Non-Conforming Jumbo Product Guideline for Retail Channel

February 19, 2025

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Product Code	• SUNNPM0276
Loan Purpose	• Purchase • Rate & term Refinance ○ Incidental maximum cash out of $5,000. • Cash out refinance
Occupancy	• Primary residence (1 unit)
Eligible Borrowers	• U.S. Citizens • Permanent Resident Aliens • Non-Permanent Resident Aliens (proof of lawful residency, work authorization, valid visa)
Eligible States	• All states except Puerto Rico, American Samoa, Guam, Northern Mariana Islands, US Virgin Islands
Eligible Properties	• Single-family Residence • Warrantable Condominiums (Fannie/Freddie Eligible) • Planned Unit Development (PUDs) • Townhouse
Ineligible Properties	• 2–4-unit properties • Property with multiple ADUs (Accessory Dwelling Units) • Cooperatives • Time-share projects • Mobile / Manufactured housing • Condotels • Non-Warrantable Condo • Commercial property • Earth homes, dome homes, A-frame, or other typical properties that do not conform to the neighborhood. • Boarding house

	• Bed and Breakfast • Properties located in Lava Zones 1 and 2 • Properties with Agricultural type lands • Properties in excess of10 Acres • Leasehold, Deed restricted properties • UCC associated with the property and/or, easement on title
Minimum Credit Score	• 700
First Time Homebuyer	• Allowed (maximum loan amount is limited to $1,250,000) • Minimum FICO score of 740
Non-Occupant Co-Borrower	• Allowed
Amortization Term	• ARM: 5/6m, 7/6m, 10/6m - 30 years Self amortization
Qualifying Rate	• 5/6 ARM- qualify with the greater of the fully indexed rate or the Note rate +2%. • 7/6, 10/6 ARM – qualify with greater of the fully indexed rate or the Note rate.
Compliance	• High-Cost loan not allowed. • Total points and fees must not exceed 3% • Escrow waiver allowed for tax and hazard insurance. • For property located in Special Flood hazard Area (SFHA), escrow must be established for flood insurance premium. • Compliance with all applicable Federal and State regulations • Fully documented ability-to-repay
Automated Underwriting Systems	• All loans are Manually Underwritten • Non-Traditional credit is not allowed
Minimum Loan Amount	• $766,551
Subordinate Financing	• Allowed. Follow Fannie Mae requirement

Qualifying Ratios

- 45%

Payment History

- No mortgage or rental payment late allowed in last 24 months

Minimum Trade Line Requirement

- Each borrower, whose income or assets are used to qualify, must meet the minimum trade line requirement below:
    - At least 3 trade lines open and reporting for a minimum of 12- months with activity in the last 12-months, or
    - At least 2 trade lines open and reporting for a minimum of 24-months with activity in the last 12-months

Eligibility Matrix

<u>LTV/CLTV/HCLTV Consideration</u>:

- Purchase Transaction: LTV/CLTV/HCLTV is based on the current appraised value.
- Rate and Term refinance: LTV/CLTV/HCLTV is based on the current appraised value.
- Cash Out Transaction: If subject property is owned less than twelve (12) months, the LTV/CLTV/HCLTV

is based on purchase price. If subject property is owned for more than twelve (12) months LTV/CLTV/HCLTV is based on the current appraised value

- **LTV/CLTV Matrix:**

Transaction Type	Minimum FICO	Maximum Loan Amount	Max LTV/CLTV	Max Qualifying DTI
Purchase and Rate/Term Refinance	700	$1,000,000	70%	40%
	720	$2,000,000	80%	45%
	740	$3,000,000	80%	45%
Cash Out Refinance*	720	$1,000,000	65%	45%
	740	$2,000,000	65%	45%
	760	$3,000,000	65%	45%

* Maximum Cash Out allowed is $500,000

Declining Markets

- If appraisal report indicates property values are declining, the maximum LTV/CLTV needs to be reduced by 10%.

Reserve Requirements

Loan Amount	Minimum Required Reserves (Number of months of PITIA)
Up to $1,000,000	6
$1,000,001 - $1,500,000	9
$1,500,001 - $2,000,000	12
$2,000,001 - $2,500,000	18
$2,500,001 - $3,000,000	24

- An additional three (3) months reserves PITIA for each property is required based on the PITIA of the additional REO. If eligible to be excluded from the count of multiple financed properties, reserves are not required.

Credit Reports-Frozen Bureaus

- An updated tri-merged credit report will be required to reflect current and updated information from all repositories.

