1040s
- Validation of prior tax year's income (income for current year must be in line with prior years)

In the current year filing period for taxes, LSM will follow FNMA for other acceptable verification of taxes when “No Record Found” results are returned; this includes verified e-filing and proof of payment for taxes or proof of refund to borrower, letter from employer or tax professional verifying the W-2 has been filed with the IRS, etc.

7.5 FULL DOCUMENTATION INCOME

Full Income Documentation is available to borrowers who meet the requirements listed below. This documentation option is available to borrowers who have experienced recent credit events and allows for higher LTVs for borrowers with clean payment histories. Refer to [the applicable NonQM Matrix](#) for requirements.

7.5.1 RESTRICTIONS

Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions.

7.5.2 FULL INCOME DOCUMENTATION (24-MONTHS)

When tax returns are required, as in the case of investment property ownership, the most recent two years should be provided. The definition of most recent is the last return scheduled to have been filed with the IRS.

Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior two years of tax returns.

- Wage or Salaried Borrowers:
 - The FICO score of the Primary Wage Earner will be used for grading and pricing
 - Any Co-Borrower must have a minimum score of 600.
 - A completed Request for Verification of Employment (Form 1005 or Form 1005(S)), or the borrower’s recent paystub (reflecting 30 days of pay and YTD earnings) and IRS W-2 forms covering the most recent two-year period
 - A verbal VOE from each employer within 10-days of the Note date
 - A completed, signed, and dated IRS Form 4506-C is required for each borrower. If tax returns are present in the credit file, transcripts for the return will be required.
- Self Employed Borrowers:
 - Most recent two years of tax returns, personal and business if applicable (including all schedules), signed and dated by each borrower. If tax transcripts verify information on Tax Returns, Tax Returns do not have to be signed and dated by the borrower(s).
 - A YTD P&L and (Borrower prepared acceptable, borrower required to sign the P&L) if a gap exists between the tax return ending date and start of the YTD P&L, a gap year P&L is required. P&Ls are for qualifying positive income only. If negative income was reflected from a business and negative income was used in the income calculations, a P&L is not required for that negative income and/or business.
 - A complete, signed, and dated IRS Form 4506-C is required for each borrower and any business entity filing a separate return, at the underwriter’s discretion the forms should be executed, and the transcripts included in the credit file. If included, the tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address.
 - Verify the existence of the business, for positive income used in income qualifying, within 60-days of the Note date and ensure the business is active with the following: a phone listing and/or business address using directory assistance, internet search, for self-employed independent contractors, use either a letter from a third party company currently utilizing their service(s) or a business license procured through the internet reflecting active and not expired.
 - If a business reflects negative income and that negative income was used in the qualifying income, business verification will not be required.
 - Underwriter must consider the financial strength of a self-employed borrower's business.

7.5.3 FULL INCOME DOCUMENTATION (12 MONTHS)

- When tax returns are required, as in the case of investment property ownership, the most recent year should be provided:
 - The definition of most recent is the last return scheduled to have been filed with the IRS
 - Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior-year tax return
- Wage or Salaried Borrowers:
 - A completed Request for Verification of Employment (Form 1005 or Form 1005(S)), or the borrower's recent paystub (reflecting 30 days of pay and YTD earnings) and IRS W-2 form for the most recent tax year
 - A verbal VOE from each employer within 10 days of the Note date
 - A completed, signed, and dated IRS Form 4506-C is required for each borrower; if tax returns are present in the credit file, the transcript for the return will be required
- Self Employed Borrowers:
 - Most recent year of tax returns, personal and business if applicable (including all schedules), signed and dated by each borrower; if tax transcripts verify information on Tax Returns, Tax Returns do not have to be signed and dated by the borrower(s)
 - A YTD P&L (borrower prepared acceptable, borrower required to sign the P&L) and, if a gap exists between the tax return ending date and start of the YTD P&L, a gap year P&L is required; P&Ls are for qualifying positive income only, thus if negative income was reflected from a business and negative income was used in the income calculations, a P&L is not required for that negative income and/or business
 - A complete, signed, and dated IRS Form 4506-C is required for each borrower and any business entity filing a separate return:
 - The form should be executed, and the transcripts included in the credit file
 - The tax returns and transcripts should be compared; any discrepancies should be explained and, if necessary additional documentation obtained to address satisfactorily
 - If the 1040 transcripts reflect the K-1 income and it matches the K-1s given and the K-1 income on Schedule E of the 1040s, then business transcripts do not need to be requested, unless using income, such as depreciation, from 1120s or 1065 returns then transcripts for business returns will be required
 - Verify the existence of the business, for positive income used in income qualifying, within 60-days of the Note date and ensure the business is active with the following:
 - Phone listing and/or business address using directory assistance or internet search
 - For self-employed independent contractors, use either a letter from a third-party company currently utilizing their service(s) or a business license procured through the internet reflecting active and not expired
 - If a business reflects negative income and that negative income was used in the qualifying income, business verification is not required
 - Underwriter must consider the financial strength of a self-employed borrower's business

7.5.4 OTHER SOURCES OF INCOME

The following sources of income must be verified using Fannie Mae requirements. Bonus and overtime are permitted with Full Income (12 Months) documentation and generally calculated over the 12-month period and are not considered an exception, (FNMA considers an exception).

- Annuity
- Auto allowance

- Bonus
- Capital Gains
- Child Support and Alimony
- Commission
- Disability (with proof of 3-year continuance)
- Foreign income is income earned by a borrower who is employed by a foreign corporation or a foreign government and is paid in foreign currency; follow [FNMA Guidelines](#) for foreign income
- Housing Income
- Interest and Dividends
- Investment
- Military or government assistance
- Overtime
- Part-time/Variable (uninterrupted and stable for past two years)*
- Rental Income should be documented through Schedule E of the borrower's tax returns. If the property was not rented during the previous tax year, the income will be calculated as follows:
 - Long Term Rental is defined as a property with an executed lease for an initial term of at least 6 months between the lessor and lessee. After the initial lease, a month-to-month option with no defined expiration is allowed.
 - Based on the lower of the lease agreement or 1007, as applicable, times 75% for single unit property
 - The most recent two months' rent must be verified and documented as received in the most recent two months before closing
 - Short Term Rental (e.g., Airbnb, FlipKey, VRBO) is defined as a property rented on a nightly, weekly, monthly or seasonal basis for a defined period.
 - 12 months statements or an annual statement provided by the on-line service provider such as Airbnb, VRBO, etc., evidencing rents received for the property to be provided. If more than one rental property is owned, the statements must clearly identify the rents received for each specific property.
 - If the property has been reported as long term rental the prior tax year and is now a short term rental at least six (6) months receipts of current short term rent is required
 - A screen shot of the online listing evidencing the property is actively marketed as a short term rental to be provided
 - Gross monthly rents are based on a 12 month average to account for seasonality
 - The actual extraordinary costs (i.e. management fees, advertising, furnishing, cleaning) listed on the 3rd party statements or a 20% extraordinary expense factor, if actual is not provided, must be subtracted from the gross rents
 - Rental Income from Boarders - For this income to be considered, the following requirements must be met:
 - There must be at least a 12-month history of receiving rental income from boarder or accessory dwelling unit (ADU)
 - Tax returns and tax transcripts are required
- Restricted Stock Income/Units
- Retirement and/or Social Security
- Trust: Verify using Fannie Mae requirements along with the following:
 - Document trust account funds, both of the following must be obtained:
 - Written documentation of the value of the trust account from either the trust manager or the trustee; and
 - The conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the borrower for the mortgage

* For Part-time employment, a minimum two (2) year history is generally required; however, a shorter period of no less than twelve (12) months may be considered case-by-case if positive factors are present to offset shorter history.

7.6 ALT DOCUMENTATION INCOME

Alt income documentation is available to borrowers who meet the requirements listed below. Refer to **the applicable NonQM Matrix** for requirements.

7.6.1 RESTRICTIONS

- Refer to [the applicable NonQM Matrix](#) for acceptable max LTV and DTI

7.6.2 ALT DOC – RENTAL INCOME

When rental income is the borrower's secondary or supplemental source of income, the following may be used to calculate income.

- Long Term Rental is defined as a property with an executed lease for an initial term of at least 6 months between the lessor and lessee. After the initial lease, a month-to-month option with no defined expiration is allowed:
 - Schedule of Real Estate owned (URLA) must be completed for all investment properties where the borrower is held personally liable. PITIA/TIA will be included in the DTI calculation. Fully executed lease/rental agreements for all properties required.
 - 75% of the lease/rental amounts will be used.
 - The most recent two months' rent must be verified and documented as received in the most recent two months before closing
 - If the subject property is an investment purchase, rental income from the subject property is determined as follows:
 - 75% of the current lease/rental amount
 - If there not an assignment of lease, 75% of market rent to be used
 - ADU income can be used to qualify on alternative doc income loan similar to the way the other investment property income is calculated
 - Purchase Transaction – Not available, except when assignable via the purchase contract and verified
 - Refinance Transaction – Only available with executed lease agreement and 2 months verifiable rent received
- Short Term Rental (e.g., Airbnb, FlipKey, VRBO) is defined as a property rented on a nightly, weekly, monthly or seasonal basis for a defined period:
 - 12 months statements or an annual statement provided by the on-line service provider such as Airbnb, VRBO, etc., evidencing rents received for the property to be provided. If more than one rental property is owned, the statements must clearly identify the rents received for each specific property.
 - A screen shot of the online listing(s) evidencing the property is actively marketed as a short term rental to be provided
 - Gross monthly rents are based on a 12 month average to account for seasonality
 - The actual extraordinary costs (i.e. management fees, advertising, furnishing, cleaning) listed on the 3rd party statements or a 20% extraordinary expense factor, if actual is not provided, must be subtracted from the gross rents

7.6.3 ALT DOC - 12-MONTHS BANK STATEMENTS

The Self-Employed Bank Statements program is available to self-employed borrowers only and allows the use of bank statements to document self-employment income. Income documented through the Self-Employed Bank Statement method may be combined with other income sources that are documented as Full Doc but not associated with self-employment, such as a spouse employed as a wage earner or a borrower with previous year working as W-2 employee. When wage income is combined with Self-Employed Bank Statements, a tax return is not required for the full income documentation, as this would invalidate the bank statements if received for the same tax year. The 4506-C is still required, however, box 8 should be checked to obtain a transcript of W-2 earnings. If tax returns and/or transcripts are provided, the loan will be ineligible for the Self-Employed Bank Statement Program.

7.6.3.1 BANK STATEMENT DOCUMENTATION

- At least one of the borrowers must be self-employed
- Other name(s) on bank statements used to qualify:
 - Direct relative(s) only (Refer to Fannie Mae guide); LOE required
 - 100% access letter
 - Any deposits in the name of the other parties, are excluded

BANK STATEMENT TYPES	12-MONTH INCOME/EXPENSE DOCUMENTATION OPTIONS
Personal* Reflecting borrower's personal income and expenses	• Most recent 12 months Personal Bank Statements and • Most recent 2 months Business Bank Statements
Business* In the name of the business, reflecting only business income and expenses	• Assumed Business Expense Factor from the Fixed Expense Factor Table OR one of the Rebuttal Options; OR • 12 Month P&L Statement prepared by CPA, Enrolled Agent, Properly Licensed Accounting -Bookkeeping Firm supervised by a Certified Accountant, or the Chief Financial Officer (CFO) of the company providing the bank statements when 10+ employees are verified to work for company via narrative. ○ At least 3 most recent months Bank Statements required • One Year Self-employed, most recent 12 months of bank statements and previous full year W-2 with transcript
Co-mingled* Personal and Business activity combined in one account	
* Additional Bank Statements or Expense Analysis documents may be requested as needed.	

7.6.3.2 INCOME ANALYSIS

Self-employed Borrowers

A borrower with a 25% or greater ownership interest in a business is considered self-employed and must be evaluated as a self-employed borrower. Net income from the analysis of the bank statements must be multiplied by the borrower's ownership percentage to determine the borrower's qualifying income.

Verify the existence of the business, within 60-days of the Note date, to ensure the business is active with the following; a letter from either the business tax professional certifying two years of self-employment in the same business, or regulatory agency or licensing Bureau reflecting license is still active and not expired; or an internet search that verifies business' phone number or address or for self-employed independent contractors a letter from third party company currently utilizing their service(s).

NOTE: Businesses that function as non-profit enterprises are ineligible for self-employment treatment.

Service & Tip Industry

Due to the cash nature of the service and tip industry, those borrowers may participate in the bank statement program. Full documentation is required for employment. Base salary is verified with pay stubs and W2s. Qualified tips are averaged over time. Utilize the bank statement analysis to determine tip income.

