

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, Asset Depletion	Full Doc	Bank Stmt, 1099	WVOE	P&L	Full Doc	Bank Stmt, 1099	WVOE	P&L
100,000-350,000	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%
	640	70%											
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%
750,001-850,000	720	75%	75%										
	700	70%	70%										
Property type Max CLTV													
2-4 Units					Condo					Rural			
OO - Full Doc ≤ \$500K		NOO - Full Doc ≤ \$500K			OO - Full Doc ≤ \$500K			2nd / NOO - Full Doc ≤ \$500K			Owner Occupied		
85%		80%			90%			80%			80%		
Full Doc > \$500K / Other Doc Types (all loan amounts): Max 75% CLTV for 2-4 Units and Warrantable Condos.													

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%

General Requirements	
Loan Purpose	Stand-Alone Cash-Out (Simultaneous/Piggyback not allowed)
Loan Amount	- Min: \$100,000 - Max: \$850,000 - Loans \$750,001-\$850,000: - Primary Residence only; - FICO 700+; - Eligible Doc Types: Full Doc, Bank Statement, 1099 ONLY
Product Type	30-Yr Fixed 20-Yr Fixed 15-Yr Fixed 10-Yr Fixed
Occupancy	- Primary Residence - Second Home - Investment
Max DTI	50% - Qualifying ratios are based on the Full Note Rate.
Property Type	- Single Family / PUD / Townhome / Rowhome / Modular 2-4 Units - Full Doc ≤ \$500K: Max 85% CLTV OO / 80% NOO. 2-4 Units - Full Doc > \$500K or Other Doc Types (all loan amounts): Max 75% CLTV. - Warrantable Condo - Full Doc ≤ \$500K: Max 90% CLTV OO / 80% 2nd & NOO. - Warrantable Condo - Full Doc > \$500K or Other Doc Types (all loan amounts): Max 75% CLTV. - Rural – Primary Only, Max 10 acres – Max 80 CLTV
Declining Market	- Owner Occupied/2nd Home Max CLTV: 75% - Non-Owner Occupied Max CLTV: 70%
Seasoning	- Full Doc ≤ \$500K: No minimum ownership seasoning required. - Full Doc > \$500K / Other Doc Types (all loan amounts): More than 6 months ownership seasoning 6 months or less seasoning since previous refinance on either the 1st or 2nd lien: Max 80% CLTV.
Recently Listed Properties	- Recently Listed - Full Doc ≤ \$500K: Properties listed for sale in the last 120 days are ineligible. - Recently Listed - Full Doc > \$500K / Other Doc Types (all loan amounts): Properties listed for sale in the last 6 months are ineligible.
Senior Lien	- Interest-Only senior liens are acceptable when qualified at Max 50% DTI. - Qualify the 1st lien IO on the fully amortized payment over the remaining term after the IO period. - Senior Lien ARM with < 3 years fixed period remaining must qualified on fully indexed payment
Ineligible Senior Liens	- Loans in active forbearance or deferment. Deferred balances from modifications seasoned greater than 12 months may remain open. If seasoned less than or equal to 12 months, deferred balances must be paid through closing. Senior lien must be out of forbearance at time of loan application in order to be eligible. - Loans with negative amortization - Reverse mortgages - Balloon loans that the balloon payment comes due during the amortization period of the 2nd lien. - Private Party

Subordinate Financing	All existing subordinate liens must be satisfied at or prior to closing
Cash-Out	A letter of explanation regarding the use of loan funds must be provided.
Compliance	- 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. - Prepayment penalties are eligible on Non-Owner Occupied business-purpose loans where allowed by state/federal law.
State Restrictions	- Texas Not Permitted - Properties located in Baltimore City, Maryland not Permitted when subject is an Investment property
Document Age	- Income documents: 90 days - Credit documents: 90 days - Title Report: 90 days - Appraisal: 120 days (With Recertification of Value: 180 days)
General Underwriting Guidelines	
Credit Score	- Qualifying score is the lowest of 2 scores or middle of 3 scores from the Primary income earner. - Asset Depletion: use the lowest middle score of all borrowers. - Non-traditional credit ineligible.
Tradelines	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). - Borrowers that have three (3) credit scores satisfy the minimum tradeline requirements.
Housing History	0x30x12 - Subject Senior Lien must be on reporting on credit report. - When the Senior Lien is not reporting on the credit report only the following documentation types are allowed to verify housing history: - VOM from an institutional lender or - Credit supplement - Satisfactory mortgage payment history in the 3 years prior to loan application
Housing Event Seasoning	48 months – Foreclosure (NOI, NOD), short-sale, deed in lieu, bankruptcy. - No multiple events (FC, BK, SS/DIL) in last 7 years.
Derogatory Credit	- 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
Judgment or Liens	All judgements, garnishments and all outstanding liens must be paid off prior to or at closing.
Borrower Eligibility	- 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	▪ Non-occupant co-borrowers ▪ Foreign Nationals ▪ DACA and Asylee borrowers not allowed ▪ Irrevocable Trust ▪ Borrowers who are party to a lawsuit
Title Report	▪ ALTA Short Form – Lenders Policy
Title Vesting	▪ Individuals ▪ Joint tenants ▪ Tenants in Common ▪ Inter Vivos Revocable Trust ▪ Business Entity – Investment properties ONLY if Current Vesting is in: • Limited Liability Company (LLC) • Limited and General Partnerships • Corporations
Business Entity	▪ Permitted only on Investment Properties if current vesting is already in the name of the borrower's business. ▪ All persons with $\geq 25\%$ interest in the business entity must apply for the loan and meet credit requirements ▪ Max 4 members ▪ Entity Documents: • Articles of Incorporation and bylaws; Certificate of Formation and Operating Agreement; or Partnership Agreement • EIN/ Tax Identification Number • Certificate of Good Standing
Assets/Reserves	▪ None Required
Appraisal	▪ FNMA Form 1004, 1025, 1073 with interior/exterior inspection ▪ Appraisal review product is required unless 2nd appraisal is obtained ▪ Transferred Appraisal is NOT acceptable
Appraisal Review	▪ Secondary valuation product required in every file. Acceptable review products include one of the following: ○ Collateral Underwriter (CU) or Loan Collateral Advisor (LCA) as a secondary valuation if the score is ≤ 2.5 ○ Clear Capital - AVM ▪ AVM Supporting value within 10% variance ▪ Confidence Score of at least 90% ▪ FSD Score to be 0.00 to 0.13 ○ CDA from Clear Capital
Declining Market	▪ Owner Occupied/2nd Home Max CLTV: 75% ▪ Non-Owner Occupied Max CLTV: 70%
Maximum Acreage	▪ 10 Acres (Primary residence Only)

