



# Neptune Gold Jumbo

## Product Matrix

### Primary Residence

Transaction Type	# of Units	Minimum Credit Score	Maximum LTV/CLTV	Reserves <sup>1</sup>
Purchase & Rate/Term	1	720	80% (up to 1.0 million)	12 <sup>1</sup>
			75% (up to 2.0 million) <sup>2</sup>	18 <sup>1</sup>
		760	70% (up to 2.5 million) <sup>2</sup>	24 <sup>1</sup>
			75% (up to 2.5 million) <sup>2</sup>	36 <sup>1</sup>
Cash-Out Refinance	1	740	70% (up to 1.0 million)	24 <sup>1</sup>
			65% (up to 1.5 million)	

• Maximum Cash-out is \$250,000.00

### Second Home

Transaction Type	# of Units	Minimum Credit Score	Maximum LTV/CLTV	Reserves <sup>1</sup>
Purchase & Rate/Term	1	740	70% (up to 1.5 million)	18 <sup>1</sup>

### Investment Property

Transaction Type	# of Units	Minimum Credit Score	Maximum LTV/CLTV	Reserves
Purchase & Rate/Term	Not currently available			

#### <sup>1</sup> Reserve overlays:

- Additional three (3) months reserves required for self-employed borrower(s)
- Additional six (6) months reserves required for each additional property

#### <sup>2</sup> Maximum DTI is 41% for Loan amounts ≥ 1.0 million

Eligible Products	• Encompass Product Code = "Gold Non-Conf Jumbo"
	• Fixed Rate: 30 and 15 - year term
	<b>ARM Features:</b>
	• 10/6 ARM (5/1/5 Caps)      • 7/6 ARM (5/1/5 Caps)      • 5/6 ARM (2/1/5 Caps)
	• Index: SOFR (30 Day Average) • Margin: 2.75 • Floor: 2.75 <b>Qualifying Rate:</b> • 10/6 and 7/6 ARM - Qualify with greater of the fully indexed rate or the Note rate. • 5/6 ARM - Qualify with greater of the fully indexed rate or the Note rate + 2.0%
DTI	• 43.0%
	• Loan amount ≥ 1.0 million 41%
	• Second Home: 40.0%
Loan Amount	• Max Loan amount up to 2.5 million (Must be \$1 over the current 1-unit conforming loan limit)
Age of Documentation	• All credit documentation must be within 120 days of the Note date.
Interested Party Contributions	• Primary & Second Homes = 6%
Ineligible Product Types	• Higher Priced Mortgages (HPML) • Higher Priced Covered Transactions (HPCT) • High cost loans • Texas Cash-out • Non-Arm's Length Transaction
Eligible Borrowers	• US Citizens • Permanent Resident Alien
Ineligible Borrowers	• Non-Permanent Resident Alien • Non-occupying co-borrower is not permitted • LLC's, Corporations and partnerships • Foreign Nationals • Non-Revocable Trusts • Life Estates
AUS	• AUS findings are not required.
Credit Report	• A minimum of 2 credit scores for all borrowers is required. The lowest mid-score will be used. If a borrower only has 2 scores, the lower of the two will be used.
	• Rescored credit reports are ineligible.
Frozen Credit	• Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required.