Borrowers who obtain their income primarily in the form of service fees or tips (adult entertainer, musician, club hostess, etc.) are not required to have a business license. At least one business reference letter is required to validate employment. Deposits will be used to calculate income. P&L or expense factor letter not required if the borrower provides personal bank statements.

Rental Property Income (12 Month Bank Statements)

When Rental Income is the Borrower's primary income source, bank statements may be used to calculate income when meeting all the following:

- Borrower must attest rental income is the only line of revenue and rental income is deposited into one or more bank accounts
- Long Term Rental is defined as a property with an executed lease for an initial term of at least 6 months between the lessor and lessee. After the initial lease, a month-to-month option with no defined expiration is allowed:
 - 12 months bank statements evidencing receipt of rental income into borrower's co-mingled or business bank account required. Deposits must support the lease/rental amounts. Only rental income deposits will be used. A 25% expense factor will be applied to the aggregate rental income deposits.
 - Schedule of Real Estate owned (URLA) must be completed for all investment properties where the borrower is held personally liable. PITIA/TIA to be entered in the REO section and included as a liability in the DTI calculation.
 - Fully executed lease/rental agreements for all properties required. Lease/rental agreements must support the lease/rental amounts. Any variances are to be explained and may require additional documentation.
- Short Term Rental (e.g., Airbnb, FlipKey, VRBO) is defined as a property rented on a nightly, weekly, monthly or seasonal basis for a defined period:
 - 12 months statements or an annual statement provided by the on-line service provider such as Airbnb, VRBO, etc., evidencing rents received for the property to be provided. If more than one rental property is owned, the statements must clearly identify the rents received for each specific property.
 - A screen shot of the online listing(s) evidencing the property is actively marketed as a short term rental to be provided
 - Gross monthly rents are based on a 12 month average to account for seasonality
 - The actual extraordinary costs (i.e. management fees, advertising, furnishing, cleaning) listed on the 3rd party statements or a 20% extraordinary expense factor, if actual is not provided, must be subtracted from the gross rents. If the above documentation is provided, the income calculation will NOT follow the standard bank statement income calculation listed in the bank statement section

7.6.3.3 PERSONAL BANK STATEMENTS

- Income is calculated based on a 12-month average, or 24 month average of total deposits minus any inconsistent deposits not justified
- Pattern of deposits and payments should be consistent, as determined by the type of business
 - For example, a Real Estate Sales self-employed borrower may not have sold a property every month, so consistent would be deposits made a few times in a 12 or 24 month period
- ATM deposits/PayPal or similar deposits may be included if a consistent pattern of such deposits is present

- Changes in deposit pattern must be scrutinized
- Income documented separately but comingled must be backed out of deposits
- Two months most recent business bank statements
 - Must evidence activity to support business operations, and
 - May reflect transfers to the personal account

If the personal bank statements include names of individuals other than the borrower(s), the following is required:

- 100% Access Letter from individual(s) whose names appear on personal bank statements
- LOE from individuals explaining the relationship with the borrower(s), whether they are employed or not, whether they are associated with the business, and whether they contribute income to the bank account
- Business License and the most recent company formation information for LLC, Corp, or S-Corp

The underwriter will review the documentation provided. If the individual(s) work for the company and/or are part owners of the company, they must be on the loan for the income to be used. If the individual(s) work elsewhere but earn income provided in the statements, they must also be on the loan for the income to be used. Otherwise, whatever percentage is owned by the borrower(s) will be used for qualification.

7.6.3.4 BUSINESS AND COMINGLED BANK STATEMENTS - FIXED EXPENSE FACTOR

Underwriter will evaluate the type of borrower/business using the [Fixed Expense Factor Table](#) below, applied to business-related deposits. The expense factor will be determined via review of the completed business narrative (Refer to [EXHIBIT H, Self-Employment Business Narrative, Questionnaire, and Certification](#)) or any other borrower business narrative. If the expense factor allows the borrower to qualify, then no further expense analysis is required.

1. Determine the Gross Monthly Qualifying Income

Total Allowable Monthly Deposits = Net Qualifying Deposits ÷ 12 (or 24) Months

2. Determine the Business Net Income.

Gross Monthly Qualifying Income X (100% - Fixed Expense Ratio) (from table below)

FIXED EXPENSE FACTOR TABLE			
Number of Full-time Employees/Contractors	0—1	2—10	11+
Service Business *	30%	50%	60%
Product Business **	40%	60%	70%
Real Estate Business***	70%	75%	80%

*Service Business examples: Accounting, Consulting, Counseling, Financial Planning, Insurance, Law, Therapy, etc.

**Product Business examples: Clothing/Jewelry, Construction, Food Service/Restaurant, Manufacturing, Retail, Trucking, etc.

***Real Estate Investors, (without a schedule of current real estate), Property Developers and Property Flippers, CPA letters will not be accepted for a lower expense ratio

3. Determine the Borrower's Monthly Qualifying Income

Business Net Income X Borrower's Percentage of Ownership in the Business

If the type of business may have a materially different expense factor per the lender or borrower, two rebuttal options are listed below. Should the Underwriter uncover any red flags that require further review, the Underwriter may request additional documentation.

Rebuttal Option 1: Business Expense Statement Letter:

Provide a Business Expense Statement Letter from a Tax Professional or a Properly Licensed Accounting/Bookkeeping Firm supervised by a Certified Accountant with 12 Months Bank Statements (or 24 Months Bank Statements when required).

- Net Income is determined by total deposits per bank statements, less total expenses
- Total expenses are calculated by multiplying total deposits by the expense factor provided by a CPA, Tax Preparer, or a properly licensed Accounting/Bookkeeping Firm supervised by a Certified Accountant
- Any expense factor lower than 15% will require a basic understanding of the borrower's business by a tax professional, which supports the expense factor noted, along with a borrower business narrative
 - The business narrative provided by the borrower should be reviewed to determine if the business provides a service or produces/manufactures goods
 - If the business has a website, it should be reviewed to gain additional information on the business and its size
- The Underwriter's review of the narrative should conclude that the expense factor is reasonable based on the information provided
- Qualifying income is the net income from the analysis

Rebuttal Option 2: 12-Month Profit and Loss Statement:

Provide a 12-Month Profit and Loss (P&L) Statement (24-Month if required by the Underwriter) from a Tax Professional or a Properly Licensed Accounting/Bookkeeping Firm supervised by a Certified Accountant.

- P&L Sales/Revenue must be supported by the provided bank statements, total deposits per bank statements, minus any inconsistent deposits, and must be no more than 10% below revenue reflected on the P&L
- The bank statements and the P&L must cover the same time period
- Qualifying income is the net income indicated on the P&L
- Additional Bank Statements or Expense Analysis documents may be requested as needed

7.6.3.5 NON/IN-SUFFICIENT FUNDS (NSF)/OVERDRAFTS ≥ 12 MONTH BANK STATEMENT ONLY

Non-sufficient funds (NSF) or negative balance(s) reflected on the bank statement must be considered. Overdraft protection fees associated with pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist:

Overdraft Protection (From a Depository Account of Line of Credit)

- A distinction is made between overdrafts (e.g., "Sweep" accounts) and NSFs, whereas certain overdrafts are covered by the borrower's own funds
 - Occurrences may be excluded if statements for the linked account confirm that:
 - The linked account balance/limit at the time of the transfer exceeded the amount of the overdraft transfer; and
 - There were no fees charged for the overdraft

Returned Checks

- Returned checks are considered separately; returned checks that do not result in a negative balance are not considered NSF's

NSF (Non-Sufficient Funds)

- NSF's occur when charges or checks exceed the available balance in an account, and there is not sufficient overdraft protection in place
 - NSF activity within the last 12 months (or 24, if required; depending on the program) requires a satisfactory explanation from the borrower
 - Any occurrence that happens on the same day is counted as a one-time occurrence
 - Multiple NSF's are viewed adversely and may affect qualification, especially at higher LTV's
 - Excessive NSF's will be highly scrutinized and may cause the loan to be deemed ineligible
 - Up to 12 occurrences in the most recent 12 months' time period is acceptable. Any occurrence in the most recent 90 days should be scrutinized by the underwriter. Any occurrence that happens on the same day is counted as one-time occurrence. For example, if there are multiple NSF's or overdrafts on one day, it will only count as 1 in the tolerance levels.
 - Any tolerance violations must be second signed and must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by underwriter supporting the viability of income.
- Underwriter may consider the financial strength of a self-employed borrower's business and the bank statement trends
 - Ending balances should show a trend that is stable or increasing
 - Low ending balances must be explained and could require additional documentation

Additional Bank Statements or Expense Analysis documents may be requested by the Underwriter as needed.

7.6.4 ALT DOC - PROFIT AND LOSS STATEMENT PLUS 3 MONTHS BANK STATEMENTS

Provide a 12-month or 24-month Profit and Loss (P&L) Statement from a Certified Public Accountant (CPA), Enrolled Agent (EA), California Tax Education Council (CTEC) or Tax Attorney with three (3) months bank statements (or more when provided or requested by an Underwriter). Proof of the preparer's current license is required. If tax returns and/or transcripts are provided, the loan will be ineligible

- NSF's/Overdrafts not allowed
- P&L Sales/Revenue must be supported by the provided bank statements, total deposits per bank statements, minus any inconsistent deposits, and must be no more than 10% below revenue reflected on the P&L
 - If this 10% tolerance is not met, continuous bank statements may be added to the analysis until the tolerance is met.
- Qualifying income is the net income from the P&L divided by the number of months it covers (12 or 24) multiplied by the borrower's ownership percentage
- Expenses must be reasonable for the type of business
 - An expense factor lower than 15% will require a basic understanding of the borrower's business by the tax professional, to support the expense factor noted
- The following may be added back to the qualifying net income calculation:
 - Depreciation
 - Depletion
 - Amortization/casualty loss

- Pattern of deposits and payment should be consistent., determined by type of business:
 - For example: A Real Estate Sales self-employed borrower may not have sold a property every month, so consistent would be if deposits were made a few times in 12 months (or 24 months if requested by the Underwriter)
 - Other examples include but are not limited to: A Convenience Store owner, Gas Station owner, or Restaurant owner may make large amounts of cash deposits; if deposits are ordinary for the type of business, they will not be backed out of the deposit calculations and sourcing is not required
- ATM/PayPal/Square/Venmo deposits may be considered and analyzed for consistency
- Income documented separately but comingled must be backed out of deposits

A 24-month P&L, additional bank statements or expense analysis documents may be requested by the Underwriter as needed.

7.6.5 ALT DOC – ONE YEAR SELF-EMPLOYED

Borrower must be self-employed for a minimum of 12 months, which follows a full year of W-2 employment in the same profession. Furthermore, the borrower's self-employment income must be earned from a field/line of work that provides the same products or services as the previous W-2 position or in an occupation in which he or she has similar responsibilities to those undertaken in connection with the previous business. The borrower must be the sole owner of the business.

The most recent 12 months of self-employment income via bank statements must show a topline revenue (via deposits) greater than or equal to their previous year's W-2 earnings to be considered. Up to a 10% variance in income will be allowed if the borrower's DTI is less than or equal to 45%.

Income

- Two years income required
 - Most recent 12 months consisting of 12 months of bank statements (following LSM Alt-Doc guidelines for income calculation)
 - Previous full year W-2 with 4506-C verification (W-2 transcript only)
 - Verification only required for year of W-2 employment, not year of self-employment
 - If borrower's last W-2 year is not a full year of income, a previous full year of W-2 income must be provided and evaluated
 - Any of the following documents can be used to prove self-employment and a full 12 months of activity:
 - Business License
 - Articles of Incorporation
 - Underwriter Internet Search
 - CPA Letter

Credit

Refer to Matrix.

Reserves, DTI, Residual Income

Reserves, DTI, and residual income, including any other limiting factor will follow the matrix for Alt Doc income.

7.6.6 ALT DOC - WVOE ONLY PROGRAM

Ideal for union workers, employed by multiple businesses throughout each year and wage earners who also receive additional compensation such as overtime, bonus and K-1 income. A written verification of employment is utilized to document income. Paystubs, W-2s, tax returns and 4506-C are not required.

