

HELOAN 1

(Standalone 2nd TD)

Program Code: HELOAN-1 -30, -20, -15, -10

Loan Amt	Min FICO	Max CLTV											
		Primary				2 nd Home				Investment			
		Full Doc	Bank Stmt, 1099	WVOE	P&L	Full Doc	Bank Stmt, 1099	WVOE	P&L	Full Doc	Bank Stmt, 1099	WVOE	P&L
50,000-350,000	720	90%	90%	85%	80%	80%	80%	75%	70%	80%	80%	75%	70%
	700	90%	85%	80%	75%	80%	75%	70%	65%	80%	75%	70%	65%
	680	85%	80%	75%	70%	75%	70%	65%	60%	75%	70%	65%	60%
	660	80%	75%	70%	65%	70%	60%	60%	55%	70%	60%	60%	55%
350,001-500,000	720	90%	85%	80%	75%	80%	75%	70%	65%	80%	75%	70%	65%
	700	85%	80%	75%	70%	80%	70%	65%	60%	80%	70%	65%	60%
	680	80%	75%	70%	65%	70%	65%	60%	55%	70%	65%	60%	55%
	660	75%	65%	65%	60%	65%	60%	55%	50%	65%	60%	55%	50%
500,001-750,000	720	80%	80%	75%	70%	75%	70%	65%	60%	75%	70%	65%	60%
	700	80%	75%	70%	65%	70%	65%	60%	55%	70%	65%	60%	55%
	680	75%	65%	65%	60%	65%	55%	55%	50%	65%	55%	55%	50%
	660	70%	60%	60%	55%	60%	50%	50%	45%	60%	50%	50%	45%

Property type Max CLTV				
2-4 Units		Condo		Rural
Owner Occupied	Non-Owner Occupied	Owner Occupied	Non-Owner Occupied	Owner Occupied
75%	70%	75%	70%	80%

Max Combined Lien Bal	\$2,000,000	\$3,000,000	\$3,500,000	\$4,000,000	\$5,000,000
Max CLTV	90%	85%	80%	75%	60%

Income Doc Type	
Full Doc	<p><u>Standard Documentation</u></p> <ul style="list-style-type: none"> ➤ Self-Employed Borrowers: <ul style="list-style-type: none"> ▪ 1 or 2 years tax returns (business and personal) including all schedules. ▪ Current YTD P&L (borrower prepared ok), or 3 months bank statements. ▪ Qualifying income based on tax returns. P&L or bank statement to support tax return income. ▪ Tax transcripts. ➤ Wage/Salaried borrowers: <ul style="list-style-type: none"> ▪ W-2s for most recent 1 or 2-years and current paystubs reflecting 30 days earnings ▪ W-2 transcripts. ➤ Other Requirements: <ul style="list-style-type: none"> ▪ A verbal VOE from each employer within 10-days of the note date for wage and salaried employees. ▪ For self-employed verify existence of business within 30-days of the note date with one of the following: <ul style="list-style-type: none"> • Letter from business tax professional. • On-line verification from regulatory agency or licensing bureau. ▪ Treatment of miscellaneous income sources follow FNMA guidelines.
Alt Doc	<p><u>Bank Statement (12 or 24 months)</u></p> <p>Bank statements are used to calculate and show consistency of income for the self-employed borrower. When using 12 or 24 months of bank statements, no P&L is required. The bank statements should show a trend of ending balances that are stable over the 24 or 12 month period.</p> <ul style="list-style-type: none"> ▪ Large deposits inconsistent with history must be documented as business income. ▪ Net deposits must not reflect any other income sources already taken into consideration (i.e. deduct SS payments, W-2 wage earnings, etc., that have already been used for income calculation). <p>➤ Personal & Business Bank Statements Combined</p> <ul style="list-style-type: none"> ▪ If personal and business bank activity are combined in one bank account, borrower is to provide the most recent 24 or 12 months consecutive bank statements from the same account. ▪ Standard expense factor applies; 50% expense factor. ▪ If the type of business operates more efficiently or typically has a materially different expense factor (lower than standard expense factor), then the expense factor per either a CPA/CTEC/EA letter. PTIN acceptable if documented as employed by a 3rd party tax preparation service. ▪ The minimum expense factor with CPA letter or P&L is 20%. ▪ When the borrower is an inter vivos trust, personal bank statements in the name of the trust are allowed for qualification. <p>➤ Personal & Business Bank Statements Separated</p> <ul style="list-style-type: none"> ▪ If the borrower maintains separate bank accounts for personal and business, only personal bank statements are used for qualifying.