Rate and term refinance

- Rate/Term Refinance transactions must meet the following requirements:
    - The transaction is being used to pay off an existing first mortgage loan (including an existing HELOC in first-lien position) by obtaining a new first mortgage loan secured by the same property; or for single-closing construction-to-permanent loans to pay for construction costs to build the home, which may include paying off an existing lot lien.
    - Only subordinate lines used to purchase the property may be paid off and included in the new mortgage. Exceptions are allowed for paying off a Property Assessed Clean Energy (PACE) loan or other debt (secured or unsecured) that was used solely for energy-related improvements.
    - The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan, and the borrowers must confirm their intent to occupy the subject property (for principal residence transactions).

Cash out Transactions

- Cash-out refinance transactions must meet the following requirements:
    - The transaction must be used to pay off existing mortgages by obtaining a new first mortgage secured by the same property or be a new mortgage on a property that does not have a mortgage lien against it.

	▪ Properties that were listed for sale must have been taken off the market on or before the disbursement date of the new mortgage loan. ▪ If the property was acquired for less than 6 months, then Delayed Financing guidelines to be referred.
Delayed Financing	• Borrowers who purchased the subject property within the past six months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance. Refer Fannie Mae guidelines for further guidance.
Past-Due Accounts	• Accounts that are reported as past due, which are not reported as collection accounts, must be brought current
Forbearance	• Loans where the borrower requested the forbearance are not eligible including the loans where the borrower was previously in forbearance and now current.
Disputed Tradeline	• Explanation should be asked for multiple disputed trade lines (except medical accounts) or dispute on any mortgage account. • If credit report reflects disputed derogatory accounts, a new credit that is free of disputed derogatory accounts will be required if the total balance exceeds $1000. • All disputed tradelines must be included in the DTI if the account belongs to the borrower.

Credit review

- **Installment Debt:** should be included in DTI. Timeshares will be treated as an installment loans
  - Payments can be excluded if there are 10 or fewer monthly payments remaining to pay the debt in full. If the payment is substantial and exceeds 5% of the borrower's qualifying income, the overall transaction should be reviewed to ensure the remaining payments will not impact the borrower's ability to handle the new mortgage payment.

- **Lease accounts:** Lease payments must be considered as recurring monthly debt obligations and included in DTI ratio calculation. This is regardless of the number of months remaining on the lease.

- **Student Loans**:
  - If the credit report does not reflect the correct monthly payment, use the monthly payment that is on the student loan documentation
  - If the credit report does not provide a monthly payment for the student loan, or if the credit report shows $0 as the monthly payment, we must determine the qualifying monthly payment.
  - For deferred loans or loans in forbearance, lower of the two needs to be considered in DTI:
    - a payment equal to 0.5% of the outstanding balance, or
    - a fully amortizing payment using the documented loan repayment term

- **Deferred Installment Debt**: For deferred installment debts other than student loans, if the borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, we must obtain copies of the borrower's payment letters or forbearance agreements so that a monthly payment amount can be determined and used in calculating the borrower's total monthly obligations.

- **Revolving account**: The minimum required payment, as stated on the credit report or current account statement, should be used to calculate the debt-to income ratio. If no payment is stated on the credit report, the greater of $10 or 5% of the current balance should be included in the DTI ratio calculation.

Bankruptcy, Foreclosures, Short Sale, Deed in Lieu & Modifications/ Other Derogatory Credit Events

Credit Event	Seasoning requirement	Completion date
Bankruptcy Chapter 7, 11, 13	84 months	Discharge or Dismissal date
Foreclosure	84 months	Transaction completion date
Short Sale/Deed-in-lieu	84 months	Completion or Sale date

(Tax Liens, Collection Items, Judgments)

Mortgage settled for less, Negotiated or Short payoffs	84 months	Transaction settlement date
Notice of Default	84 months	Transaction completion date
Loan Modification (due to hardship or, debt forgiveness)	84 months	Modification date
Multiple Derogatory Credit events	Not allowed	NA
Other Derogatory Credit Events (Tax Liens, Collection Items, Judgments)	84 months	Released/Paid date

Note: Seasoning requirement to be measured from event completion date to loan application date

Credit Inquiry

- Any credit inquiries listed on the report within 90 days of the report date must be explained

Fraud Report

- FraudGUARD® by Interthinx® is a comprehensive system that provides loan-level information on valuation, fraud detection and regulatory compliance issues. FraudGUARD® report or a similar product will be utilized to evaluate the borrower and loans, and to clear any adverse finding prior to making decision to approve the loan for closing

Income Documentation Requirement

- 2 years of employment must be documented.
- **Wage Earner:** Minimum 2-year employment history in the same job or in similar job(s).
    - Most recent pay stub reflecting minimum of 30 days year-to-date earnings.
    - Most recent 2-year W-2 forms or personal tax returns (required irrespective of Written VOE)
    - W2 transcripts/tax transcripts for 2 years (tax transcripts are required when tax returns are used to document income/loss)
    - 4506-C form
    - Verbal VOE should be performed no more than 10 business days prior to Note date.