Minimum Property Standard	▪ 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	▪ Adult Assisted Living/Care Facilities ▪ Agricultural of 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
Required Forms	▪ 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
Maximum Financed Properties	▪ The maximum number of financed properties to any one borrower is limited to twenty (20) residential properties including subject property.
Income Doc Type	
Full Doc	<u>Standard Documentation</u> ➤ Self-Employed Borrowers: ▪ 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: ▪ W-2s for most recent 1 or 2-years and current paystubs reflecting 30 days earnings ▪ W-2 transcripts. ➤ Other Requirements: ▪ 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: • Letter from business tax professional. • On-line verification from regulatory agency or licensing bureau. ▪ Treatment of miscellaneous income sources follow FNMA guidelines.

Alt Doc

Bank Statement (12 or 24 months)

Primary Borrower (greater than 50% of income) should be Self-Employed for at least 2 years with 25% or greater ownership in business. The bank statements should show a trend of ending balances that are stable over the 24 or 12 month period.

- Two years self employment and percentage of ownership must be verified by borrower's tax preparer with valid license.
- 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).
- Excessive NSF (non sufficient funds) on the bank statements may cause the loan to be ineligible

➤ Personal & Business Bank Statements Combined

- 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 expense factor per the CPA/CTEC/EA must be reasonable.**

➤ Personal & Business Bank Statements Separated

- If the borrower maintains separate bank accounts for personal and business, only personal bank statements are used for qualifying.
- 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.

➤ 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 expense factor per the CPA/CTEC/EA must be reasonable**

Income Doc Type (Cont.)

Alt Doc

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. The borrower's qualifying income will be based on the net income as shown on the P&L Statement (multiplied by the borrower's ownership percentage)

➤ **P&L Only Restrictions & Requirements**

- A signed letter from the CPA/CTEC/EA 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.
- CPA/CTEC/EA signed/prepared Profit and Loss Statement(s) covering the most recent 12-month period.
 - **PTIN's are not acceptable to sign/prepare P&L statements.**
- Borrowers must be self-employed for at least 2 years with 25% or greater ownership in business.

1099

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 or **2 years** IRS Form 1099 may be used as an alternative to tax returns to document the borrower's income.

➤ **1099 Only Restrictions & Requirements**

- Borrower cannot have any ownership interest in the company(s) providing 1099 income
- Most recent 1-year or **2-years IRS** Form 1099(s) from employer(s). Borrower must have 2-year history of 1099 employment.
- 1099 Statements must be payable to the Individual Borrower(s). 1099 statements payable to a business entity owned by the borrower(s) are not eligible.
- 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.

Income Doc Type (Cont.)	
Alt Doc	<u>WVOE</u> Designed for wage or salaried borrowers providing a streamlined loan qualification method. ▪ This program is only for wage earning income ▪ This documentation program is not available to borrowers employed by a family-owned/managed business. ▪ Written Verification of Employment on FNMA form 1005 must be fully completed (current gross pay, YTD earnings, past 2 years earnings) by an authorized company representative (Owner, Officer, HR). ▪ Internal QC will be completed on WVOE
Asset Depletion	<u>ASSET DEPLETION</u> ▪ Asset depletion can be used to augment qualifying income on all documentation types except DSCR ▪ Eligible as a separate income doc type with following restrictions: ○ Primary Residence ONLY ○ Min Fico 700 ▪ Borrower is qualified utilizing the Most recent 6 months asset documentation verified: ○ Cash in bank (100%) ○ Stocks/Bond/Mutual Funds (90%) ○ IRA / 401K (80%) ▪ Income is qualified: ○ Allowable assets divided by 60 months = Qualifying Income ▪ For eligible asset types, any debt tied to that asset must be netted out. Example: Stocks bought on margin or 401K loan against the 401K account. ▪ Assets must be in liquid or semi-liquid form. No Privately held stock, deferred compensation or non regulated financial companies. <u>Ineligible asset types:</u> ○ Business funds ○ Non-liquid assets ○ Life Insurance – Face Value not Allowed ○ Annuities not allowed ○ Cryptocurrency