<b>Credit Report</b>	<ul style="list-style-type: none"> <li>• A minimum of 2 credit scores for all borrowers is required. The lowest mid-score will be used. If a borrower only has 2 scores, the lower of the two will be used.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Rescored credit reports are ineligible.</b></li> </ul> <p><b>Minimum Tradelines Requirements:</b></p> <ul style="list-style-type: none"> <li>• Minimum of three (3) open and active tradelines from traditional sources are required. <ul style="list-style-type: none"> <li>▶ Tradelines must be open for twenty-four (24) months and active with the most recent six (6) months.</li> <li>▶ At least one of the tradelines must be an installment or mortgage account.</li> </ul> </li> <li>• Tradelines for closed accounts must have a satisfactory payment history</li> <li>• A Tradeline for which a payment has never been made may not be used to satisfy the minimum tradeline requirement.</li> <li>• Authorized User accounts may not be considered unless the borrower can provide 12 month cancelled checks as proof of payment.</li> </ul>
<b>Housing Payment History</b>	<p><b>Mortgage/Rental History:</b></p> <ul style="list-style-type: none"> <li>• Borrower(s) housing payment history in past 24 months must 0 X 30</li> </ul> <p><b>Rental History:</b></p> <ul style="list-style-type: none"> <li>• First time homebuyers must have a minimum 24 mos rental history for at least 1 borrower</li> <li>• If renting from a private landlord, cancelled checks must be provided.</li> </ul>
<b>Significant Derogatory Credit</b>	<ul style="list-style-type: none"> <li>• Satisfactory explanation for any delinquent credit which occurred is required. (Including collections, charge-offs etc.)</li> </ul>
	<p><b>Forbearance:</b></p> <ul style="list-style-type: none"> <li>• Borrower's with a forbearance/deferment or for which forbearance/deferment has been requested is not eligible.</li> </ul>
	<p><b>Waiting periods for significant derogatory credit:</b></p> <ul style="list-style-type: none"> <li>• Chapter 7, 11 or 13 Bankruptcy = 7 years since discharge</li> <li>• Foreclosure, Notice of Default (NOD) and short sale = 7 years since completion date</li> <li>• Short payoffs, loan modifications due to hardship = 7 years</li> <li>• Multiple events are not permitted</li> </ul>
	<p><b>Re-established Credit Requirements:</b></p> <ul style="list-style-type: none"> <li>• The waiting period requirements must be met.</li> <li>• Borrower must show reestablished credit to meet the minimum credit requirements.</li> <li>• Non-traditional credit is not permitted.</li> </ul>
	<p><b>Collections, Charge-offs and past due accounts:</b></p> <ul style="list-style-type: none"> <li>• All past due accounts must be brought current.</li> <li>• All Tax liens, judgments, collections, charge-offs and past due accounts must be satisfied or brought current. Cash-out proceeds from the transaction may not be used.</li> <li>• Liens impacting title must be satisfied prior to closing.</li> </ul>
	<p><b>IRS Tax Liens and payment plans:</b></p> <ul style="list-style-type: none"> <li>• Payment plans on tax liens/liabilities are not permitted</li> </ul> <p><b>Disputed Tradelines:</b></p> <ul style="list-style-type: none"> <li>• All disputed accounts should be handled in line with Agency guidelines.</li> <li>• All disputed accounts that belong to the borrower must be taken into consideration.</li> <li>• Disputed accounts with a zero balance and no late payments may be disregarded.</li> </ul>
<b>Liabilities</b>	<p><b>Installment Debt:</b></p> <ul style="list-style-type: none"> <li>• Installment debts lasting ten (10) months or more must be included in the DTI. <i>(Even if the debt does not extend beyond 10 months, it must be noted whether the size and/or number of remaining payments will impact the borrower's ability to handle the new mortgage payment during the early period of the loan.)</i></li> </ul>
	<p><b>Student Loans:</b></p> <ul style="list-style-type: none"> <li>• If a monthly payment is provided on the credit report, the amount indicated for the monthly payment may be used to qualify</li> <li>• If the credit report does not provide a monthly payment or shows \$0: <ul style="list-style-type: none"> <li>▶ Use 1% of the outstanding loan balance, or</li> <li>▶ Use fully amortizing payment based on documented repayment terms.</li> </ul> </li> </ul>
	<p><b>30 Day Open Accounts:</b></p> <ul style="list-style-type: none"> <li>• If the credit report reflects an open-end of net thirty (30) day account, the balance owing must be subtracted from liquid assets.</li> </ul>