- **Self Employed:** Minimum 2-year history of self-employment in the same business
    - Individual and/or Business federal tax returns with all schedules for most recent 2 years.
    - YTD P&L and Balance sheet
    - Tax transcripts for most recent 2 years

	○ 4506-C form ○ Fannie Mae Liquidity test requirement must be met ○ Most recent 3 (three) months of business bank statement required to support the income used for qualification. ○ Verification of existence of business through a third-party source should be performed no more than 10 calendar days prior to Note date.
Gaps in Employment	• A satisfactory letter of explanation required for gap of more than 60days during the past 2 years. • Borrower must be employed with current employer for at least 6 months. • Extended gaps of employment (6 months or more) require a two-year work history prior to absence
Rental Income	• Rental income can be used for qualification only if the monthly payment (PITIA), if any, for the rental property is included in liabilities. We can't consider rental income from property which is excluded from liabilities. • If rental income (Loss) from other investment properties same can be used for qualification. • Rental income from second home cannot be considered in qualification. Complete expenses (PITIA) attached to second home to be considered in borrower's liability.
Rental income from their departing residence	• Rental income from the departing residence can't be used for qualification.
Other sources of Income [OT, Bonus, SSA, retirement]	• For all the other sources of income such as Bonus, OT, VA/SSA/retirement income, please refer Fannie Mae guidelines
Assets	• Most recent consecutive two moths bank statement is required. Verification of Deposit is not acceptable • Any single deposit exceeding 50% of the total monthly qualifying income must be sourced
Acceptable Source of Funds	• Funds in checking, savings and/or money market account are acceptable • 100% for stocks and 70% for bond, mutual funds, securities value to be used when calculating reserves • Retirement accounts including 401K, IRA, SEP, Keogh accounts ○ Only vested funds may be considered for funds to close and/or reserves ○ For down payment and closing costs, evidence of withdrawal must be documented ○ For reserves, remaining vested balance after down payment will be discounted at 60 percent (60%) of value.

  - Evidence of liquidation if using for down payment or closing costs
- Life insurance surrender value if used for cash to close must be liquidated. If used for reserves, no liquidation is required.
- Sale of real property.
- Sale of private property with supporting documentation.
- Disbursement from a trust fund.
- Disbursement from an IRA or 401(k).
- Full down payment can come from gift funds. Gift funds cannot be used as reserves.
- Funds from business account are acceptable up to borrower's percentage of ownership of the business.

Business funds

- Business funds can be used for down payment /closing costs with following additional requirements being met:
  - Cash flow analysis required using most recent three (3) months business bank statements to determine no negative impact to business.
  - A letter from a qualified disinterested third-party CPA confirming;
    - (i) the amounts of business assets that can be used must correspond to the borrower's percentage of ownership in the business,
    - (ii) the funds are not a loan, and
  - Underwriter to Justify that withdrawal of the funds will not adversely affect the business.
  - Business bank statements must not reflect any NSFs (non- sufficient funds) or overdrafts

Unacceptable Source of Funds

- Cash on hand
- Sweat equity
- Group Savings
- Pooled Funds
- Stock options as reserves
- Assets held in a UGMA (Uniform Gift to Minors Act) or UTMA (Uniform Transfers to Minors Act)
- Business assets cannot be used as reserves
- Equity lines of credit.
- Credit card advances.
- Foreign assets.

- Non-marketable securities
- Gifts of equity are ineligible.
- Gifts that must be re-paid.
- Borrowed Funds – Unsecured
- Advances against overdraft protection
- Advances against credit cards or lines
- Any kind of PPP (Paycheck Protection Program) loans and SBA loans (Small Business Administration)

Non-Arm's Length Transactions

- Follow Fannie Mae Guidelines

Interested Party Contributions

CLTV	Contribution
>75%	3%
≤75%	6%

Age of Documentation

- The maximum age of credit documentation used to determine the borrower's eligibility typically must be no more than ninety (90) calendar days old on the date the note and mortgage are signed. Documentation older than ninety (90) calendar days generally will be re-verified and reviewed for any material changes