The following criteria applies:

- Refer to **Non-QM Matrix** for FICO, LTVs, and all other restrictions
- Two-year history in the same line of work required
- Charge-offs, collections or tax liens are not allowed within the last three (3) years
- FNMA Form 1005 must be completed in its entirety by Human Resources, Payroll Department, or Officer of the Company
- Two months personal bank statements, dated within 60 days of closing, to be provided supporting the WVOE income
 - Bank statements must reflect the monthly deposits from the employer, as applicable, supporting at least 65% of the gross wage/salary
- Additional compensation, such as K-1 income, documented on the WVOE may be used for qualifying income when the documented ownership is < 25%. Acceptable documentation to verify ownership may include but is not limited to:
 - WVOE from employer specifically identifying ownership
 - Partnership agreement
- Eligible income i.e., base wages, overtime, bonus and additional compensation, will be determined according to Fannie Mae Selling Guide
- Supplemental income such as capital gains or rental income is not allowed
- Verbal verification of employment (VVOE) is required within 10 days of the Note date
- Borrower may not be employed by family members
- If paystubs, W-2s, or tax returns or are submitted, loan will be reviewed as a full doc income loan

LoanStream will take steps as deemed necessary to perform due diligence on the business. Things to consider, but not limited to are confirming existence of the business, borrower has no relation to the owners of the business or other factors that could impact the stability of the income.

7.6.7 ALT DOC - 1099 ONLY PROGRAM

Where 1099 is the only source of income/employment for an individual borrower and the borrower has been in the same profession or job and received 1099 income for at least two years, 1099(s) only can be used subject to the following restrictions:

- Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions
- Borrower must be employed with the same employer(s) for at least 12 months
- The individual borrower's name must be listed as the "Recipient Name" on the 1099(s), businesses listed as the recipient on the 1099(s) are ineligible
- Borrower cannot have any ownership percentage in the business from which 1099 income was received
- Two-year history in the same profession
- No Tax Returns, only two years 1099s are required
- 1099 Transcripts are required to validate 1099 filings for two (2) most recent tax years
- At least one business reference letter is required to validate 1099 continuous employment
- Two most recent personal or business bank statements required to support the 1099 reported income

- Borrower prepared, CPA prepared or Tax Professional P&L with business narrative required or CPA, CTEC, PTIN or EA Expense factor letter is acceptable

Income calculations based on NOI from P&L or Expense Factor Letter supported by two most recent bank statements that support the same level of income.

Example 1: 2 years 1099's show \$300,000 in income, P&L shows NOI of \$200,000 for two-year period.

$\$200,000 / 24 \text{ months} = \$8,333.33$ in monthly income

Example 2: 2 years 1099's show \$300,000 in income, Expense Factor shows 15% expense factor as an independent contractor.

$\$300,000 \times 85\% = \$255,000$ in Net Income / 24 Mo. = \$10,625 in monthly income

The 2 most recent bank statements support the monthly income calculations. If the amount is less than calculated the borrower may provide additional bank statements to support the average income. 10% variance is allowed.

7.6.8 ALT DOC - ASSET UTILIZATION

The Asset Utilization loan program is an option for an underwriter to use a Borrower's liquid assets to augment income for loan and product qualification purposes or to qualify entirely.

Three (3) most recent months of asset statements with all pages included are required for Asset Utilization calculation as well as verifying cash to close and reserves.

7.6.8.1 RESTRICTIONS

- Gift funds are not allowed, including when using as blended income
- Installment debts with less than 10 payments remaining may not be excluded from the liabilities
- Refer to [the applicable NonQM Matrix](#) for FICO, LTVs, and all other restrictions.

7.6.8.2 ASSET UTILIZATION QUALIFYING METHODS AND PROGRAM RESTRICTIONS

Asset Utilization is a calculation used to generate monthly income from a borrower's personal assets. Assets can be used for all income, or blended income.

Asset Utilization for Use as Income (DTI)

- **Asset Utilization for Use with Blended Income**
 - The borrower may supplement full-doc or self-employment income with Asset Utilization
 - It can be combined with other income such as W-2, Self-employment, 12 months Bank Statement, Social Security, Pension, or other investment income
 - If Asset Utilization income is 25% or less of the total qualifying income, primary income parameters (LTV, loan amount, etc.) are to be followed
 - There is no age restriction
- **Asset Utilization for Use as 100% of the Income**
 - The borrower can use the calculated income from assets to cover the calculated monthly debt ratio
 - Employment information is not required

CALCULATION

Asset Utilization Calculation Policy (for use with Blended Income or 100 % Income qualification):

- Income listed in the employment section on the URLA will not be considered as the sole income calculation
- Qualifying asset monthly income is the total balance of assets eligible minus all funds used for down payment, closing costs and reserves divided by 60 months irrespective of the amortized term of the loan
- **Example** of Asset Income for a 30-Year loan:
 - Savings Account balance is \$100,000 (\$100,000 usable toward the calculation)
 - Stock Fund Balance is \$100,000 (\$90,000 usable toward the calculation)
 - Mutual Fund Balance is \$10,000 (\$9,000 usable toward the calculation)
 - Total usable is $\$199,000 \div 60 = \$3,316.66$ monthly income

Asset Utilization without DTI (Residual Assets Method):

For the Residual Assets Method, a debt ratio calculation is not required when Asset Utilization can cover the new subject property debt, all costs, reserves, and all other reported debt on the credit report. A calculated Residual assets amount is required.

CALCULATION

Asset Utilization Calculation Policy (for use with 100 % Coverage):

- Eligible assets available before closing must be sufficient to cover all of the following:
 - The new loan amount
 - The down payment
 - Closing costs
 - Any required reserves, per program requirements
 - Five years (60 months) of all other current monthly obligations
 - Five years of taxes and insurance

Sufficient liquid assets to pay off the loan in full would be considered fulfilling the DTI / Residual income prong of the ATR test.

7.6.8.3 ASSET UTILIZATION ELIGIBILITY

Eligibility Requirements (Asset Amortization)

- Available for Primary Residence, Second Homes, and Investment Property (N/O/O)
- Borrower and Co-Borrower must be individual or co-owners of all asset accounts with no other account holders listed on the documentation
- 100% of eligible assets must be verified
- All assets must be in a U.S. financial institution—No Foreign Assets
- The sum of eligible assets as defined are net of any discounts and minus any funds used for closing and/or minimum reserves required for the program

Full Asset Documentation is required for both funds to close and reserves. Assets can be cash in the bank, stocks, bonds, IRAs, 401Ks, mutual funds, or retirement accounts. For most asset types, this would include all pages of the most recent three (3) months. Asset levels in the verified accounts are expected to be consistent and sustained over the three (3) month period. Increases or decreases of greater than 15% over the three (3) month period (i.e., compare month 1 to month 3) must be explained by the borrower. Additional supporting documentation may be required. Large month-to-month changes in asset totals during the three (3) month period may require additional explanation and documentation.

Assets Eligible for Utilization

Assets must be liquid and available with no penalty; additional documentation may be requested to validate the origin of the wealth.

Considered assets must be comprised of the following readily marketable assets, which must be available to the borrower with no penalty and are limited as follows (after deduction of any funds used for down payment, closing costs, or reserves):

- Bank Deposits – Checking, Saving, Money Market accounts = 100%
- Publicly traded stocks and bonds = 90% (stock options not allowed)
- Mutual Funds = 90%
- Retirement Accounts
 - 401(k) plans or IRA, SEP or KEOUGH accounts = 80% (these can only be used if distribution is not already set up)

For eligible asset types, any debt tied to that asset must be netted out. Example: Stocks bought on margin or 401(k) loan against the 401(k) account. Assets must be in liquid or semi-liquid form, no privately held stock, deferred compensation, or non-regulated financial companies.

Assets Ineligible for Utilization (all Income or Blended Income)

- Any asset that produces income already included in the income calculation
- Business Funds
- Equity in Real Estate
- Gift funds
- Life Insurance
- Other non-liquid assets
- Privately traded or restricted/non-vested stocks
- Restricted Stock Units (RSUs)
- Retirement Assets: Ineligible if not vested

7.7 DEBT SERVICE COVERAGE RATIO (DSCR)

Under the Debt Service Coverage documentation option, property income is used to qualify the transaction. Debt Service Coverage is available to Experienced and Inexperienced Investors purchasing or refinancing investment properties to hold for business purposes. The borrower is required to sign a Certification of Business Purpose and an Occupancy Certification. Samples of the forms are available: Certification of Business Purpose ([Exhibit I](#)) and an Occupancy Certification ([Exhibit A](#)).

Restrictions

- Subject property may not be occupied by any borrower, any member of the LLC or any family member (as defined by Fannie Mae)
- Deed restricted properties are ineligible
- Refer to [the applicable NonQM Matrix](#) for FICO, Loan Amounts, LTVs, and all other restrictions.

7.7.1 DSCR CALCULATION

- **DSCR** is calculated by gross rents divided by qualifying PITIA or ITIA
 - 100% of the rents can be used, and no vacancy factor is required
 - Refer to matrix for current DSCR ratios allowed.
 - **EXAMPLE Debt Service Coverage Ratio (DSCR):**

Single-family Purchase Money Transaction
 Monthly PITIA = \$650
 Estimated Monthly Market Rent (from Form 1007) = \$850
 Existing Lease Monthly Rent = Not Available
 Gross Market Rent = \$850 (Estimated Monthly Market Rent when a lease is not available for Purchase transaction)

RATIO CALCULATION:
 Gross Income ÷ PITIA = DSCR (Ratio)
 RATIO: \$850 ÷ \$650 = 1.30

7.7.2 EXPERIENCED INVESTOR

- Experienced Investors are defined as:
 - Borrower(s) with history of owning and managing non-owner occupied income-producing investment real estate for at least 1 year within the last 3 years
 - Ownership history can be documented with, but not limited to, the following:
 - Mortgage history on credit report
 - ♦ Tradelines for mortgages reflected on the credit report and have been paid off or sold in the last 12 months may be used to meet the above requirements
 - Property profile report
 - Other 3rd party documentation such as Fraud Report, Settlement Statement, Closing Disclosure
- Only one borrower has to meet the Experienced Investor definition; all other borrowers can either be Inexperienced or First Time Homebuyers

7.7.3 INEXPERIENCED INVESTOR

- Inexperienced Investors are defined as:
 - Borrower without history of owning and managing non-owner occupied income-producing investment real estate for at least 1 year within the last 3 years
 - Inexperienced investors are allowed with the following restrictions:
 - 80% maximum LTV
 - \$1,500,000 maximum loan amount
 - 60% maximum LTV for Sub1 DSCR
 - Cash-out not allowed on Sub1 DSCR
 - 0 x 30 x 12 housing history (VOM/VOR) required
 - Minimum three (3) months reserves required, cash-out cannot be used to meet the reserve requirement
 - First time homebuyer not allowed
 - Minimum six (6) months seasoning required for any borrower added to title only
 - No Ratio DSCR, DSCR 5-8 Unit Residential and Short Term Rental ineligible
 - Tradelines for mortgages reflected on the credit report and have been paid off or sold in the last 12 months may be used to meet the above requirement

7.7.4 CREDIT (DSCR)

- Mortgage/Rental ratings are required for the borrower's primary residence (including primary residences owned in an entity) and for the subject property (if primary residence is owned free and clear will not need rating for that property)
 - All other REOs owned by the borrower, Corporation, or LLC, unless reported on the credit report, are not required
 - If other mortgages are reflected on the credit report, they are required to meet ratings per [the applicable NonQM Matrix](#)
 - Commercial property (including 4+ Units) can be excluded from REO, but if mortgages appear on the credit report, they must meet ratings per [the applicable NonQM Matrix](#)
 - Inquiries and variation of borrower's addresses do not need to be addressed.
 - Recent late payments on all consumer debt that exceed 1 X 60 over the previous 12 months will be scrutinized by the underwriter
- Default Event - If the current transaction loan payment is delinquent for more than 60 days, LSM's loan servicer will execute the 1-4 Family Rider (Fannie Mae® Form 3170) Paragraph G – Assignment of Leases provision

7.7.5 REFINANCE (DSCR)

If the mortgage being paid off is not reporting on the credit report, cancelled checks or the ACH transaction history is required (do not submit full bank statements on a DSCR loan).

If cancelled checks or the ACH transaction history cannot be provided or if the payoff shows the loan did not have any payments due, a loan that meets all the following is eligible:

- Experienced investor only
- 0 x 30 x 12 housing history, living rent free is not allowed
- Minimum 12 months reserves
- Cash-out ineligible

If the above is not met, loan will be ineligible as DSCR and income documents must be provided to show payment ability.

7.7.6 BORROWER INCOME (DSCR)

- Proof of income is not required
- The Employment section of the 1003 loan application should be left blank
- The Income section of the 1003 loan application must be left blank
- Tax returns and IRS Form 4506-C are not required; if tax returns and/or transcripts are provided, the loan is ineligible for this DSCR program type

7.7.7 ASSET DOCUMENTATION (DSCR)

In the case of DSCR documentation, most recent 30 days of Asset verification is required.