<b>Liabilities</b>	<b>Debts Paid by Business/Business Debt:</b> <ul style="list-style-type: none"> <li>• If the debt is reflected on the borrower’s personal credit report and the borrower is the primary obligor on the debt, the borrower is personally liable for the debt and it must be included in the debt-to-income ratios.</li> <li>• However if the borrower is a co-signor, not the primary obligor, on the debt and it is being paid by the borrower’s business, the debt does not have to be included in the debt-to-income ratios if : <ul style="list-style-type: none"> <li>▶ The borrower provides 12 months canceled checks drawn against the business account; and</li> <li>▶ Account may have no history of delinquency</li> <li>▶ Two year’s personal, partnership, and/or corporate tax returns evidencing that business expenses associated with the debt support that the debt has been paid by the business must be obtained; and</li> <li>▶ Tax returns and cash flow analysis to reflect the business making said payment.</li> </ul> </li> <li>• Evidence the obligation was paid out of company or business funds. <ul style="list-style-type: none"> <li>▶ In lieu of cancelled checks, a letter from a CPA providing specific account number(s) and verification that the business has paid the debt for the past 12 months is acceptable</li> </ul> </li> <li>• Not permitted for schedule -C self-employment.</li> </ul>	
	<b>Overdraft Protection Account:</b> <ul style="list-style-type: none"> <li>• Overdraft protection is considered a revolving line of credit (given without the benefit of security) that is attached to a checking account. If there is a balance, count a minimum payment in the debt-to-income ratios.</li> </ul>	
	<b>Paying off Debt:</b> <ul style="list-style-type: none"> <li>• Installment debts may be paid off in order to qualify. (Revolving debt paid off to qualify is not permitted.)</li> <li>• Evidence the account has been paid in full.</li> <li>• Source of funds to pay off the debt must be documented.</li> <li>• Lease payments may not be paid down or paid off for qualifying purposes.</li> </ul>	
	<b>Alimony / Child Support:</b> Alimony and Child Support are to be treated as a liability	
<b>First Time Homebuyer</b>	<ul style="list-style-type: none"> <li>• Primary residence only.</li> <li>• 36% maximum DTI.</li> <li>• 740 minimum FICO.</li> <li>• Minimum 18 months’ reserves</li> <li>• 24 months rental history with no late payments.</li> <li>• One-unit properties only.</li> <li>• Loan amounts exceeding \$1,000,000 are ineligible.</li> <li>• Gift funds not permitted</li> </ul> <p><b>Any borrower who has not owned a residential property during the prior 3 years is considered a First Time Homebuyer. This does not apply when at least 1 borrower has owned a property within the past 3 years.</b></p>	
<b>Multiple Owned Properties</b>	<ul style="list-style-type: none"> <li>• Borrowers may own a total of four (4) financed 1-4 unit residential properties including the subject property</li> <li>• Borrowers with other properties in addition to the subject property are required to have an additional six months reserves for each property, based on the individual properties PITIA.</li> <li>• Properties owned free and clear require 6 mos of taxes, ins. and HOA dues for reserves.</li> </ul>	
<b>Borrower Minimum Contribution</b>	<b>LTV/CLTV Ratio</b>	<b>Minimum Borrower Contribution Requirements from Borrower's Own Funds</b>
	• 70% or less	Primary Residence   Must make a 5% minimum from own funds
	• Greater than 70%	Primary Residence   Must make 10% minimum from own funds
	• All LTV's	Second Home   Must make full down payment. Gift not permitted
<p><b>Note:</b> If the borrower has the 10% minimum contribution in a non-liquid asset account (stocks, bonds, etc.), but is also receiving a gift for the transaction, the borrower may use the gift funds for their 10% minimum contribution in lieu of liquidating the assets. The non-liquid asset account must be verified per policy as evidence that the borrower has the 10% minimum contribution available.</p>		
<b>Reserves</b>	<b>Acceptable Sources of Reserves:</b> <ul style="list-style-type: none"> <li>• Liquid assets such as checking, saving and money market accounts.</li> <li>• Stocks, bonds, mutual funds.</li> <li>• 60% Value of retirement accounts.</li> <li>• Vested value of life insurance policy</li> </ul>	