Appraisal Requirement

- 1 full Appraisal is required on all loans.
- Additionally, a **Collateral Desktop Appraisal (CDA)** review is required on all loans. The CDA must be on the appraisal used to calculate the LTV.
- If the CDA report value is equal to or greater than the value in the qualifying original appraisal, the appraisal is accepted. In this instance, use the qualifying original appraised value for LTV / CLTV calculations.
- If the CDA report value is lower than the qualifying original appraised value, refer to the table below to determine if the appraisal is accepted or if second appraisal is required:

		LTV Based on Original Qualifying Appraisal		
CDA report Recommends Field Review or is Indeterminate	**Variance of Appraised Value to CDA report Value**	**LTV ≤ 65%**	**LTV > 65% and ≤ 75%**	**LTV > 75% and ≤ 80%**

No	No Variance to ≤ 5%	Accept	Accept	Accept
	>5% to ≤ 10%	Accept	Accept	2nd Appraisal is required
	>10% to ≤ 15%	Accept	2nd Appraisal is required	2nd Appraisal is required
	>15%	2nd Appraisal is required	2nd Appraisal is required	2nd Appraisal is required
Yes	N/A	2nd Appraisal is required	2nd Appraisal is required	2nd Appraisal is required

If the desk review recommends a second appraisal, the second appraisal must be completed by a different appraisal firm than the original appraisal.

If the Second Appraisal value is equal to or greater than the value in the qualifying original appraisal, the appraisal is accepted. In this instance, use the qualifying original appraised value for LTV / CLTV calculations. If the field review is lower than the qualifying original appraised value, refer to the table below to determine if the appraisal is acceptable:

	LTV Based on Original Qualifying Appraisal		
Variance of original Appraised Value to Second appraisal	LTV ≤ 65%	LTV > 65% and ≤ 75%	LTV > 75% and ≤ 80%
No Variance to ≤ 5%	Accept	Accept	Accept
> 5% to ≤10%	Accept	Accept	Decline if Loan to Second appraisal Value ≥ 80%

>10%	Accept. Decline if Loan to second appraised value ≥ 80%.	Decline if Loan to second appraised value ≥ 80%	Decline

Appraisal Waiver	• Not allowed
Assumability	• Not allowed
Prepayment penalty	• Not allowed
Private Mortgage Insurance	• Not applicable
Maximum Properties Financed	• There are no limitations on the number of properties that can be financed by the borrower.

<table>
<tr><td>Product Code</td><td>SUNNPM0066</td></tr>
<tr><td>Loan Purpose</td><td>Purchase
No Cash out Refinance
Maximum incidental cashback is greater of 1% or $2,000
Cash Out Refinance</td></tr>
<tr><td>Amortization Term</td><td>Fixed Rate -10,15, 20, 25, 30 years
Amortizing ARMs:
<table>
<tr><th>Amortizing SOFR ARM Product</th><th>Loan Term</th></tr>
<tr><td>5yr/6m SOFR ARM</td><td>10, 15, 20, 25, or 30 Years</td></tr>
<tr><td>7yr/6m SOFR ARM</td><td>10, 15, 20, 25, or 30 Years</td></tr>
<tr><td>10yr/6m SOFR ARM</td><td>15, 20, 25, or 30 Years</td></tr>
</table></td></tr>
<tr><td>Eligible Occupancy Types</td><td>Primary residence
Second home (1 unit only)
Investment Property</td></tr>
<tr><td>Eligible Borrowers</td><td>US Citizens
Permanent Resident Aliens
Non-Permanent Resident Aliens</td></tr>
<tr><td>First-time homebuyer</td><td>Allowed.
For Massachusetts state: First time homebuyers are not eligible on ARM transactions.</td></tr>
<tr><td>Eligible States</td><td>All states except Puerto Rico, American Samoa, Guam, Northern Mariana Islands, US Virgin Islands</td></tr>
<tr><td>Eligible Properties</td><td>Single Family Residence
PUD
2 - 4 Unit</td></tr>
</table>

	• Warrantable Condominiums (Fannie Mae Eligible)
Ineligible Properties	• Manufactured homes • Time-share units • Property with multiple ADUs (Accessory Dwelling Units) • Structures containing more than 4 units • Boarding house • Bed and Breakfast • Properties located in Lava Zones 1 and 2 • Properties with Agricultural type lands and zoning, including those properties that are currently not commercially income producing • Hotel condominium (i.e., Condotels, motels, resort units) • Lodging units • Non-Warranted condominiums • Co-Ops • Any land, building, property, structure, etc. for which there is knowledge of an illegal activity occurring past or present (based on federal or state law), regardless of whether any income or assets are being derived from the illegal activity. Property alterations cannot be made to achieve collateral eligibility • Properties in excess of 25 acres • Structures containing more than four units • Units managed in rental pools
Maximum Debt-to-income ratio	• Up to 43%