- Large deposits should be sourced if underwriter determines there is a red flag, but no seasoning requirements apply
- If the account has other names in addition to the borrower(s), a 100% access letter and an LOE are required
- Business funds may be used for the down payment, closing costs, and for the purposes of calculation reserves

- The borrower must be listed as the sole owner of the account; or
- The borrower may use a maximum of their percentage of ownership as qualifying assets

The remaining asset documentation standards in 7.0 of this Guide apply

7.7.8 PROPERTY INCOME DOCUMENTATION AND DETERMINATION (DSCR)

Documentation Requirements

- Purchase
 - Form 1007
 - Existing lease/rental agreement(s), if applicable. (If current rents are more than markets rents, the lesser of actual rents or 125% of market rents may be utilized.)
 - When using a new lease, canceled checks must be from renter listed on the rental agreement
- Refinance
 - Form 1007
 - Existing lease/rental agreement(s). (If current rents are more than market rents, the lesser of actual rents or 125% of market rents may be utilized.)

Income Analysis

GROSS INCOME

Gross Income is the lower of gross rents indicated on the lease agreement(s) and Form 1007. If the lease agreement(s) reflect(s) higher rents than the 1007, the lease amount(s) may be used for gross rents if two months proof of receipt is verified—OR—if new lease, copy of agreement with validated proof of security deposit and 1st month's rent (new lease with no security deposit will not be allowed for this agreement to be used). For purchase transactions without an existing lease and Unleased/Vacant Property refinance transactions, the gross rents indicated on the 1007 may be used without the lease agreement(s).

7.7.9 LEASED PROPERTY

Purchase Transactions

Use the rents provided on the comparable rent schedule from the appraiser (unless subject property is currently rented, and purchase contract is assigning rental agreement to proposed buyers – then rental agreement can be used).

Refinance Transactions

- The most recent leases/rental agreements are to be used
 - New lease is allowed with a validation of security deposit and first month's rent. New lease/rental agreement with no security deposit is ineligible.
- ADU Leases cannot be used unless verified by appraiser and lease agreement and supported by rental comps 1007 (comps need to reflect ADU income comps market rent)
- Lease not required on refinance transactions if loans amount $\leq$ \$1MM and LTV $\leq$ 65%
 - Utilize rents from appraisal, 1007, or Rent Survey) – leased properties only per appraisal
 - Not available on short term leases or rural properties

7.7.10 VACANT/UNLEASED PROPERTY

- A property where one of the following exist:
 - A lease or month-to-month rental agreement does not exist, and rent is being collected only on a verbal agreement (if lease/rental agreement is expired, will not consider a verbal agreement; need a copy of the expired agreement) and/or
 - Home is vacant
 - Leases that start more than 60 days after the note date
 - All required leased documentation cannot be provided
- Vacant/Unleased properties are eligible with the following restrictions:
 - No more than 1 vacant/unleased allowed on 2-3 Unit properties
 - No more than 2 vacant/unleased allowed on 4 Unit properties
 - Vacant units are to be actively marketed for rent. Evidence of rental listing to be provided.
 - Properties with vacant units actively marketed for greater than 3 months are ineligible.

Vacant/Unleased Property LTV/CLTV Restrictions

- Purchase Transaction: Program Max
- Rate/Term and Cash-Out Refinance: Refer to **NonQM DSCR Matrix**
- No Ratio DSCR ineligible, refinances only

Documentation Requirements

- Purchase
 - Form 1007
 - Existing lease/rental agreement(s), if applicable. (If current rents are more than market rents, the lesser of actual rents or 125% of market rents may be utilized)
 - When using a new lease, canceled checks must be from renter listed on the rental agreement
- Refinance
 - Form 1007
 - Existing lease/rental agreement(s). (If current rents are more than market rents, the lesser of actual rents or 125% of market rents may be utilized)
 - Appraisal, or (if a transferred appraisal) a 2055 Drive By in lieu of a CDA from an approved vendor
 - Underwriter must be able to determine whether the property has not been vacant for an unreasonable period and likelihood it will be rented
 - ♦ Borrower provided letter of explanation or other documentation evidencing the cause of vacancy such as recent renovation or tenant turnover required

7.7.11 SHORT TERM RENTAL (STR)

Short term rentals (STRs) (e.g., Airbnb, FlipKey, VRBO) are properties that are leased on a nightly, weekly, monthly, or seasonal basis.

STR Restrictions

- Select DSCR, Sub1 DSCR and No Ratio DSCR are ineligible
- Refer to **NonQM DSCR Matrix** for FICO, Loan Amounts, LTVs and all other restrictions

STR Criteria and DSCR Calculation

- General Requirements:
 - Experienced investors only with at least 12 months of STR history in last 3 years
 - If 12 months of STR history cannot be provided, a 5% LTV reduction is required
 - Inexperienced and first-time investors are ineligible
 - 1 Unit Single Family Residence, 2-4 Unit, PUD, and Condo eligible
 - No deed restricted properties
 - Declining market (value):
 - When a declining market is identified by the underwriter or listed on the appraisal, the max LTV is 65%
 - Declining market (rent):
 - When declining market rent is identified by the underwriter or listed on the appraisal, one of the following must occur:
 - ♦ Reduce the LTV to 65%; OR
 - ♦ Achieve a Minimum 1.25 DSCR Ratio
- Income:
 - STR Income – Purchase and Refinance Transactions
 - Applies to all transactions using short-term rental income
 - ♦ A 5% LTV reduction applies to all loans qualified with short-term rental income
 - DSCR Calculation
 - Monthly Gross Rents based on a 12-month average to account for seasonality required
 - Refinance Transaction: 12 months (or 6 months minimum, if owned less than 12 months) used and averaged accordingly
 - Extraordinary Costs:
 - ♦ Use actual extraordinary costs (i.e., management fees, advertising, furnishing, cleaning) listed on the 3rd party management/rental statement; OR
 - ♦ Use the gross rents reduced by 20% to reflect extraordinary costs (i.e., management fees, advertising, furnishing, cleaning) associated with operating short-term rental property compared to non-short-term property, if actual not provided
 - DSCR is calculated as follows:
 - ♦ $\text{Gross Rents} \times 0.80 \div \text{PITIA} = \text{DSCR}$
 - ♦ When AIRDNA is utilized, DSCR is calculated as follows - $\text{Projected revenue} / 12 \times .80 / \text{PITIA} = \text{DSCR}$
- Documentation:

Either of the following methods can be used to determine gross monthly rental income. Priority will be given to recent documented rental income when choosing a method.

Purchase or Refinance

- [Form 1007](#) Single Family Comparable Rent Schedule/[Form 1025](#) Small Residential Income Property Appraisal Report prepared by the appraiser reflecting long term market rents along with:
 - Most recent 12-month rental history statement from the third-party rental/management service (may be provided by the seller if a purchase transaction)
 - Statement must identify the subject property/unit, rents collected for the previous 12 months and all vendor management fees
 - A screen shot of the online listing evidencing the property is actively marketed as a short term rental to be provided
 - AirDNA Rentalizer and Overview Report is acceptable on transactions when:

- ♦ Subject property is new construction with an occupancy cert issued within the last 60 days. **OR**
- ♦ Renovation of an existing property was completed in the last 60 days as evidenced by supporting documentation.
- ♦ 60 days seasoning is measured from renovation completion or occupancy cert issued dated to application date
- ♦ **NOTE:** AirDNA and Overview Report must meet all requirements below. Cash-out refinances must follow vacant property guidelines

Purchase only:

- Form 1007 Single Family Comparable Rent Schedule/Form 1025 Small Residential Income Property Appraisal Report prepared by the appraiser reflecting long-term market rents along with:
- [AirDNA Rentalizer](#) and Overview reports (must meet the following requirements):
 - Rentalizer
 - ♦ Forecast period must cover 12 months from Note date
 - ♦ Occupancy rate threshold:
 - ≥ 50 requires a min 1.00 DSCR
 - < 50 requires a min 1.20 DSCR
 - ♦ Must have six (6) comparison properties
 - ♦ Must be within two (2) miles of the subject property
 - ♦ Must be similar in size, room count, amenities, availability, and occupancy
 - Overview Report
 - ♦ Market score by zip code
 - ♦ Market score threshold:
 - ≥ 60 requires a min 1.00 DSCR
 - ≥ 50 - 59 requires a min 1.20 DSCR

7.8DSCR – 5-8 UNIT RESIDENTIAL

The following section represents all additions and overlays to the Debt Service Coverage Ratio (DSCR) guidelines for 1-4 Unit properties. These overlays apply specifically to 5-8 Unit residential properties.

Restrictions

- Subordinate financing not allowed
- Non-Arm's length and Interested Party Transactions ineligible
- Delayed financing ineligible
- Interested Party Contribution (IPC) may not exceed 3%
- Refer to **NonQM DSCR 5-8 Unit Residential Matrix** for FICO, Loan Amounts, LTVs, and other restrictions

7.8.1 BORROWER ELIGIBILITY AND VESTING

- U.S. Citizens, Permanent Resident Aliens, Non-Permanent Resident Aliens
- Foreign Nationals, ITIN and DACA are not eligible

Acceptable Forms of Vesting

- Individuals
- Inter Vivos Revocable Trust
- Joint tenants
- Tenants in common
- LLC, Partnership, Corp, S Corp, refer to [LLCs, Partnerships, Corporations, and S Corporations](#) for requirements

7.8.2 EXPERIENCED INVESTOR

- All borrowers must have history of owning and managing non-owner occupied income-producing real estate for at least 1 year within the last 3 years
- Tradelines for mortgages reflected on the credit report and have been paid off or sold in the last 12 months can be used to meet the above requirements
- Ownership history can be documented with, but not limited to, the following:
 - Mortgage history on credit report
 - Property profile report
 - Other 3rd party documentation such as Fraud Report, Settlement Statement, Closing Disclosure
- Inexperienced and first time investors are ineligible

7.8.3 PROPERTY INCOME ANALYSIS AND DOCUMENTATION REQUIREMENTS

- ≥ 1.00 minimum DSCR required
- DSCR is the monthly eligible gross rents minus any management fees reflected on the appraisal report averaged over the most recent 12 months divided by qualifying PITIA or ITA
 - When the management fee is combined with other charges, including maintenance fees, etc., the total amount should be used
 - On purchases only, if a management fee is not reflected in the Income and Expense Statement, a minimum 8% fixed expense factor will be applied
- Gross rents are the lower of estimated monthly market rent or existing lease monthly rent
- 75% of market rents utilized for vacant units:
 - No more than 2 vacant units allowed

Leased

- Existing leases must be provided for both purchase and refinance transactions
- If the existing leases are being transferred to the borrower, the underwriter must verify the leases do not contain any provisions that could affect the first lien position of the subject property
- Leases with a term of less than three months may be classified as short-term rentals, at Underwriter's discretion
- Leases with less than two (2) months remaining of the initial term must contain provisions to convert to month-to-month at expiration
- Month-to-month leases are allowed with a prior active lease and most recent two (2) months proof of rent receipt
 - If the prior lease or proof of rent receipt cannot be provided, the unit will be considered unleased
- Individual room leases, Single Room Occupancy (SRO) or boarder leases are not allowed
- Commercial use of a unit is not allowed
- Short Term Rental (STR) income (properties leased on a nightly, weekly, monthly or seasonal basis) is not permitted and will be considered a vacant unit. No income may be used for qualifying.

Vacant/Unleased

- Vacant/unleased units qualify at 75% of market rent
- No more than 2 vacant units allowed
- Short Term Rental (STR) income (properties leased on a nightly, weekly, monthly or seasonal basis) is not permitted and will be considered a vacant unit. No income may be used for qualifying.
- For refinance transactions, a recent lease dated within 60 days must be provided

7.8.4 OCCUPANCY

- Borrowers, any member of the LLC or any family members (as defined by Fannie Mae) may not occupy any residential unit(s)

7.8.5 CREDIT

Credit Score

- Lowest decision score among all borrowers to be used
 - When vesting in an entity, the decision score of the member with the highest percentage of ownership is used. If all members have equal share of ownership, the lowest decision score among the members is used.