Alt Doc (Cont.)

- The borrower is to provide the most recent 24 or 12 months consecutive personal bank statements and two (2) months business bank statements (to support the borrower does maintain separate accounts, and to show business cash flows in order to utilize 100% of business-related deposits in personal account).
- The deposits are analyzed and averaged to determine monthly income.
 - No expense factor
 - Deposits to a personal account from sources other than self-employment is not to be included.
- When the borrower is an inter vivos trust, personal bank statements in the name of the trust are allowed for qualification.

➤ Business Bank Statements Only

- If only using business bank statements, borrower is to provide the most recent 24 or 12 months consecutive business bank statements.
- Standard expense factor applies; 50% expense factor.
- If the type of business operates more efficiently or typically has a materially different expense factor (lower than 50%), then the expense factor per either a CPA/CTEC/EA letter. PTIN acceptable if documented as employed by a 3rd party tax preparation service.
- The minimum expense factor with CPA letter or P&L is 20%.

P&L Only

This program is designed for borrowers who are self-employed and would benefit from alternative loan qualification methods. A CPA/CTEC/EA completed and signed P&L may be used as an alternative to tax returns to document a self-employed borrower's income. No other income documentation type other than Asset Depletion can be combined with the P&L for the self-employed borrower.

At least one of the borrowers must be self-employed for at least 2 years (25% or greater ownership) to qualify for this program.

➤ P&L Only Restrictions & Requirements

- The minimum expense factor with a P&L is 20% for service business, 40% for product business.
 - Service Business - Offers services such as Accounting, Consulting, Counseling, Financial Planning, Insurance, Therapy.
 - Product Business - Sells goods such as Contracting or Construction, Food Services, Manufacturing, Restaurant, Retail.
- Business license may (or may not) required for the past 2 years by business type.
- A signed letter from the CPA, CTEC (CA Tax Education Council) or EA (Enrolled Agent) on their business letterhead showing address, phone number, and license number is required with the following information:
 - CPA/CTEC/EA confirms they have prepared the most recent year's business tax return filing; and,
 - The business name, borrower's name, and percentage of business ownership by the borrower.