Underwriting Method

- Must receive Approve or Accept findings, comply with the respective Agency's published requirements (for example, Fannie Mae Guide for DU transactions and Freddie Mac Guide for LPA transactions) Note: Refer with Caution, Caution, Refer and Incomplete findings not eligible.
- Default to AUS Findings and FNMA/FHLMC Selling Guide for any guideline not addressed in this guide.
- Loans must be fully underwritten to just one of the applicable Fannie Mae or Freddie Mac guidelines (again one guideline set per loan).
- Agency-specific programs are not eligible for CB Non-Agency Amortizing Jumbo AUS (including but not limited to HomeReady, Home Possible, GreenChoice, Choice Renovation, etc.)
- Refer to the table below for eligibility requirements for transactions submitted through Fannie Mae DU or Freddie Mac LPA:

AUS Finding	**Requirements**
Fannie Mae DU: Approve/Eligible Freddie Mac LPA: Accept/Eligible	Eligible when loan amount is at least base conforming plus $1
Fannie Mae DU: Approve/Ineligible	Eligible only when reason for Ineligible is due to loan amount exceeding Agency loan limits; otherwise, not eligible
Freddie Mac LPA: Accept/Ineligible	Eligible only when reason for Ineligible is due to loan amount exceeding Agency loan limits or due to property type being co-op; otherwise, not eligible for purchase
Fannie Mae DU or Freddie Mac LPA findings other than those listed above	Not eligible

Compliance

- May not exceed 3% points and fee threshold
- Must be QM Safe Harbor or, Rebuttable presumption.
- High-Cost loan not allowed.

Eligibility Matrix

Primary Residence:
Maximum loan amount for LTV <= 85%: $3,000,000 (all states)
Maximum loan amount for LTV > 85%, see below chart

Primary Residence with LTV/CLTV/HCLTV >85% Max Loan Amount

State/MSA	**Counties**	**Maximum Loan Amount**
Counties with standard loan limits*		$1,000,000
Counties that allow high balance loan limits* and all counties in Alaska and Hawaii		$1,250,000
*Refer to Fannie Mae and Freddie Mac Maximum Loan Limits		
California Los Angeles-Long Beach-Anaheim	Los Angeles Orange	$2,000,000
California San Francisco-Oakland-Berkeley	Alameda, Contra Costa, Marin, San Francisco, San Mateo	
California San Jose-Sunnyvale-Santa Clara	San Benito, Santa Clara	
New York, New Jersey, Pennsylvania/ New York-Newark-Jersey City, NY-NJ-PA	New York counties: Dutchess, Nassau, Orange, Putnam, Richmond, Rockland, Suffolk, and Westchester New Jersey counties: Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, and Union	

Primary Residence:

Transaction Type	Property Type	Maximum LTV/CLTV/HCLTV	Minimum Credit Score	Maximum DTI
Purchase and No Cash-Out Refinance[1]	1 Unit / PUD / Condo	89.99%	740	35%
		85%	700	43%
		80%	680	43%
	2 Units	80%[2]	700	43%
	3-4 Units	75%	700	43%
Cash Out Refinance[1]	1 Unit / PUD / Condo	80%	720	43%
		70%	680	43%

1. Prior approval from investor will be required for loan amount > $2,000,000
2. Cannot use rental income from subject to qualify for LTV/CLTV/HCLTVs > 75%

Second Home:

Loan Purpose	Property Type	Maximum Loan Amount[1]	Maximum LTV/CLTV	Minimum FICO	Maximum DTI Ratio
Purchase / No Cash-Out Refinance[1]	1 Unit / PUD / Condo	$3,000,000	80%	680	43%

1. Prior approval from investor will be required for loan amount > $2,000,000

Investment Property:

Loan Purpose	Property Type	Maximum Loan Amount	Maximum LTV/CLTV	Minimum FICO	Maximum DTI Ratio
Purchase /No Cash Out Refinance	1 Unit / PUD	$1,250,000	80%[1]	740	43%
		$1,250,000	75%	700	43%
		$2,000,000	70%	740	43%
	2-4 Unit	$1,250,000	75%	700	43%
		$2,000,000	70%	740	43%