Housing History

- Mortgage/rental ratings meeting housing history requirements are required for the borrower's primary residence (including primary residences owned in an entity) and for the subject property on refinance transactions.
 - If the primary residence is owned free and clear no rating is required
- Any mortgage tradelines reflected on the credit report are required to meet housing history requirements per the **NonQM DSCR 5-8 Unit Residential Matrix**
- Housing history on all other non-subject REOs owned by the borrower or entity, unless reported on the credit report, is not required
- Commercial property can be excluded from REO, but if mortgages appear on the credit report, they must meet housing history requirements per the **NonQM DSCR 5-8 Unit Residential Matrix**
- Inquiries and variation of borrower's addresses do not need to be addressed
- Recent late payments on all consumer debt that exceed 1 X 60 over the previous 12 months will be scrutinized by the underwriter
- Default Event – If the current transaction loan payment is delinquent for more than 60 days, LoanStream's loan servicer will execute the Assignment of Rents Rider Paragraph G – Assignment of Rents provision

Standard Tradeline Requirements

- If each borrower has three (3) credit scores reporting, the minimum tradeline requirement is met.
- If any borrower has less than three (3) credit scores, each borrower must independently meet the minimum tradeline requirement.
- When vesting in an entity, if the member with the highest percentage of ownership has three (3) credit scores reporting, the minimum tradeline requirement is met.
- If all members have equal share of ownership each borrower is evaluated individually. If any borrower has less than three (3) credit scores, each borrower must independently meet the minimum tradeline requirement.

Note: Borrowers whose credit scores are primarily based on thin credit—such as authorized user accounts, self-reported accounts or recently opened accounts with limited activity—must still meet one of the standard tradeline requirements to qualify.

- The minimum standard tradeline requirements for all programs are as follows:
 - At least three (3) tradelines reporting for a minimum of 12- months with activity in the last 12 months, or
 - At least two (2) tradelines reporting for a minimum of 24-months with activity in the last 12 months, or
 - At least one (1) revolving tradeline reporting for 60 months with activity in the last 12 months and a verified 12-month housing history 0x30; or

- At least one (1) installment tradeline reporting for 36 months with activity in the last 12 months and a verified 12-month housing history 0x30
- Limited tradelines are not allowed

7.8.6 ASSETS

- Follows requirements under [Asset Documentation \(DSCR\)](#)
- Gift funds ineligible

7.8.7 PROPERTY VALUE DETERMINATION

Purchase

LTV is based upon the lesser of the sales price or appraised value

Rate/Term Refinance

- For subject properties acquired less than or equal to six (6) months, the lesser of the current appraisal value or purchase price plus documented improvements (if any) is used to determine the LTV
- For subject properties acquired greater than six (6) months, the appraised value is used to determine LTV

Cash-Out Refinance

- For subject properties acquired greater than six (6) months but less than 12 months, the lesser of the current appraisal value or purchase price plus documented improvements (if any) is used to determine the LTV
- For subject properties acquired greater than 12 months, the appraised value is used to determine LTV

Note: Seasoning is measured from the property acquisition date to the new note date

7.8.8 APPRAISAL REQUIREMENTS

Appraisals should be dated no more than 120 days prior to the Note Date. A new appraisal report is required if the appraisal is dated more than 120 days prior to the Note Date.

A full interior inspection of all units with representative photos of the units is required. The sales comparison approach is to be used to determine the appraised value.

Acceptable Appraisal Forms:

- FHLMC form 71A
- Transferred appraisals not allowed

Required Appraisal Attachments – 5-8 Unit Residential

- Rent Roll
- Income and Expense Statement
- Photos of subject; must include exterior, interior, and street scene
- Aerial photo of subject property
- Sketch or floor plan of typical units
- Area map
- Plot plan or survey
- Appraiser qualifications

Property Condition

- No Fair or Poor Ratings allowed
- Environmental issues are not permitted. Property units must not use or store hazardous materials such as Dry Cleaner supplies, etc.
- Health or safety issues identified by appraiser, such as broken windows, missing locks, etc., not permitted
- Excessive deferred maintenance that could result in health or safety issues for tenants is not permitted
- Structural deferred maintenance, such as cracked foundation, roofing, water damage, etc., is not permitted

Personal Property

Any personal property indicated as part of the sale of real property must be identified as having a \$0.00 (zero) value on both the appraisal and sales contract. If either the appraisal or sales contract identifies the personal property with a value both the appraised value and sales price must be reduced by the determined value when calculating the LTV/CLTV.

Appraisal Review Product

- All transactions require a Commercial Sales and Income Broker Price Opinion (BPO)
- Appraisal review tolerance and value determination are as follows:
 - Appraised value is used to determine LTV when the BPO is greater than or no more than 10% below the appraised value
 - BPO value is used to determine LTV when the BPO is more than 10% below the appraised value

Note: A Commercial Evaluation product can be used instead of the BPO product in Pennsylvania and North Carolina only

Minimum Property Requirements

- Minimum Square Footage
 - Single Family Residence –600 Square Feet
 - Condominium – 500 Square Feet
 - 5-8 Units – 400 Square Feet per Unit
- All units must meet all the following condition and use requirements:
 - Must be improved real property
 - Represent the highest and best use
 - Include both a full kitchen and full bathroom
 - Be available and accessible year-round for residential use
 - Must not have any health or safety issues

Ineligible Properties

- Along with the property types already listed under [Ineligible Property Types](#), the following are also not eligible:
 - Leaseholds
 - Mixed Use Properties
 - Properties with more than eight (8) living quarters
 - Properties that are a “Flip” as defined below:
 - Seller acquired the property 90 or fewer days prior to the date of the consumer’s agreement to acquire the property and the price in the consumer’s agreement exceeds the seller’s acquisition price by more than 10%; or
 - Seller acquired the property 91 to 180 days prior to the date of the consumer’s agreement to acquire the property and the price in the consumer’s agreement exceeds the seller’s acquisition price by more than 20%
 - Properties greater than 2 acres
 - Rural properties

7.8.9 PREPAYMENT PENALTY

Refer to Prepayment Penalty Matrix for state specific details

7.9 FOREIGN NATIONAL

A Foreign National is a non-resident alien who is not authorized to live or work in the U.S or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. To be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence.

For the purposes of this guide, Foreign National borrowers are eligible for Investment and Second Home transactions only. For eligibility, refer to matrix.

A complete 1003 loan application is required on all loan files reflecting borrower's full name, phone number, address including flat, floor, unit or house number, street name, city, province/state along with a postal code. Additional phone numbers to assist credit vendors in contacting the borrower, such as cell, land, or business should be obtained and the Borrower Contact Consent Form ([Exhibit F](#)) may be utilized for this purpose. Automatic Debit Payment Agreement (ACH)

An executed Automatic Debit Payment Agreement (ACH Form) from a U.S. Bank, including either the bank routing number, account number, and account type or a voided check is required for transactions involving a Foreign National. [Refer to Exhibit B.](#)

7.9.1 AUTOMATIC DEBIT PAYMENT AGREEMENT

An executed Automatic Debit Payment Agreement (ACH Form) from a U.S. Bank, including either the bank routing number, account number, and account type or a voided check is required for transactions involving a Foreign National. [Refer to Exhibit B.](#)

7.9.2 FOREIGN NATIONAL PROGRAM SPECIFIC DOCUMENTATION REQUIREMENTS

- Visa types allowed: H1-B, O-2, P-1, TN NAFTA
- The following are required as evidence the borrower can enter the U.S legally
 - Copy of the borrowers valid and unexpired passport (including photograph) OR
 - Copy of the borrower's valid and unexpired visa (including photograph) OR an I-797 form with valid extension dates and I-94.
 - Borrowers from countries participating in the State Department's Visa Waiver Program (VWP) are not required to provide a valid visa. Participating countries can be found at <https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html>. The credit file should be documented with a current print out of the participating countries with the borrowers country of origin highlighted.
- All borrowers involved in the transaction must be screened through exclusionary lists, must be cleared through OFAC's SDN list, search of Specially Designated Nationals & Blocked Persons List may be completed via US Department of Treasury: <http://sdnsearch.ofac.treas.gov/>.
- Borrowers from OFAC sanctioned countries are ineligible <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.
- Individuals with Diplomatic immunity not eligible <https://www.state.gov/subjects/diplomatic-immunity/>

- Effective July 1st, 2023, Florida Senate Bill 264 *Interests in Foreign Countries* prohibits any person from the People's Republic of China who is not a citizen or lawful permanent resident of the US to purchase or acquire any interest in real property in the state of Florida. The law also prohibits foreign principals which includes any person and/or entity from People's Republic of China, the Russian Federation, the Islamic Republic of Iran, the Democratic People's Republic of Korea, the Republic of Cuba, the Venezuelan regime of Nicolás Maduro, or the Syrian Arab Republic, including any agency of or any other entity of significant control of such foreign country of concern from purchasing real property within 10 miles of a military installation or critical infrastructure.
- Documents signed by Borrowers outside of the United States must be notarized by a U.S. embassy or consulate. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal.
- For documents signed in a country that is party to the "Hague Convention Treaty Abolishing the Requirement of Legalization for Foreign Public Documents" a certificate of acknowledgment completed and signed by a notary public authorized or commissioned to perform such duties plus authentication by apostle in English and attached to the executed documents and certification of acknowledgement with title company acceptance is agreeable to lender.
- Power of Attorney (POA) is not allowed.
- Delayed Financing NOT available for Foreign National borrowers and Foreign National loan programs

7.9.3 FOREIGN NATIONAL CREDIT

QUALIFYING U.S. CREDIT

- For Foreign National Borrowers with a valid Social Security number a credit report may be obtained. Requirements found in the CREDIT section of this guide apply. Borrowers not meeting these requirements may proceed under the Qualifying Foreign Credit requirements detailed in this guide.
- Guideline restrictions:
 - Refer to Matrix

HOUSING HISTORY

URLA must reflect two-year housing history in country of origin or where currently legally residing.

7.9.4 FOREIGN NATIONAL INCOME

- Borrowers with US sourced income must comply with Full Doc guidelines.
- **Asset Utilization**
 - Refer to asset utilization sections
- **DSCR**
 - Refer to DSCR section

7.9.5 FOREIGN NATIONAL ASSETS

RESERVES

- A minimum of twelve (12) months of reserves are required.
- Each financed property in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA

GIFT FUNDS

- Gift Funds not allowed

ASSETS HELD IN FOREIGN ACCOUNTS

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least three (3) days prior to closing.

- Documenting Assets Held in Foreign Accounts:
 - Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table.
 - A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds.
 - Refer to the [Asset Documentation](#) section of this guide for eligible sources and types of assets

SECTION 8.0. EXCEPTION POLICY

Exceptions are considered on a case-by-case basis, based on compensating factors. Compensating factors may include but are not limited to the following:

- Debt-to-Income Ratio
- Loan-to-Value
- Mortgage and/or Rental History
- Payment Shock
- Reserves
- Residual Income
- Time in Home
- Time on Job
- Other

Depending on the nature of the exception, multiple compensating factors may be required. The VP of Credit/Director of Underwriting or higher authority will review and decision the exception request. Requests will typically be reviewed and decisioned within 24 hours. An exception form will be retained in the credit file.

SECTION 9.0. EXHIBITS

EXHIBIT A: OCCUPANCY CERTIFICATION

Loan Number: _____

OCCUPANCY CERTIFICATION

Borrower _____

Co-Borrower(s) _____

Property Address _____

I/We the undersigned certify that:

_____ **Primary Residence** – I/we will occupy the Property as my/our principal residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/We will continue to occupy the Property as my/our principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing.

_____ **Second Home** – I/we will occupy the Property as a second home (vacation, etc) while maintaining a principal residence elsewhere.

_____ **Investment Property** – I/we will not occupy the Property as a principal residence or second home. I/we will not occupy the Property for more than 14 days in any calendar year. The Property is an investment to be held or rented rather than for household or personal use.

INVESTMENT PROPERTY ONLY (the following must be completed on an investment property loan)

_____ I/we understand that consumer protection laws applicable to consumer loans will not apply to this loan, including the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 et seq.), and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).

REFINANCE ONLY (the following must be completed on a refinance transaction)

_____ I/We the undersigned, certify that the property referenced above is **NOT** currently listed for sale or under contract to be listed for sale.

I/We the undersigned acquired this property on _____.

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.

I/We understand that failure to comply with the requirements in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the Lender to exercise its remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

Borrower _____ Date _____

Borrower _____ Date _____

Borrower _____ Date _____

Borrower _____ Date _____

Revised
XX/XX/20XX

EXHIBIT B: AUTOMATIC DEBIT PAYMENT AGREEMENT (ACH) FORM

Automatic Payment Authorization Form

You must attach a voided check or a savings deposit slip

☐ Yes, I would like to enroll in the free* monthly Automatic Payment Program

Name:	Street Address:	City, State, Zip Code:
Mortgage Loan Number:		
Daytime Phone Number:	Evening Phone Number:	
Financial Institution Name:	Financial Institution Phone Number:	
Account Routing Number:	Account Number:	☐ Checking ☐ Savings

*Please note that your financial institution may assess a fee for this transaction.

Please specify the payment date most convenient for you, which must be within the applicable grace period. If a payment date is not specified, or your loan is a daily simple interest loan, payments will be deducted on your current loan due date.