<p>Alt Doc (Cont.)</p>	<ul style="list-style-type: none"> ▪ CPA/CTEC/EA signed/prepared Profit and Loss Statement(s) covering the most recent 12-month period. <ul style="list-style-type: none"> • PTIN's are not acceptable to sign/prepare P&L statements. ▪ Income from co-borrowers who are W2 wage earners is to be documented with most recent W2 and paystub. ▪ Borrowers must be self-employed for at least 2 years with 25% or greater ownership in business <p><u>1099</u></p> <p>This program is designed for borrowers who are paid on a 1099 basis and would benefit from alternative loan qualification methods. Most recent 1 year IRS Form 1099 may be used as an alternative to tax returns to document the borrower's income.</p> <p>➤ 1099 Only Restrictions & Requirements</p> <ul style="list-style-type: none"> ▪ Borrower cannot have any ownership interest in the company(s) providing 1099 income ▪ Most recent 1-year IRS Form 1099(s) from employer(s). Borrower must have 2-year history of 1099 employment. ▪ Current paystub or bank statement deposit for each 1099 source utilized for qualification (e.g. if borrower provided 1099 forms from five (5) separate sources, then a separate paystub/bank statement deposit must be provided from each of the five (5) 1099 sources to support current receipt) ▪ Third party documentation (CPA/CTEC/EA) supporting a 2-year employment history when 1 year 1099 used. ▪ Tax transcripts are required for each 1099 provided ▪ 1099 income minus 10% expense factor / 12 months = Qualifying Income. <p><u>WVOE</u></p> <p>This program is designed for wage or salaried borrowers providing a streamlined loan qualification method.</p> <p>➤ P&L Only Restrictions & Requirements</p> <ul style="list-style-type: none"> ▪ This documentation program is not available to borrowers employed by a family-owned/managed business. ▪ Acceptable documentation forms <ul style="list-style-type: none"> • FNMA Form 1005 plus 2 months personal bank statements <ul style="list-style-type: none"> - Form 1005 must be fully completed (current gross pay, YTD earnings, past 2 years earnings) by an authorized company representative (Owner, Officer, HR). • Equifax (The Work Number) • Fincity (TXVerify) • Any other acceptable online income data vendor
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General Requirements	
Max DTI	<ul style="list-style-type: none"> ▪ 50%
Occupancy	<ul style="list-style-type: none"> ▪ Primary Residence ▪ Second Home ▪ Investment
Product Type	<ul style="list-style-type: none"> ▪ 30-Yr Fixed ▪ 20-Yr Fixed ▪ 15-Yr Fixed ▪ 10-Yr Fixed
Loan Purpose	<ul style="list-style-type: none"> ▪ Stand-Alone Cash-Out (Simultaneous/Piggyback not allowed)
Loan Amount	<ul style="list-style-type: none"> ▪ Min: \$50,000 ▪ Max: \$750,000
Property Type	<ul style="list-style-type: none"> ▪ Single Family, PUD, Townhome, Rowhome, Modular ▪ 2-4 Units – Max 75 CLTV OO, 70 CLTV NOO ▪ Fannie Mae Warrantable Condo - Max 75 CLTV OO, 70 CLTV NOO ▪ Rural – Primary Only, Max 10 acres – Max 80 CLTV
Declining Market	<ul style="list-style-type: none"> ▪ Owner Occupied/2nd Home Max CLTV: 75% ▪ Non-Owner Occupied Max CLTV: 70%
Seasoning	<ul style="list-style-type: none"> ▪ Properties owned less than 6 months are ineligible. ▪ Properties listed for sale within 6 months of Note date are ineligible. ▪ Any previous cash out refinance from subject within 6 months, either the 1st or a 2nd lien, Max CLTV 80%.
Senior Lien	<ul style="list-style-type: none"> ▪ Senior Lien Interest Only Max DTI: 45%. ▪ Senior Lien ARM with < 3 years fixed period remaining must qualified on fully indexed payment
Ineligible Senior Liens	<ul style="list-style-type: none"> ▪ Loans in active forbearance or deferment. Deferred balance due to a <ul style="list-style-type: none"> ○ documented hardship may remain open. Without documentation, the deferred balance must be paid through closing ▪ Loans with negative amortization ▪ Reverse mortgages ▪ Balloon loans that the balloon payment comes due during the amortization period of the 2nd lien. ▪ Mortgages not reporting on credit report ▪ Private Party
Compliance	<ul style="list-style-type: none"> ▪ No Section 32 or state High Cost ▪ Loans must comply with all applicable federal and state regulations ▪ Fully documented Ability to Repay including Borrower Attestation ▪ Higher-Priced Mortgage Loans (HPML) and Higher-Priced Covered Transactions (HPCT) are permitted subject to complying with all applicable regulatory requirements.
State Restrictions	<ul style="list-style-type: none"> ▪ Texas not Permitted ▪ Maryland not Permitted
Escrow Impound	<ul style="list-style-type: none"> ▪ Not allowed
Document Age	<ul style="list-style-type: none"> ▪ Income documents: 60 days ▪ Credit documents: 120 days ▪ Appraisal: 120 days (With Recertification of Value: 180 days)