1. Investment transactions with LTV > 75%; minimum 24 months reserves required. Refer to Reserve section for details.

Maximum Cash Out

- If LTV/CLTV/HCLTV is >60% then maximum cash back allowed is $250,000
- If LTV/CLTV/HCLTV is ≤ 60% then maximum cash back allowed is $500,000
    - Max allowed cash back is $250,000 if borrower received a prior cash-out refinance on the property within the past 12 months

Minimum Loan Amount

- Base conforming limit for property type, plus $1 as per below table:

Properties Located in	Units	Minimum loan amount
All States Except Alaska and Hawaii	1	$766,550
	2	$981,500
	3	$1,186,350
	4	$1,474,400
Alaska and Hawaii	1	$1,149,825
	2	$1,472,250
	3	$1,779,525
	4	$2,211,600

ARM Feature

- Index: 30-Day Average of SOFR
- Rate Adjustments:
  - Interest rate can be adjusted up or down at each rate change date, based on the movements in the index
  - The interest rate will be adjusted to equal the sum of the index plus the required margin, rounded to the nearest .125% subject to the interest rate caps.
  - The monthly payment will be adjusted in accordance with the change in the interest rate.
- Interest Rate Change Dates:
  - The interest rate at lock-in will remain constant until the first rate change date. Subsequent rate change dates will occur on the 1st day of every 6th calendar month thereafter.
  - The first change date is the month prior to the first payment date plus the number of years (5, 7 or 10) based on the ARM program type. For Example: 5yr/6m ARM with a First Payment date of 4/01/2020 would have an Interest Rate change date of 3/01/2025.
- Caps:
  - 5yr/6m SOFR ARM: 2/1/5 %
  - 7yr/6m and 10yr/6m SOFR ARMs: 5/1/5%
- Margin:
  - 5yr/6m, 7yr/6m, 10yr/6m SOFR ARM: 2.75%
  - The Floor is the margin
- ARM Change Look Back Period: 45 days

Non-Occupant Co-Borrowers

- Permitted Maximum LTV is more restrictive of 85% or LTV permitted in the Eligibility matrix section

Permanent Resident Alien

- Provide with one (1) of the following to document legal residency for Permanent Resident Alien:
  - A valid and current Permanent Resident Alien card (form I-551) also known as a green card.
  - A passport stamped "processed for I-551, Temporary evidence of lawful admission for permanent residence. Valid until _______." Employment authorized. This evidences that the holder has been approved for, but not issued, a Permanent Resident Alien card.
- Eligible with proof of lawful permanent residency
- Underwritten the same as U.S. citizen

Temporary Residents	• **General Requirements:** ○ Must follow current title vesting requirements ○ Must meet Foreign Borrower documentation requirements ○ Undocumented Foreign Nationals: Not eligible (excluding **DACA**) • **Temporary Residents with U.S. Citizen**: ○ Loan may be underwritten following U.S. Citizen/Permanent Resident eligibility requirements and guidelines: ▪ No asset/income contribution required from U.S. Citizen/Permanent Resident ▪ Temporary Resident can be a non-occupant and is eligible for Second Home/Investment transactions • **Temporary Residents without U.S Citizen:** ○ Primary Purchase, No Cash-Out and Cash-Out ○ Follow respective Non-Agency LTV/CLTV and credit score requirements - Standard and High Asset (such as, no LTV haircuts applied) ○ Must be an occupying borrower
Defendant in a Lawsuit	• Borrowers involved as defendants in a lawsuit with pending litigation may not be eligible for extension of credit. To determine the borrower's eligibility, the borrower's attorney must provide a letter explaining the lawsuit with supporting documentation. Give careful consideration to these factors: • Determine the impact of the lawsuit on the borrower's ability to repay the mortgage if it levies additional financial obligations against the borrower • Analyze supporting documentation to determine the extent of potential income or asset interruption • Determine whether an insurance policy or established escrow fund will cover the potential obligation • Determine whether the title company will take exception to the pending litigation and decline to insure our first lien position • When the amount of the potential obligation is minimal (less than $10,000), determine whether the borrower has sufficient assets to establish an escrow account for 1.5 times the amount of the proposed damages. The attorney representing the borrower in the litigation must hold the assets
Ineligible Borrowers	• Foreign National