Deduct my payment on the of each month.

I would like additional funds deducted and applied toward reducing my outstanding principal balance. Please deduct an additional \$ per month.

I hereby authorize _____, including its successors and/or assigns, to initiate transfers from my checking or savings account at the financial institution indicated above for the purpose of making my monthly mortgage payment. I authorize the amount of each transfer to include my regularly scheduled payment including principal, interest and escrow items, reimbursement of corporate advances, optional insurance as applicable and the costs of any services I request.

I understand that, in accordance with the terms of my mortgage note and/or adjustments in my escrow for taxes and insurance, my payment may change from time to time as set forth in my loan documents. You are hereby authorized to change the amount of the draft from my checking or savings account, provided that you notify me of the new payment amount at least 10 days prior to the draft date. I agree that the payment change notice provided to me under the Adjustable Rate Mortgage Provisions of the Truth-in-Lending Act and/or escrow analysis form shall constitute notice of payment change as required by the Electronic Funds Transfer Act and Federal Reserve Board Regulation E.

I HEREBY AGREE TO THE TERMS AND CONDITIONS IN THIS FORM.

Borrower's Signature

Date

CoBorrower's Signature

Date

EXHIBIT C: ABILITY-TO-REPAY BORROWER CONFIRMATION**Important Ability-to-Repay Notice**

Date: _____

Application _____

No.: _____

This Important Ability-to-Repay Notice is being provided to each borrower prior to the signing of the loan documents, but after federal Truth in Lending disclosures have been provided.

In reviewing your credit application, [] has considered and verified the following information as it relates to your ability to repay this loan according to its terms as required by applicable law: (1) your current and reasonably expected income and/or assets (other than the value of the dwelling and any attached real property); (2) your current employment status (to the extent that employment income is relied on to determine repayment ability); (3) the monthly payment for principal and interest on the loan; (4) the monthly payment on any simultaneous loan that [] knows or has reason to know will be made; (5) the monthly payment for mortgage-related obligations (e.g., property taxes, certain insurance premiums, fees and special assessments for condominiums, and homeowners association, ground rent, and leasehold payments); (6) your current debt obligations, alimony, and child support; (7) your monthly debt-to-income ratio and/or residual income; and (8) your credit history.

Below and in the attached Application Form (Uniform Residential Loan Application on Fannie Mae Form 1003) is the information that [] has been used and considered in making this loan, as required by applicable law:

Employment and Income

Current Monthly Income: _____ Current Monthly Income from Assets: _____

Housing Expenses

Principal and Interest Payment _____

Real Estate Taxes _____

Homeowner's Insurance _____

Association Dues _____

Other _____

Total Housing Payment _____**Debts**

Installment and Revolving monthly debt payments _____

Other Obligations (including alimony and child support payments) _____

Total Monthly Other Debts _____

The information listed above and, in the Attachment, was provided by you in your application and interview, and/or in third-party records and other documents (such as credit reports and tax records). Based on its

consideration of this information, [] has made a reasonable and good faith determination that you have the reasonable ability to repay this loan according to its terms.

[] wants to make sure that the information listed above is correct and complete. [] is in the business of making loans and collecting loan payments—it has no desire to make a loan that cannot be repaid under the terms of the agreement.

By your signature(s) below, you are confirming that:

- (1) You have read and understand this Important Ability-to-Repay Notice, and the information listed above is correct and complete;
- (2) Your current or reasonably expected income or assets (other than the value of the dwelling and any attached real property) is/are consistent with the information listed above;
- (3) Your current employment status is consistent with the information listed above and/or attached;
- (4) Your current housing expenses, debts, and other obligations (including alimony and child support payments) are consistent with the information listed above;
- (5) You have not applied for or opened any new credit accounts, defaulted on any credit accounts, filed for bankruptcy, or had any judgments entered against you by a court;
- (6) You have not experienced any other changes from the time you signed or otherwise completed the information listed above and in the attached Uniform Residential Loan Application (Form 1003) that would reduce your reasonable ability to repay this loan according to its terms.

Borrower(s):

_____	____/____/____	_____	____/____/____
(Signature)	DATE	(Signature)	DATE

EXHIBIT D: CONDOMINIUM PROJECT QUESTIONNAIRE



LOANSTREAM MORTGAGE
19000 MacArthur Blvd., Ste 200
Irvine, CA 92612 | (800) 760-1833

CONDOMINIUM HOA FULL REVIEW QUESTIONNAIRE

Borrower Name: _____ Unit #: _____
Project Legal Name: _____
Project Address: _____

Please answer all questions; where numbers are requested, please provide the count (not the percentage).

1. Does the project have any of the items listed below? *Please check all that apply.* ☐ Yes ☐ No
- ☐ Central Phones ☐ Check-in Desk ☐ Continuing Care Retirement Community
☐ Hotel Operations ☐ Houseboat ☐ Maid Service ☐ Mandatory Rental Pool
☐ Manufactured Housing ☐ Multi-Dwelling Unit (more than 1 unit per Deed)
☐ Timeshares ☐ Under 30-Day Rentals
☐ Project Listed as Investment Security with the SEC
☐ Project Contains Non-Incidental Business Operations (Restaurant, Spa, Etc.)
☐ Project is Common Interest Apartment or Community Apartment Property
2. Is the HOA a licensed Hotel, Motel, Resort, or Hospitality Entity? ☐ Yes ☐ No
3. Does project have any significant deferred maintenance that meets one or more of the following criteria: ☐ Yes ☐ No
- a) full or partial evacuation of the building for 7 or more days is required to complete repairs;
b) project has deficiencies, defects, substantial damage, or deferred maintenance that
i) is severe enough to affect safety, soundness, structural integrity, or habitability of improvements,
ii) improvements need substantial repairs and rehabilitation, including many major components, or
iii) impedes safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to foundation, roof, load-bearing structures, electrical system, HVAC, or plumbing?
4. Has a structural and/or mechanical inspection been completed in the past 3 years? ☐ Yes ☐ No
- a) If yes, please provide a copy of the inspection report
5. Has the project failed to obtain an acceptable certificate of occupancy or pass local regulatory inspections or recertifications in the last 5 years? ☐ Yes ☐ No
- a) If yes, provide any applicable inspection, engineering, or other certification reports related to any issues
6. Does the HOA or do the Legal Documents require owners to make units available for rental pooling? ☐ Yes ☐ No
7. Does the HOA or do the Legal Documents require owners to share profits for the rental of units with the HOA Management Company or resort/hotel rental company? ☐ Yes ☐ No
8. Please list the total number (not percentage) of units in the project for items a – g:
- a) Number in the project _____
b) Number sold and closed or under contract _____
c) Number sold/under contract to owner occupants _____
d) Number sold/under contract to investors _____
e) Number sold/under contract to second home/vacation home buyers _____
f) Number owned by a single entity/person _____
g) Number over 60 days delinquent and dollar amount of delinquency _____
9. Is the project subject to any additional phasing? ☐ Yes ☐ No
10. Units are owned as: ☐ Fee Simple ☐ Leasehold
11. Are all units, common areas, and amenities completed? ☐ Yes ☐ No
12. Date Association was turned over to the unit owners (Month/Year) _____
13. Is the project a conversion? ☐ Yes ☐ No
- a) If yes, was the conversion a Gut Rehab with renovation down the shell with replacement of all HVAC & electrical components? Year Converted: _____

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LOANSTREAM MORTGAGE

19000 MacArthur Blvd., Ste 200
Irvine, CA 92612 | (800) 760-1833

CONDOMINIUM HOA FULL REVIEW QUESTIONNAIRE

Borrower Name: _____ Unit #: _____

14. Does the project contain any governmentally regulated low-or moderate-income housing units (also known as inclusionary zoning)? ☐ Yes ☐ No

15. Is the project subject to a recreation/land lease? ☐ Yes ☐ No

16. Are the units subject to private transfer fee covenants? ☐ Yes ☐ No
a) If yes, the private transfer fee is paid to: _____

17. Does the project have a mandatory club membership? ☐ Yes ☐ No
a) If yes, the club owner is: _____

18. Are there any special assessments ongoing or planned? ☐ Yes ☐ No
a) If yes, reason for special assessments: _____

19. Is the association subject to any lawsuits or litigation? ☐ Yes ☐ No
a) If yes, please attach a copy of the Legal Complaint filed with the court.

20. Does the project contain any commercial space? ☐ Yes ☐ No
a) If yes, what percentage of the project is commercial? _____

21. Has the HOA or Developer retained a right of first refusal? ☐ Yes ☐ No
a) If yes, are the mortgagees (lenders) excluded from this right of first refusal? ☐ Yes ☐ No

22. If a unit is Foreclosed or claimed with Deed-in-lieu of Foreclosure is the lender responsible for HOA Dues? ☐ Yes ☐ No
a) If yes, how long? ☐ 0 – 6 months ☐ more than 6 months

23. Is the project located in a Master Association? ☐ Yes ☐ No
a) If yes, Master Association Legal Name: _____
b) Master Association legal entity type is: ☐ Condominium ☐ PUD
c) Master Association required to pay fees? ☐ Yes ☐ No and if yes, amount: _____

24. Does the HOA or Management Company maintain separate accounts for operating expenses and reserve funds? ☐ Yes ☐ No

25. Is the project managed by an outside professional management firm? ☐ Yes ☐ No
a) If yes, will the outside management contract expire within three years? ☐ Yes ☐ No
b) And can the outside management contract be cancelled by either party with or without cause with 90-days' written notice? ☐ Yes ☐ No

26. Are monthly account statements being sent directly to the HOA? ☐ Yes ☐ No

27. Monthly HOA Dues per unit _____

28. Date monthly dues are assessed _____

29. Segregated reserve account balance _____

30. Insurance: Agent Name: _____ Phone: _____

SOURCE OF INFORMATION: Acceptable sources of information include an officer of the condominium association or a qualified employee of the association's management company.

Source Name

Source Title

Source Signature

Date Completed

Source Email Address

Source Phone Number

Association Website Address: _____

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LOANSTREAM MORTGAGE

19000 MacArthur Blvd., Ste 200

Irvine, CA 92612 • (800) 760-1833

CONDOMINIUM HOA LIMITED REVIEW QUESTIONNAIRE

Borrower Name: _____ Unit #: _____
 Project Legal Name: _____
 Project Address: _____
 Master Association Name (if applicable): _____ Tax ID: _____

If answer to any question 1-4, 9, or 11-14 is Yes, or the answer to any question 8 or 10 is No, please stop and complete the FULL REVIEW QUESTIONNAIRE. If any portion of question 5 or 7 is marked Yes, the project is ineligible. This form must be accompanied by the Master Insurance Policy.

1. Is the project new (less than 90% of the units sold) and the units attached? ☐ Yes ☐ No
2. Does the project operation like a resort condominium, condotel, leasehold, or have a rental desk? ☐ Yes ☐ No
3. Is the HOA under control of the Developer? ☐ Yes ☐ No
4. Does any single entity, individual or group: a) if project is 5-20 units, own more than two units; or b) if project is more than 20 units, own more than 20% of the total units? ☐ Yes ☐ No
5. Does project have any significant deferred maintenance that meets one or more of the following criteria: ☐ Yes ☐ No
 - a) full or partial evacuation of the building for 7 or more days is required to complete repairs;
 - b) project has deficiencies, defects, substantial damage, or deferred maintenance that
 - i) is severe enough to affect safety, soundness, structural integrity, or habitability of improvements,
 - ii) improvements need substantial repairs and rehabilitation, including many major components, or
 - iii) impedes safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to foundation, roof, load-bearing structures, electrical system, HVAC, or plumbing?
6. Has a structural and/or mechanical inspection been completed in the past 3 years? ☐ Yes ☐ No
 - a) If yes, please provide a copy of the inspection report
7. Has the project failed to obtain an acceptable certificate of occupancy or pass local regulatory inspections or recertifications in the last 5 years? ☐ Yes ☐ No
 - a) If yes, provide any applicable inspection, engineering, or other certification reports related to any issues
8. Are the units, common areas, and recreational facilities of the project 100% complete with no additional phases to be built? ☐ Yes ☐ No
9. Is the association subject to any lawsuits or litigation? ☐ Yes ☐ No
 - a) If yes, please attach a copy of the Legal Complaint filed with the court.
10. Do the unit owners, through the HOA, have sole ownership interest in and full rights to use the project's facilities and common areas? ☐ Yes ☐ No
11. Does the project contain any commercial space? ☐ Yes ☐ No
 - a) If yes, is the percentage greater than 25% of the project? ☐ Yes ☐ No
12. Is the project a conversion? ☐ Yes ☐ No
 - a) If yes, was the conversion a Gut Rehab with renovation down the shell with replacement of all HVAC & electrical components? Year Converted: _____ ☐ Yes ☐ No
13. Are there any special assessments ongoing or planned? ☐ Yes ☐ No
 - a) If yes, reason for special assessments: _____
14. Are Any unit owner more than 60 days delinquent on HOA Dues? ☐ Yes ☐ No
 - a) If yes, how many? _____

SOURCE OF INFORMATION: Acceptable sources of information include an officer of the condominium association or a qualified employee of the association's management company.