<p><b>Reserves</b></p>	<p><b>Unacceptable Sources of Reserves:</b></p> <ul style="list-style-type: none"> <li>• Cash-out received at closing.</li> <li>• Gift funds not permitted</li> <li>• Funds that are not vested</li> <li>• Funds that cannot be withdrawn under circumstances other than the account owner’s retirement, employment termination, or death,</li> <li>• Business Assets: <ul style="list-style-type: none"> <li>▶ Must be 100% owner</li> <li>▶ Most recent 3 month business bank statements must be analyzed to determine no negative impact on business</li> </ul> </li> </ul>
<p><b>Asset Documentation</b></p>	<ul style="list-style-type: none"> <li>• All funds must be documented with a minimum of two months bank statements or most recent quarterly statement.</li> <li>• All funds from accounts opened for 90 calendar days or less, must be sourced if used for down payment, closing costs, or reserves.</li> <li>• Large deposits inconsistent with monthly income or deposits must be verified if using for down payment, reserves or closing costs. Verification is required that large deposits did not result in any new undisclosed debt</li> <li>• If source of funds cannot be documented, it is acceptable to exclude a large deposit, so as not to consider these funds for qualifying.</li> <li>• Cash deposits are ineligible funds in a transaction and should be reduced from the amount of available funds</li> </ul>
<p><b>Co-Mingled Funds</b></p>	<ul style="list-style-type: none"> <li>• All funds must come from the borrower’s own demonstrated savings.</li> <li>• Borrowers using accounts in which their funds are co-mingled with a non-borrowing party or parties, have the burden of proving funds in those accounts are a result of their earnings/savings. In addition, the file must also contain appropriate authorization letters from all additional account owners.</li> <li>• Funds from co-owned accounts that appear to have no connection to, or ownership by the borrower, will not be considered the borrower’s own funds for use in the transaction.</li> </ul>
<p><b>Non-sufficient-fund (NSF)</b></p>	<p>A history of (NSF) fees present a layer of risk that must be weighed against the borrower’s credit history and all of the other risk factors in the file. Letters of explanation is required.</p>
<p><b>Business Assets</b></p>	<ul style="list-style-type: none"> <li>• Business assets are not eligible as reserves.</li> <li>• Business bank statements must not reflect any NSFs or overdrafts</li> <li>• Borrower must have at least 100% ownership of the business</li> <li>• Evidence supporting the borrower has full access to their percentage of the funds.</li> <li>• A letter from an accountant verifying the following is also required: <ul style="list-style-type: none"> <li>▶ confirming that the withdrawal will not harm the financial strength of the business.</li> <li>▶ The funds are not a loan.</li> </ul> </li> <li>• Underwriter must perform a cash flow analysis to determine that the withdrawal of funds will not have a detrimental effect on the business.</li> <li>• Most recent 3 month business bank statements must be analyzed to determine no negative impact on business</li> </ul>
<p><b>Ineligible Assets</b></p>	<ul style="list-style-type: none"> <li>• Anticipated Savings</li> <li>• Community Savings plans</li> <li>• Pooled funds</li> <li>• Gifts of equity &amp; wedding gifts</li> <li>• Non-Vested Stock Units/Stock Options</li> <li>• Cash on hand</li> <li>• Cryptocurrencies such as Bitcoins</li> <li>• Custodial accounts for minors</li> <li>• New Simultaneous Financing on Subject Property</li> <li>• Pension Funds</li> </ul>
<p><b>Cryptocurrency</b></p>	<p>Cryptocurrency is digital assets exchanged over the internet. Bitcoin is the oldest and most well-known type of cryptocurrency although now there are over 1,300 different types of cryptocurrency.</p> <ul style="list-style-type: none"> <li>• Allowed for down payment and closing costs: <ul style="list-style-type: none"> <li>▶ Full paper trail of ownership of cryptocurrency and liquidation must be provided</li> <li>▶ Must be seasoned 60 days from date purchased to date liquidated.</li> <li>▶ If seasoned less than 60 days, evidence source of funds used to purchase and the original source used to purchase must be an acceptable source of funds.</li> </ul> </li> <li>• Allowed for reserves but only if seasoned and liquidated (same as above) and put in an allowable account, such as stocks, mutual funds, money market, checking or savings.</li> </ul>
<p><b>Retirement Accounts</b></p>	<ul style="list-style-type: none"> <li>• Retirement accounts are an eligible source of funds for closing, down payment and reserves. When accessing retirement funds for assets to close, evidence of liquidation and reduction of any applicable penalties must be fully documented.</li> </ul>