	• Politically Exposed Persons Loans associated with current or former non-United States officials (aka) foreign politically exposed person (PEP), their immediate family, or close associates are not permitted • Borrowers with diplomatic status • Life Estates • Non-Revocable Trusts • Guardianships • LLCs, Corporations or Partnerships • Land Trusts, except for Illinois Land Trust • Borrowers with any ownership in a business that is federally illegal, regardless of if the income is not being considered for qualifying
Income/Employment	• **DU Validation Services** - Not allowed • **MCC income** – Not allowed • **Tax Transcripts** o 4506-C must include CoreLogic or DataVerify name and address o Tax transcripts must be provided in the file when: ▪ Loan is identified by a fraud detection tool as high risk ▪ Borrower has filed an extension and has not yet filed the most recent year's returns. Refer to the applicable Agency's Age of Document for requirements. ▪ Borrower is a foreign borrower using an Individual Taxpayer Identification Number (ITIN) ▪ Underwriter requires to remediate potential owner occupancy, income, or employment questions • **Employment Contracts** o Follow respective Agency guidelines based on AUS method, plus employment must begin within 90 Days of closing • **Mortgage Differential Income** o Employer providing the income credit cannot be an interested party on the transaction

- **Rental Income**
    - Follow respective Agency guideline to determine required documentation and income calculation, plus when Rental Lease Agreement is required to document Rental Income, the original term of the lease agreement must be for at least one year.
      Note: When Lease Agreement with original term of one year is expired but has moved to a month-to-month phase, the lease is acceptable.

- **Self-employed**
  Follow respective Agency self-employment documentation and calculation guidelines based on AUS method, plus minimum of two-years operating in same business as documented by:
    - 2 Years most recent signed and dated personal income tax returns or transcripts with all applicable schedules required (follow respective Agency guidelines for signature/date alternatives)
    - 2 most recent year's signed and dated business tax returns required (unless evaluated through DU and meets Fannie Mae guidelines for waiver of business tax returns)

      Note: If federal tax returns do not reflect the complete 24-month period (due to timing), an unaudited Profit and Loss (P&L) Statement and Balance Sheet prepared by an independent third-party (such as borrower's tax preparer, CPA, or company bookkeeper) or by the borrower must be provided covering the remaining time period

- **VVOE**
    - Follow respective Agency guidelines, plus post consummation VVOE must be dated within 30 days of Note Date

- **Written VOE in Lieu of Paystubs & W-2s**
    - Handwritten VOE Form 1005 not permitted. Third party and Employer Computer generated VOE is acceptable when AUS messaging allows.

- **Annuity (Non-Retirement/Structured Payments)**
    - Award letter or similar documentation confirming the amount, frequency and duration of payments required, Borrower must already be receiving the income, plus must evidence:

  - Investment is in the annuitization phase at the time of application
  - Whether the annuity provides fixed or variable payments. If payments are:
    - Variable, a 24-month history of payments are required
    - Stable or increasing, an average can be used
    - Decreasing and there is a guaranteed minimum amount specified in the annuity contract, the guaranteed minimum amount can be used, otherwise the income is ineligible for qualifying
  - Receipt for the most recent month and minimum three year's continuance required

Note: If the non-annuity is in the accumulation phase (such as, when investment is being funded) or is a deferred income annuity, then the non-retirement annuity is not eligible to use for income.

- **Cryptocurrency**
  - Income in form of cryptocurrency not permitted. Income must be converted to U.S. dollars.

- **Grossing Up Tax Exempt Income: Follow respective Agency plus:**
  - For income that is always non-taxable, most recent year's tax return required to gross up income by more than 25%
  - For Social Security Benefits (Retirement or Survivor Benefits):
    - 15% of the benefit may be grossed up using a 25% tax rate and then added to the full amount of social security benefit. Tax returns are not required
    - If the borrower does not qualify as described above, a copy of the most recent tax return is required to determine if
      - Tax rate greater than 25% applies, and/or
      - More than 15% of income should be treated as non-taxable

- **Mandatory Furlough**
  - Borrowers that are on a Mandatory Furlough from their job (such as, plant shutdown, temporary layoff, etc.) must return to work prior to the closing of the loan in order to use the income for qualifying purposes.
  - Additionally, the following documentation is required:

        - VVOE indicating the borrower has returned to work under the same terms as prior to the furlough, and
        - Paystub verifying return to work and supporting the qualifying income used for the loan

- **Rental Income-Disregarded Entities**
    - For disregarded entities, follow IRS Form Schedule E analysis and obtain lease agreement. These transactions are not subject to being evaluated pursuant to self-employment guidelines.

- **Schedule F**
    - Follow Fannie Mae requirements for documentation and adjusting cash-flow analysis.

- **Schedule K-1 (< 25% guidelines.**
    - For DU and LPA transactions, follow Fannie Mae Schedule K-1 < 25% guidelines.

- **SE: Pass Through Income (Entity to Entity)**
    - When self-employment income being used to qualify is passed through other entities and the borrower owns 25% or more of the other business entity, then must analyze the pass-through entity by obtaining two years business tax returns including all schedules for that entity.