Source Name

Source Title

Source Signature

Date Completed

Source Email Address

Source Phone Number

Association Website Address: _____

LSM-F-CRD_CONDOQUEST-LIMITED | Rev. 10/30/2024

EXHIBIT E: DEVELOPER/BUILDER/QUESTIONNAIRE

DEVELOPER/BUILDER QUESTIONNAIRE

Project Name: _____
 Legal Address: _____

Developer Company Name: _____ President/Owner: _____
 Address: _____ Phone: _____
 Website: _____ Email: _____

Builder Name: _____ President/Owner: _____
 Address: _____ Phone: _____
 Website: _____ Email: _____

Broker/Marketing Co. Name: _____ Sales Manager: _____

1. Is the marketing firm affiliated with the developer/builder? *If yes, describe the relationship:* ☐ Yes ☐ No
2. Are sales or financing concessions offered as part of the marketing of units? *If yes, what concessions are being offered? Please provide sales and marketing plan.* ☐ Yes ☐ No

BUILDER/DEVELOPER CONSTRUCTION EXPERIENCE

3. Number of condo projects: _____
4. Number of units: _____
5. Unit types: _____
6. Does the developer have previous experience with conversion projects? ☐ Yes ☐ No
7. Number of units currently being rented by Builder/Developer: _____
8. Number of units currently being renovated/converted into condominiums: _____
9. What is the anticipated completion date of the units being renovated/converted? _____

PROJECTS COMPLETED

Project Name	Location	# of Units	Year Completed

BUILDER/DEVELOPER PRE-SALE CERTIFICATION

Status	Subject Phase	Completed Phases	Future Phases	TOTAL Project
Number of units closed to borrower other than Builder/Developer				
Number of units under contract/signed Purchase Agreement				
Number of units under construction				
Number of units available for sale				
Number of units owned or intended as owner occupied				
Number of units owned or intended as rental units				
Number of units currently rented by Builder/Developer				
Total number of units				

10. Does the builder/developer plan to retain ownership of any units, common elements, or other Project facilities other than during initial marketing period? *If yes, please provide an explanation of what is being retained and the reason:* ☐ Yes ☐ No
11. Are there any mechanic's liens, complaints, or litigation filed against the property? *If yes, please provide an explanation and any supporting documentation:* ☐ Yes ☐ No

DEVELOPER/BUILDER REQUIRED DOCUMENTATION

- ☐ Current reserve study (within three years), or equivalent, evidencing current condition of the Project elements, what work is needed, remaining life, and estimate of cost to replace.
- ☐ FNMA Form 1081 Final Certification of Substantial Project Completion or Project Occupancy Certification.
- ☐ Rent roll/absorption.
- ☐ Schedule of outstanding loans.
- ☐ Letter from construction lender stating financing is in good standing or statement from Builder/Developer indicating no financing exists.
- ☐ Evidence of available fund to complete the Project, e.g., certificate, letter of credit, or verification of liquid assets.
- ☐ Project Marketing Analysis: Sales and Marketing Plan.
- ☐ Project status letter detailing what is being completed/improved, cost estimate, and estimated date of completion.

CERTIFICATION

Builder/Developer has completed the information above, including the occupancy grid (or has attached a list documenting same in excel format), and attests to its accuracy.

Builder/Developer Name (please print) _____ Title _____
 Builder/Developer Signature _____ Date _____

Title 18 U.S.C. 1014, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any matter in the jurisdiction of any department or agency of the United States, shall be fined not more than \$1,000,000 or imprisoned for not more than 30 years or both. In addition, violation of this or others may result in debarment and civil liability for damages suffered by the Department.

EXHIBIT F: BORROWER CONTACT CONSENT FORM

BORROWER CONTACT CONSENT FORM

BORROWER(S) _____ LOAN # _____

SUBJECT _____
PROPERTY _____

To ensure that we have the correct contact information for the purpose of servicing your mortgage loan, please provide the information requested below.

MAILING ADDRESS

☐ Same as Subject Property
☐ Please use this mailing address instead:

CELL PHONE NUMBER(S)

I understand that by providing a cell phone number and signing this form I am giving the holder of my mortgage Note and its billing servicer permission to use the cell phone number to contact me regarding my loan.

Borrower _____
Co-Borrower _____

EMAIL ADDRESS(ES)

I understand that by providing an email address I am giving the holder of my mortgage Note and its billing servicer permission to use this email address to contact me regarding my loan.

Borrower _____
Co-Borrower _____

SIGNATURE(S)

By signing I authorize my mortgage servicer, and its transfers and/or assigns, to contact me regarding the servicing of my mortgage loan using the contact information provided on this form.

Borrower Signature _____ Date _____ Co-Borrower Signature _____ Date _____

EXHIBIT G: CONDOMINIUM PROJECT WARRANTY CERTIFICATION

Condominium Project Warranty Certification

Project Name:	
Project Address:	
Phase	
Borrower Name:	
Subject Address:	
Lender Name:	
Loan Number:	

This certification represents and warrants that the above condominium project meets all eligibility requirements for sale as required by Fannie Mae.

The Lender representative certifies that they have completed a Full Condo Project review as outlined in the Fannie Mae guidelines section [B4-2.2-02](#) Full Review including review of all required documentation for the project type.

Project type: ☐ Established ☐ New ☐ Limited Review

Project Documents reviewed include:

	Condo Questionnaire
	Current annual HOA/Project Budget
	Current Balance Sheet
	Evidence of Project Insurance
	Project legal documents as required by Project type

Lender certifies that it has retained all supporting documentation used to complete the review for this Warranty Certification. The Lender Representative certifies that all appropriate documentation has been examined and that the Representative and Lender warrant that the project meets all requirements set forth in the Fannie Mae guidelines for a Full Review.

Signature of Lender Representative certifying

Name of Lender Representative

Title of Lender Representative

EXHIBIT H: SELF-EMPLOYMENT BUSINESS NARRATIVE QUESTIONNAIRE



SAVE FORM

CLEAR FORM

CORRESPONDENT BUSINESS NARRATIVE
QUESTIONNAIRE AND CERTIFICATION

Borrower Name Loan #
 Business Name Website

1. What industry category best describes the borrower's business? (Select One)

If "Other" selected, please list here:

2. Does the business have a physical location? ☐ Yes ☐ No

3. Does the business have more than one physical site? ☐ Yes ☐ No

4. What is the address of the business physical location?

5. How many full-time employees/contractors does the business have? (Select One)

6. Does the business provide a product (i.e., clothing, food service/restaurant, jewelry, manufacturing, retail sales, etc.)? ☐ Yes ☐ No

7. Does the business provide a service (i.e., accounting, consulting, financial planning, real estate sales, insurance sales, law, therapy, etc.)? ☐ Yes ☐ No

8. Is it a "real estate" related business (i.e., builder, developer, property flipper, etc.)? ☐ Yes ☐ No

9. What percentage of the business do you own? %

10. How does your business get paid?

☐ Branch Deposits

☐ Check

☐ Square

☐ Other

☐ Cash

☐ Online Deposits

☐ Venmo

☐ Cash App

☐ PayPal

☐ Zelle

11. Please describe the business operations, how it is managed, and any key details you can provide.

Fixed Expense Factor Table			
Number of Full-time Employees/Contractors	0 – 1	2 – 10	11+
Service Business ¹	30%	50%	60%
Product Business ²	40%	60%	70%
Real Estate Business ³	70%	75%	80%

¹ Service Business examples: Accounting, Consulting, Counseling, Financial Planning, Insurance, Law, Therapy, etc.

² Product Business examples: Clothing/Jewelry, Construction, Food Service/Restaurant, Manufacturing, Retail, Trucking, etc.

³ Real Estate Investors (without a schedule of current real estate), Property Developers, and Property Flippers. CPA Letters will not be accepted for a lower expense ratio.

EXHIBIT I: BORROWER CERTIFICATION OF BUSINESS PURPOSE

Loan Number:

BUSINESS PURPOSE & OCCUPANCY AFFIDAVIT (the "Affidavit")

Borrower Name(s):

Property Address:

I, the undersigned borrower(s), hereby declare that the following is true and correct:

- 1. I have applied for this Loan and am seeking financing for the Property for business purposes only. I do not intend to use the proceeds of the Loan for personal, family, or household purposes.
- 2. The proceeds of the loan will be used to purchase, improve, or maintain the Property, and I intend to operate the Property as one or more rental units for profit. If I have not executed a lease with a tenant (or tenants) at or before closing of the Loan, I intend to, and will, use commercially reasonable methods and effort to obtain a tenant (or tenants) for the Property following closing of the Loan.
- 3. Neither I nor any family member intend or expect to occupy the Property at any time. I will not, under any circumstances, occupy the Property at any time while the Loan remains outstanding. In addition, I will not claim the Property as my primary or secondary residence for any purposes for the duration of my Loan. I now reside, and for the duration of my Loan will continue to reside, elsewhere.
- 4. I understand that Lender originating the Loan in reliance upon this Affidavit. If this Affidavit is not true and correct, and in consideration of Lender making the Loan, I agree to indemnify Lender and its agents, affiliates, subsidiaries, parent companies, successors and assigns and hold them harmless from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys' fees, which they may incur as a result of or in connection with my misrepresentation. I further understand that any misrepresentation in this Affidavit will constitute an Event of Default under my Loan Documents, and may result in the immediate acceleration of my debt and the institution of foreclosure proceedings, eviction, and any other remedies allowable by law.
- 5. I understand that the agreements and covenants contained herein shall survive the closing of the Loan.
- 6. I understand that, based on the contents of this Affidavit, the Loan is a business-purpose loan secured by non-owner-occupied real property. I understand that this means that the Loan may not be subject to the requirements of certain federal and state consumer protection, mortgage lending, or other laws, including but not limited to the provisions of the federal Truth-in-Lending Act (15 U.S.C. §§ 1601 *et seq.*) and its implementing Regulation Z (12 C.F.R. Part 1026), and that my ability to avail myself of protections offered under federal and state laws for consumer-purpose residential mortgage loans may be limited.
- 7. I understand that any false statements, misrepresentations, or material omissions I make in this Affidavit may result in civil and criminal penalties.

Initial(s)	

_____ The Property is not and will not be occupied by me or any member of the LLC or any family member.

_____ Date

_____ Date

EXHIBIT J: VISA AND EAD ELIGIBILITY MATRIX

NON-QM VISA & EAD ELIGIBILITY MATRIX

Effective 4.17.25

The Visa & Employment Authorization (EAD) Eligibility matrix is a list of eligible Visas and EADs for NonQM loans with Non-Permanent Resident Alien borrowers. Any Visa or EAD category not listed would generally be ineligible.