<b>Retirement Accounts</b>	<ul style="list-style-type: none"> <li>Any existing loans secured by a retirement asset must be deducted from the discounted value of the vested balance.</li> <li>If using funds from a retirement account for reserves, a discounted value of 60% of the vested balance must be used for qualifying based on market volatility.</li> <li>Terms of withdrawal from the account program administrator should be provided when using the account for reserves.</li> </ul>
<b>Employment</b>	<ul style="list-style-type: none"> <li><b>All Verbal VOE's must be within 10 business days of the Note date.</b></li> <li><b>Verification of borrower's self-employment no later than 10 calendar days prior to Note date</b></li> </ul>
<b>Tax Transcripts</b>	<ul style="list-style-type: none"> <li>Tax transcripts are required on all loans regardless of income/employment type.</li> </ul>
<b>Employment</b>	<ul style="list-style-type: none"> <li>A stable two (2) year history of verifiable income must be documented</li> <li>Employment gaps of more than 30 days within the most recent two (2) year period require a satisfactory letter of explanation and borrower must be employed with current employer for a minimum of six (6) months</li> <li>Extended gaps of six (6) months or greater require a documented two (2) year work history prior to the absence and they have been in their current employment for a minimum of six months.</li> <li>Part-time income can be used for qualification if the borrower has worked the part-time job uninterrupted for the past two (2) years</li> <li>Future/project income is not eligible</li> </ul>
<b>Income</b>	<p><b>Salaried:</b></p> <ul style="list-style-type: none"> <li>Paystubs covering the most 30 days with year to date income. (Must be computer generated.)</li> <li>2 years W2's</li> </ul> <p><b>Commission:</b> (A borrower who receives 25% or more from commissions must have a minimum 2 year history of commission earnings and at least 18 months with current employer.)</p> <ul style="list-style-type: none"> <li>2 years 1040's and W2's</li> <li>Current year-to-date paystub</li> </ul> <p><b>Overtime &amp; Bonus:</b></p> <ul style="list-style-type: none"> <li>Overtime and bonus income can be used to qualify the borrower if he/she has received this income for the past two years, and documentation submitted for the loan does not indicate this income will likely cease.</li> <li>The Seller must establish and document an earnings trend for overtime and bonus income. If either type of income shows a continual decline, the Seller must document in writing a sound rationalization for including the income when qualifying the borrower</li> </ul> <p><b>Social Security:</b></p> <ul style="list-style-type: none"> <li>Social Security income must be verified by a Social Security Administration benefit verification letter. Benefits must not expire within the first three (3) years of the loan. (If the Social Security Admin benefit letter does not indicate a defined expiration date within three years of loan origination, the income should be considered likely to continue)</li> <li>Copies of the most recent two (2) months bank statements evidencing regular deposit.</li> </ul> <p><b>Self-employment:</b> Income from self-employment is considered stable, and effective, if the borrower has been self-employed for two or more years</p> <ul style="list-style-type: none"> <li>Most recent 2 years, signed and dated, personal returns</li> <li>Evidence the business is currently operating within 20 days of the Note date is required.</li> </ul> <p>Third-party verification evidencing borrower's business is currently operating includes:</p> <ul style="list-style-type: none"> <li>Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment).</li> <li>Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled) or</li> <li>Lender certification the business is open and operating. If the lender opts to provide a lender certification (lender confirmed through a phone call or other means); the certification must be provided by an arm's length third-party source, must include contact information and is ineligible when provided by the borrower(s).</li> </ul> <ul style="list-style-type: none"> <li>"S" corporation, or partnership, signed copies of Federal business income tax returns for the last two years, with all applicable tax schedules; and</li> <li>Year-to-date profit and loss (P&amp;L) statement and balance sheet. Income cannot decline by 20% or more from the prior tax period. Year-to-date is defined as the period ending as of the most recent tax return through the most recent quarter ending one (1) month prior to the Note date. For tax returns on extension the entire unfiled year is also required.</li> </ul>