General Underwriting Guidelines	
Credit Score	<ul style="list-style-type: none"> ▪ Qualifying score is the lowest of 2 scores or middle of 3 scores from the primary income earner. ▪ Non-traditional credit ineligible.
Tradelines	<ul style="list-style-type: none"> ▪ 3 tradelines reporting for 12+ mo. or 2 tradelines reporting for 24+ mo. all with activity in the last 12 mo. ▪ On primary residence only, borrowers who do not have the minimum tradelines are acceptable with a current mortgage history on their credit reporting 0x30x12 (No Private Party Mortgages).
Housing History	<ul style="list-style-type: none"> ▪ 0x30x12 ▪ Subject Senior Lien Must be on reporting on Credit report
Housing Event Seasoning	<ul style="list-style-type: none"> ▪ 48 months - Foreclosure, short-sale, deed in lieu, bankruptcy. ▪ No multiple events in last 7 years.
Derogatory Credit	<ul style="list-style-type: none"> ▪ Open charge-offs or collections (including medical) with a balance of \$1,000 or more per occurrence must be paid at closing ▪ No delinquent tradelines at closing
Borrower Eligibility	<ul style="list-style-type: none"> ▪ US Citizen ▪ Permanent Resident Alien ▪ Non-Permanent Resident Alien (with US Credit). (Allowable visas: E1, E2, E3, EB5, G1 through G5, H1, L1, NATO, O1, R1, TN NAFTA). Visa must be current. If visa will expire within 6 months of loan closing date, documentation of extension steps and fees paid as shown by the USCIS website is required.
Ineligible Borrower	<ul style="list-style-type: none"> ▪ Non-occupant co-borrowers; Foreign Nationals ▪ DACA and Asylee borrowers not allowed ▪ Irrevocable Trust ▪ Borrowers who are party to a lawsuit
Required Forms	<ul style="list-style-type: none"> ▪ Borrower must complete and submit Ability-to-Repay Borrower Attestation & Borrower Contact Consent Form ▪ Click to download Ability-to-Repay Borr Attestation Form ▪ Click to download Borrower Contact Consent Form
Title Vesting	<ul style="list-style-type: none"> ▪ Individuals ▪ Joint tenants ▪ Tenants in Common ▪ Inter Vivos Revocable Trust ▪ Business Entity – Investment properties ONLY if Current Vesting is in: <ul style="list-style-type: none"> • Limited Liability Company (LLC) • Limited and General Partnerships • Corporations
Business Entity	<ul style="list-style-type: none"> ▪ Permitted on Investment Properties if current vesting is already in the name of the borrower's business. ▪ All persons with >= 25% interest in the business entity must apply for the loan and meet credit requirements ▪ Max 4 members ▪ Entity Documents: <ul style="list-style-type: none"> • Operating agreement • Articles of Organization • EIN/ Tax Identification Number • Certificate of Good Standing
Assets/Reserves	<ul style="list-style-type: none"> ▪ None Required

Title Report	<ul style="list-style-type: none"> ▪ ALTA Short Form – Lenders Policy
Appraisal	<ul style="list-style-type: none"> ▪ Primary / 2nd Home <ul style="list-style-type: none"> • New Residential Appraisal and AVM supporting value within 10% variance. Lower of two values to be used. • Declining Market Max 75% CLTV ▪ Investment <ul style="list-style-type: none"> • Full Appraisal OR 2055 Appraisal + Residential Appraisal Review supporting value within 10% variance. If review variance is greater than 10% the lower of the two is to be used to determine CLTV. • Declining Market Max 70% CLTV
Minimum Property Standard	<ul style="list-style-type: none"> ▪ GLA must be at least 600 sq ft ▪ Property constructed for year-round use ▪ Permanently affixed continuous heat source ▪ Maximum deferred maintenance cannot exceed \$2,000 ▪ No health or safety issues both internal and external
Ineligible Property	<ul style="list-style-type: none"> ▪ Adult Assisted Living/Care Facilities ▪ Agricultural or Commercial Zoned Properties ▪ Condotels ▪ Co-ops ▪ Non-Warrantable Condo ▪ Deed-restricted properties ▪ Income producing properties (ie: Ranches, Orchards, etc) ▪ Log Homes ▪ Land Trust ▪ Manufactured/Mobile Homes ▪ Mixed-Use ▪ Multiple Dwellings on Single Lot (1 Legal ADU acceptable on SFR) ▪ Property > 10 acres ▪ Room and Board Facilities ▪ Rural 2nd Homes and Investment Properties ▪ Unique Properties (ie: Geodesic domes, etc) ▪ Working Farms and Hobby Farms
Solar Liens	<ul style="list-style-type: none"> ▪ All Solar liens, UCC filings, Notice of Producer Contracts, etc must be removed from title and loans must paid-off prior to or at closing
Maximum Financed Properties	<ul style="list-style-type: none"> ▪ The maximum number of financed properties to any one borrower is limited to twenty (20) residential properties including subject property.