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible¹</u>
A-1, A-2	Non-immigrant	Diplomat	N	Y
A-1, A-2	Non-immigrant	Diplomat spouse	C01	Y
A-3	Non-immigrant	Employee of A-1 or A-2	C17	Y
B-1, B-2	Non-immigrant	Business visitor	N	N
B-11, B-16	Family based	Unmarried son or daughter of US citizen	C09	N
B-12, B-17	Family based	Child of B-11 or B-16	C09	N
B31, B-32, B-33	Family based	Married son or daughter of US citizen (B-31), spouse of B-31 or child of B-31	C09	N
BC-1	Employment based	Broadcaster in the US employed by the International Broadcasting Bureau of the Broadcasting Board of Governors	N	N
BC-2, BC-3	Employment based	Spouse, child of BC-1	Y	N
BCC	Non-immigrant	Border Crossing Card	N	N
C-1, C-2, C-3, C-4, C-5	Non-immigrant	Transiting the U.S.	N	N
C-21, C-22, C-23, C-24, C-25	Family based	Spouse or child of permanent resident	C09	N
C-26	Non-immigrant	Spouse or child of H type	N	N
C-31, C-32, C-33	Family based	Spouse or child of US citizen	C09	N
C-5, C-51	Employment based	Employment creation	N	N
C-52, C-53	Employment based	Spouse or child of C-5 or C-51	C09	N
CR-1, CR-2, CR-5	Family based	Spouse or child of US citizen	C09	N
CX-1, CX-2, CX-3	Family based	Spouse, child or stepchild of lawful permanent resident	C09	N
D	Non-immigrant	Crew member	N	N
DV-1, DV-2, DV-3	Diversity	Diversity immigrant, spouse, child	N	N
E-1,2 or spouse of E-1,2 (the spouse does not get a different number for this category)	Employment based	Treaty/Trade investor or spouse	A17 (only needed for spouse of E-1, E-2)	Y
E-3	Employment based	Specialty occupation- Australia	N	Y

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible¹</u>
E-11	Employment based	Person with extraordinary ability in the sciences, arts, education, business or athletics	N	N
E-12	Employment based	Outstanding professor or researcher	N	N
E-13	Employment based	Multinational executive or manager	N	N
E-14, E-15	Employment based	Spouse or child of E-11, E-12 or E-13	C09	N
E-21	Employment based	Professional holding advanced degree or alien of exceptional ability	N	N
E-22, E-23	Employment based	Spouse or child of E-21	C09	N
E-31	Employment based	Skilled worker	N	N
E-32	Employment based	Professional holding baccalaureate degree	N	N
E-34, E-35	Employment based	Spouse or child of E-31 or E-32	C09	N
EW-3	Employment based	Other worker	N	N
EW-4	Employment based	Spouse or child of EW-3	C09	N
F-2A, F-2B, F-3, F-4, F-11, F-12, F-21, F-22, F-23, F-24, F-25, F-31, F-33, F-41, F-42, F-43	Family based	Family members of permanent residents or US citizens	C09	N
F1	Non-immigrant	Student	C03	N
FX-1, FX-2, FX-3	Family based	Spouse or child of permanent resident or FX-1	Y	N
G-1, G-2, G-3, G-4	Employment based	Employees of international organizations and NATO; spouses and children	Y-spouses and children: C04	Y
G-5	Non-immigrant	Non-immigrant domestic workers	C17	Y
H1-B	Employment based	Foreign nationals working in the US in a specialty occupation	N	Y
H-2A, H-2B	Non-immigrant	Temporary workers	N	N
H-3	Non-immigrant	Temporary training	N	N
H-4	Non-immigrant	Spouse or child of H1-B	C09	Y
I-51	Employment based	Investor in pilot program	N	N
I-52, I-53	Employment based	Spouse or child of I-51	C09	N
IH-3, IH-4	Family based	Child adopted or to be adopted by US citizen	C09	N
IR-1, IR-2, IR-3, IR-4, IR-5	Family based	Spouse, child or child to be adopted of US citizen	C09	N
J	Non-immigrant	Cultural exchange visitor	C05	N
K-1	Family based	Fiancée of US citizen	A09	Y
K-3	Family based	Fiancée of US citizen	A09	N
L-1A, L-1B*	Employment based	Intracompany transferees	N	Y
L-2*	Employment based	Spouse or child of L-1	A18	Y

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible¹</u>
*L-1 and L-2 blanket visas are not permitted				
M-1, M-2, M-3	Non-immigrant	student seeking practical training after completing studies	C06	N
N-8, N-9	Non-immigrant	Parent or child of int'l org. employee granted permanent residence	A07	N
NATO- 1, NATO-2, NATO-3, NATO-4, NATO-5, NATO-6	Non-immigrant	NATO members, staffs and families for temporary stay	C07	N
O-1A, O-1B	Employment based	Extraordinary ability in science, education, the arts, business or athletics	N	Y
O-2	Employment based	Assistant to O-1	N	Y
O-3	Employment based	Spouse or child of O-1 or O-2	N	N
P-1A	Employment based	Internationally recognized athlete	N	Y
P-1B	Employment based	Internationally recognized artist	N	Y
P-2	Employment based	Performer (artist)- reciprocal exchange program	N	N
P-3	Employment based	Entertainer (artist) - culturally unique program	N	N
P-4 ¹	Employment based	Spouse or child of P1A, P-1B, P-2, or P-3	C09	N
Q	Non-immigrant	Cultural exchange program	N	N
R-5, R-51	Employment based	Investor in pilot program	N	N
R-52, R-53	Employment based	Spouse or child of R-51	C09	N
SD-1	Employment based	Religious workers	N	N
SD-2, SD-3	Employment based	Spouse or child of SD-1	C09	N
SE-1	Employment based	Employees or former employees of the US Gov't abroad	N	N
SE-2, SE-3	Employment based	Spouse or child of SE-1	C09	N
SF-1	Employment based	Former employees of the Panama Canal Company or Canal Zone Gov't	N	N
SF-2	Employment based	Spouse or child of SF-1	C09	N
SG-1	Employment based	Former employees of the US gov't in the Panama Canal Zone	N	N
SG-2	Employment based	Spouse or child of SG-1	Y	N
SH-1	Employment based	Certain former employees of the Panama Canal Company or Canal Zone gov't on 4/1/79	N	N
SH-2	Employment based	Spouse or child of SH-1	C09	N
SI	Employment based	Interpreters	N	N
SJ-1	Employment based	Foreign medical graduate	N	N
SJ-2	Employment based	Spouse or child of SJ-1	C09	N
SK-1	Employment based	Retired international organization employee	N	N

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible¹</u>
SK-2	Employment based	Spouse of SK-1	C09	N
SK-3	Employment based	Unmarried child of an international organization employee	C09	N
SK-4	Employment based	Surviving spouse of deceased international organization employee	C09	N
SN-1	Employment based	Retired NATO-6 civilian	N	N
SN-2, SN-3	Employment based	Spouse of child of NATO-6 civilian employee	C09	N
SN-4	Employment based	Surviving spouse of deceased NATO-6 civilian employee	C09	N
SQ	Employment based	Iraqi/Afghans who work on behalf of the US government	N	N
SR-1	Employment based	Religious workers	N	N
SR2, SR3	Employment based	Spouse or child of SR-1	C09	N
T-1, T-2, T-3, T-4	Subject to extreme cruelty	Victim or spouse or child or parents of victim of human trafficking	A16 OR C25	N
T-5, T-51	Employment based	Employment creation	N	N
T-52, T-53	Employment based	Spouse or child of T-51	C09	N
TN NAFTA, TC NAFTA	Employment based	Canadian or Mexican citizens working in the US	N	Y
TD NAFTA	Employment based	Spouse or child of TN	N	N
U-1, U-2, U-3, U-4	Subject to extreme cruelty	Victim or family member of victim of criminal activity	A19 OR A20	Y
V-1, V-2, V-3	Family based	Married to or a child of a legal permanent resident and you have been waiting at least 3 yrs. for the approval of a petition for lawful permanent resident status	A15	Y

¹ Must be spouse or child of P1A or P-1B, spouse or child of P-2 or P-3 are ineligible

<u>EAD Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Automatic Extension</u>	<u>Eligible¹</u>
A02	Non-immigrant	Lawful temporary resident pursuant to sections 245a or 210 of the INA (temp. agricultural worker)	N	N
A03	Refugee	Refugee	Y	N
A04	Cuban or Haitian entrant	Cuban or Haitian entrant paroled as a refugee	N	N
A05	Asylum granted	Asylum granted	Y	Y
A06	Non-immigrant	K-1, non-immigrant fiancé of US citizen or K-2 child of K-1	N	N
A07	Non-immigrant	N-8 parent of international organization employee granted permanent residence or N-9 dependent child of international organization employee granted permanent residence	Y	N

<u>EAD Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Automatic Extension</u>	<u>Eligible¹</u>
A08	Non-immigrant	Citizens of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau admitted as a non-immigrant	Y	N
A09	Non-immigrant	K-3 non-immigrant spouse of US citizen or K-4 child of K-3	N	Y
A10	Non-immigrant	Granted withholding of Deportation or Removal	Y	N
A11	Non-immigrant	Deferred Enforced Departure (DED)	N	N
A12	Non-immigrant	Temporary Protected Status (TPS) granted under 8 CFR 244.12	Y	N
A13	Non-immigrant	IMMACT Family Unity beneficiary	N	N
A14	Non-immigrant	LIFE Act Family Unity beneficiary	N	N
A15	Non-immigrant	V-1 spouse of lawful permanent resident or V-2 minor unmarried child of lawful permanent resident or V-3 minor unmarried child of V-1 or V-2	N	N
A16	Non-immigrant	T-1 non-immigrant (victims of a severe form of trafficking)	N	N
A17	Non-immigrant	Spouse of principal E non-immigrant with an unexpired I-94 showing E (included in E-1S, E-2S, E-3S) non-immigrant status	Y	N
A18	Non-immigrant	Spouse of principal L-1 non-immigrant with an unexpired I-94 showing L-2 (including L-2S) non-immigrant status	Y	N
A19	Non-immigrant	U-1 non-immigrant (victims of certain criminal activity)	N	N
A20	Non-immigrant	U-2 spouse of U-1 aliens or U-3 children of U-1 aliens (16 or under) or U-5 unmarried sibling under age 18 of UJ-1 alien under the age 21	N	N
C01	Non-immigrant	Dependent of A-1 or A-2 foreign government official	N	N
C02	Non-immigrant	Dependent of TECRO (Taipei Economic and Cultural Representative Office) E-11 non-immigrant)	N	N
C03A	Non-immigrant	Pre-completion of OPT F-1 students	N	N
C03B	Non-immigrant	Post-completion of OPT F-1 students	N	N
C03C	Non-immigrant	24 month extension for Science, Technology, Engineering or Mathematics (STEM) OPT students	N	N
C03(ii)	Non-immigrant	F-1 student offered off-campus employment under the sponsorship of Qualifying International Organization	N	N
C03(iii)	Non-immigrant	F-1 student seeking off-campus employment due to severe economic hardship	N	N
C04	Non-immigrant	Spouse or unmarried dependent child of G-1, G-3 or G-4 non-immigrant (Representative of International Organization and their dependents)	N	Y

<u>EAD Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Automatic Extension</u>	<u>Eligible¹</u>
C05	Non-immigrant	J-2 spouse or minor child of a J-1 exchange visitor	N	N
C06	Non-immigrant	M-1 student seeking practical training after completing studies	N	N
C07	Non-immigrant	Dependent of NATO-1 through NATO-7 non-immigrant	N	N
C08	Non-immigrant	Asylum applicant, status pending	Y	N
C09	Non-immigrant	Pending adjustment of status under Section 245 of the Act	Y	Y
C10	Non-immigrant	Nicaraguan Adjustment & Central American Relief act	Y	N
C11	Non-immigrant	Alien paroled into the US for emergency, temporary reason	N	N
C12	Non-immigrant	Spouse of an E2 commonwealth of the Northern Mariana Islands investor, eligible for employment. In the CNMI only.	N	N
C14	Non-immigrant	Alien granted deferred action	N	N
C16	Non-immigrant	Registry applicant based on continuous residence since Jan 1, 1972	Y	N
C17(ii)	Non-immigrant	B-1 non-immigrant who is the personal or domestic servant of a non-immigrant employer	N	N
C17(iii)	Non-immigrant	B-1 non-immigrant employed by a foreign airline	N	N
C18	Non-immigrant	Alien with final order of deportation/supervision	N	N
C19	Non-immigrant	Temporary Protected status applicant under 8 CFR 244.5	Y	N
C20	Non-immigrant	Alien who filed legalization application for agricultural workers	Y	N
C22	Non-immigrant	Alien who filed legalization application under INA 245a	Y	N
C24	Non-immigrant	LIFE legalization applicant	Y	N
C25	Non-immigrant	T-2 spouse of T-1, the victim of trafficking or T-3 child or T-1 or T-4 parent of T-1 (if T-1 is < age 21)	N	N
C26	Non-immigrant	Spouse of certain H-1B principal non-immigrants with an unexpired I-94 showing H-4 non-immigrant status	Y	N
C27	Non-immigrant	Abused spouse of an A non-immigrant	N	N
C28	Non-immigrant	Abused spouse of an E-3 non-immigrant	N	N
C29	Non-immigrant	Abused spouse of an G non-immigrant	N	N
C30	Non-immigrant	Abused spouse of an H non-immigrant	N	N
C31	Non-immigrant	Principal beneficiary or qualified child of approved VAWA self petition or Qualified child of a beneficiary of an approved VAWA self-petition	Y	N

<u>EAD</u> <u>Category Code</u>	<u>Visa/Admission</u> <u>Category</u>	<u>Description</u>	<u>Automatic</u> <u>Extension</u>	<u>Eligible</u> ¹
C33	DACA	An alien who has been granted Deferred Action for childhood arrivals (DACA)	N	Y
C35	Non-immigrant	Principal beneficiary of an approved employment based immigrant petition facing compelling circumstances	N	N
C36	Non-immigrant	Spouse of unmarried child of a principal beneficiary of an approved employment based immigrant petition facing compelling circumstances	N	N