- The lender must review the **Three (3)** most recent business bank statements to support and/or not conflict with the information presented in the current year-to-date P&L. Otherwise, the lender must obtain additional documentation to support the current P&L.
  - ▶ If the borrower’s earnings trend for the previous two years is downward and the most recent tax return or P&L is less than the prior year’s tax return, the borrower’s most recent year’s tax return or P&L must be used to calculate his/her income.
  - ▶ The Seller must consider the business’s financial strength by examining annual earnings. Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable

• **Corporate income may not be used unless the borrower owns 100% of the business. (W-2 and 1099 earnings are eligible)**

**NOTE: Documentation is required regardless of whether the income is being considered for qualifying purposes.**

- When a borrower receives K-1 income but has <25% ownership of a partnership, S corporation, or LLC, ordinary income, net rental real estate income and other net rental income reported on IRS Form 1065 or IRS Form 1120S, the income may be used to qualify the borrower provided:
  - ▶ The borrower can document ownership share (may use Schedule K-1);
  - ▶ The borrower can document access to the income; and
  - ▶ The business has adequate liquidity to support the withdrawal of the earnings.

**K-1 Cash Distributions:**

- If the Schedule K-1 reflects a stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, the Schedule K-1 income may be used to qualify, no additional documentation of access to the income or adequate liquidity is required.
- If the Schedule K-1 does not reflect a stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, additional review is required. In addition to the documentation requirements as listed below, the following must be documented and reviewed:
  - ▶ Evidence that the borrower has access to the income such as partnership agreement or corporate resolution confirming access to the income
  - ▶ Evidence that the business has adequate liquidity to support the withdrawal of the earnings. The underwriter needs to determine what documentation is acceptable to determine that the business has the capacity to continue making cash distributions at the level of business income being used to qualify.

**Schedule K-1 Guaranteed Payments to Partner:**

- If the borrower has a 2 year history of receiving “guaranteed payments” from a partnership or an LLC, the payments can be used to qualify.
  - ▶ 2 years most recent tax returns with Schedule E; and
  - ▶ 2 years most recent Schedule K-1.

**Employed by family business:**

- YTD Paystub
- Two (2) years W-2's and
- Personal tax returns – two (2) years with two (2) years transcripts
- Verification of borrower’s potential ownership in the business must be addressed.

(Income must be amortized over 24 months. )

**Alimony / Child Support:**

- Div. decree or court ordered separation agreement. Income to continue for at least (3) yrs
- Evidence of receipt of full, regular and timely payments for the most recent twelve (12) mos

**Trust Income:**

- Irrevocable Trust Income
  - ▶ Guaranteed and regular payments must be documented to continue for the next three (3) years
  - ▶ Regular receipt of trust income for the most recent twelve (12) months must be documented

Income

Income

**Trust Income Cont'd:**

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

**Retirement:**

- If any retirement income will cease within the first three (3) years of the loan, the income may not be used
- Distribution income must have been set up at least six (6) months prior to the Note date.
- Distributions cannot be set up or changed solely for loan qualification purposes.
- Distribution of assets from an IRA, 401k or similar retirement asset must be sufficient to continue for a minimum of three (3) years. 70% of the value of the account(s) is to be used
  - ▶ A letter from the Account Custodian confirming the amount, frequency and start date of the distribution is required.
  - ▶ Evidence of receipt of 2 months receipt is required.
- Document regular and continued receipt of income as verified by any of the following:
  - Letters from the organizations providing the income
  - Copies of retirement award letters
  - Copies of federal income tax returns signed and dated
  - Most recent IRS W-2 or 1099 forms
- Copies of the most recent two (2) months bank statements evidencing regular deposit.

**Rental Income:**

- Current leases are required for all properties where rental income is being used to qualify.
- Two (2) years' 1040's with Schedule E's required. (One-year tax returns with schedule E will be considered when rental history is less than 24-months) **AND**
- Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 12 months or the time period after the lease expired.
- Income from short-term rentals or e-commerce rental properties (e.g. Airbnb) is ineligible.
- Commercial properties owned on schedule E must be documented with commercial leases and evidence that the primary use and zoning of the property is commercial.

**Rental Income from Departing Primary Residence:**

- If the borrower is converting their current primary residence to a rental property and using rental income to qualify or offset the payment, the following requirements must be met:
- Borrower must have a 2 year history of managing investment property as verified via the Borrower's federal tax returns to use rental income to offset the mortgage payment.
  - 75% of the rental income may be used to calculate the income and used to offset the mortgage payment.
  - Copy of current executed 12 month lease agreement to an unrelated arm's length third party and must be effective as of the first payment due date of the subject mortgage loan.
  - Copy of security deposit and evidence of deposit to borrower's account
  - Twelve (12) months reserves must be documented in addition to the req'd reserves for the primary
  - Have sufficient equity in the vacated property. Borrower must have a LTV ratio of 75% or less, as determined by:
    - ▶ as determined either by a current (no more than six months old) Residential Appraisal (for Single-Family units on form Fannie Mae 1004/Freddie Mac 70 or for Condominium units on form Fannie Mae 1073/Freddie Mac 465). OR
    - ▶ Determine equity by comparing the original sales price of the departure property to the current unpaid principal balance.

**Dividends and Interest Income:**

- Verify the borrower's current ownership of the assets on which the interest or dividend income was earned.
- Document a 2 year history of income with two (2) years Personal Tax returns with two (2) years tax transcripts.
- Subtract any assets used for down payment or closing costs from the borrower's total assets before calculating expected future interest or dividend income.

<b>Properties Listed for Sale</b>	<ul style="list-style-type: none"> <li>• Properties listed for sale at time of application are not eligible for refinance transactions</li> <li>• Properties listed for sale within past 6 months are not eligible for refinance</li> <li>• Properties listed for sale within past 12 months are not eligible for cash-out refinance</li> </ul>
<b>Refinances</b>	<p>Title to the subject property must be in the borrower’s name at the time of application for a refinance transaction. Must meet continuity of obligation.</p> <p><b>Continuity Of Obligation:</b></p> <ul style="list-style-type: none"> <li>• At least one borrower on the new loan must also be obligated on the current lien; or</li> <li>• Borrower has been on title to the subject property for the previous 12 months; occupied the subject property for the previous 12 months; and can demonstrate having made the payments in the previous 12 months.</li> </ul> <p><b>Exceptions:</b></p> <ul style="list-style-type: none"> <li>• The borrower on the new refinance was added to title at least twenty-four (24) months prior to the disbursement date of the new transaction</li> <li>• The borrower on the refinance inherited or was legally awarded the property by a court as in the case of a divorce, separation or dissolution of a domestic partnership. Rate &amp; term only.</li> </ul> <p><b>Value:</b></p> <ul style="list-style-type: none"> <li>• When the subject property has been purchased in the past 12 months, the lesser of the current appraised value or the purchase price will be used to calculate the LTV/HCLTV. Ownership date is measured from the date of acquisition (or HUD or Closing Disclosure closing date) to the application date of the subject mortgage.</li> <li>• Inherited Properties within the last twelve (12) months must have a five percent (5%) LTV/CLTV reduction must be applied to LTV/CLTV /HCLTV</li> </ul> <p><b>Rate &amp; Term Refinances:</b></p> <ul style="list-style-type: none"> <li>• A minimum of 6 months seasoning is required if the previous mortgage was a cash-out refinance</li> <li>• Paying off a mortgage loan secured by the subject property.</li> <li>• Paying off a first lien and purchase money subordinate lien (Seller must document that the entire subordinate lien was used to purchase the property). Pay off of a purchase second lien that has been in place for twelve (12) months.</li> <li>• Paying off a seasoned non-purchase money subordinate lien or first lien HELOC. <ul style="list-style-type: none"> <li>▶ A seasoned non-purchase money subordinate lien or first lien HELOC is a mortgage that has been in place for a minimum of 12 months. Seasoning is based on the note date of the second lien to the application date of the subject Mortgage Loan. A seasoned equity line of credit is defined as not having cumulative draws greater than \$2,000 in the past 12 months.</li> </ul> </li> <li>• Maximum cash back at closing is limited to the lesser of \$1,000 or 1% of the new loan amount</li> </ul> <p><b>Cash-Out Refinances:</b></p> <ul style="list-style-type: none"> <li>• Borrower must have taken title to the property more than 180 days from the Note date</li> <li>• Maximum cash back at closing is limited to \$250,000</li> <li>• Maximum cash-out amount includes the payoff of all debt and any cash in hand.</li> <li>• Properties listed within the past 6-12 months from the application date require a letter from the borrower explaining the reason for keeping the property.</li> <li>• Properties located in Texas are not eligible</li> </ul>
<b>Appraisal Requirements</b>	<ul style="list-style-type: none"> <li>• <b>A full appraisal is required. Recertification of value required after 120 days.</b></li> <li>• <b>Loan Amount &gt; \$2.0 million = 2 appraisals required.</b></li> </ul> <p><b>When two (2) appraisals are required, the following applies:</b></p> <ul style="list-style-type: none"> <li>• Appraisals must be completed by two (2) independent companies.</li> <li>• The LTV will be determined by the lower of the two (2) appraised values if the lower appraisal supports the value conclusion.</li> <li>• Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled</li> <li>• If the two (2) appraisals are done “subject to” and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon.</li> </ul> <ul style="list-style-type: none"> <li>• All appraisals must be prepared for EMM. No transfers or assignments are permitted.</li> <li>• <b>Reduce maximum allowable LTV/CLTV by 10% for any property located in area of declining property values as reported by appraiser.</b></li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>• <b>Reduce the maximum allowable LTV/CLTV by 5% for any property located on the Depreciating Markets List. (See Separate List)</b></li> </ul>



<p><b>Appraisal Review Requirements</b></p>	<p>A Collateral Desktop Analysis (CDA) with accompanying MLS sheets ordered from Clear Capital is required to support the value of the appraisal on all loans. (See separate instructions on how to order a Clear Capital CDA.)</p> <p><b>• A CDA is not required if 2 appraisals are obtained/required.</b></p> <ul style="list-style-type: none"> <li>• If the CDA is <math>\leq 10\%</math> of the appraised value the LTV would be based on the original appraised value.</li> <li>• If the CDA is lower by <math>&gt; 10\%</math> of the appraised value the LTV than a third valuation report must be ordered.</li> </ul> <p><b>Third Valuation (if applicable):</b></p> <ul style="list-style-type: none"> <li>• Field Review or second full appraisal.</li> </ul>
<p><b>Properties</b></p>	<ul style="list-style-type: none"> <li>• Appraisal Condition rating of C5/C6 or Quality rating of Q6: Not permitted</li> </ul> <p><b>Eligible Property Types:</b></p> <ul style="list-style-type: none"> <li>• Single Family Detached and Attached</li> <li>• PUD's</li> <li>• Condominium <ul style="list-style-type: none"> <li>▶ Must be Fannie Mae warrantable. <b>(CPM full Review required)</b>. New condominiums may not be subject to additional phasing or annexation.</li> <li>▶ Limited project review is not permitted.</li> <li>▶ 2-4 unit condominiums do not require review or warranty.</li> <li>▶ PERS approval is not permitted</li> </ul> </li> <li>• Properties with acreage <math>&gt; 10</math> and <math>\leq 20</math> acres considered on an exception basis. Maximum land value is limited to 35%</li> <li>• Properties with leased solar panels must meet Fannie Mae requirements.</li> </ul> <p><b>Ineligible Property Types:</b></p> <ul style="list-style-type: none"> <li>• Manufactured housing</li> <li>• Leasehold Estates</li> <li>• Mobile Homes</li> <li>• Log Homes</li> <li>• Mixed Use Properties</li> <li>• Model Home Leasebacks</li> <li>• Properties with deed restrictions</li> <li>• Cooperatives</li> <li>• Agriculturally zoned properties</li> <li>• Condotels and Timeshares</li> <li>• Unique homes</li> <li>• Condo's in litigation</li> <li>• Hobby farms</li> <li>• Industrial or Commercially zoned properties</li> </ul>
<p><b>Property Flips</b></p>	<ul style="list-style-type: none"> <li>• Properties owned by the seller less than 90 calendar days from the date of the purchase contract requires 2 full appraisals to support value. Lowest value to be used.</li> <li>• Properties owned by the seller less than 90 calendar days from the date of the purchase contract must be carefully reviewed.</li> </ul>