- **Interest -Dividend and/or Capital Gains**
    - If using for income, document continuance through obtaining underlying asset statement. Calculate YTD earnings by applying a realistic market interest rate to the account balances and averaging over the number of months the income has been received for the year.

Assets

- **Asset/New Account**
    - If statements indicate account opened within 90 days, the initial deposit must be sourced if funds are needed for closing and meet definition of large deposit.

- **Business Assets**
    - Business assets are not eligible to meet minimum reserve requirements.

- **Down Payment**

	◦ Minimum 5% from borrower's own funds if LTV > 80%. • **Cryptocurrency** • Assets in the form of cryptocurrency must be converted to U.S. dollars, plus must document purchase of cryptocurrency was completed using eligible funds (Document the original purchase price/value of the cryptocurrency
Credit	• **Delinquent Chase Accounts** ◦ Chase delinquent accounts must be paid off or brought current prior to or at closing • **Credit Report** ◦ Credit Report must be free of frozen credit. • **Non-Traditional Credit** ◦ Non-Traditional Credit not permitted. • **Credit Score** ◦ Representative Credit Score must be used for product eligibility & pricing. • **Derogatory Credit Requirements** ◦ Subject property or any debt included in a prior bankruptcy must be reaffirmed if paying off is a condition of approval.
Housing Payment History	• Housing Payment History must meet requirements (0x30 days late in last 12 months. If more than 12 months history verified, no more than 1x30 in months 13-24).
Federal Income Tax Installment Agreements	• For DU and LPA transactions, follow Fannie Mae guidelines plus must evidence at least three on-time payments made prior to closing.
Verification of Rent (VOR)	• When rental history required by the respective Agency based on AUS method, VOR eligible if provided through rental management company. Private landlord VOR not permitted
Refinance Transactions	• Follow respective Agency guidelines based on AUS for definition of No Cash and Cash-out

- Note: In the event the AUS findings require more reserves than required under below matrix then , must validate amount of reserves indicated on AUS findings.

Reserve Requirements

Occupancy Type	LTV/CLTV/HCLTV	Reserve Requirement (PITIA)
Primary / Second Home	≤ 80%	6 If any portion from retirement income, 12 months reserves required
	>80 to ≤ 85%	18
	>85 to 89.99%	30
Investment	≤ 75%	6 If any portion from retirement income, 12 months reserves required
	>75 to 80%	24

- For Second Home and Investment transactions, two months additional reserves required for each additional financed Second/Vacation or Investment Property owned.
- When reserves are required for other properties owned in addition to the subject property, the calculation of reserves is based on the specific housing expense associated with each of the individual properties (as applicable).
- Note: Reserves required for each property must be separately calculated and verified.

Age of Documentation

- Follow the AUS clauses. As a general rule, the maximum age of credit documentation used to determine the borrower's eligibility typically must be no more than 120 calendar days old on the date the note and mortgage are signed.

Non-Arm's Length Transactions

- When the transaction is potential non-arm's length transaction, ensure it meets following additional requirements:
    - A "field review" from a certified appraiser is also ordered in addition to one appraisal. Appraiser must verify the purchase price and last sale date of the subject property
    - Seller concessions are not allowed
- If the property is newly constructed, the occupancy must be a primary residence

Temporary COVID Requirements	• The following Temporary COVID guidelines continue to apply: ○ Self-employment businesses open and operating (refer to Freddie Mac Bulletin 2020-08, 2020-27 & 2020-35 and Fannie Mae Lender Letter 2020-03 for details) • Temporary eligibility requirements for purchase and refinance transactions (refer to Freddie Mac Bulletin 2020-17 and Fannie Mae Lender Letter 2021-03 for details)
Interested Party Contributions	Follow respective Agency guidelines based on AUS method
Private Mortgage Insurance	• Not applicable/permitted. Disregard mortgage insurance messages returned from DU/LPA
Assumability	• Fixed Rate Loans: Loans are not assumable • ARM Loans: Loans are assumable after the initial fixed rate period under certain conditions described in the Security Instrument
Ineligible Features	• Texas 50(a)(6) loans are not allowed. • Higher-Priced Mortgage Loans (HPML) • Higher-Priced Covered Transactions (HPCTQM-Rebuttable Presumption) • Balloons • Graduated Payments • Temporary Buy downs • Loans with Prepayment Penalties • Affordable LTV/Deed Restrictions surviving Foreclosure • High cost, Subprime and loans with Prepayment features • Loans with community second made by Native American tribe • Shared Equity programs • Pace/similar EEF loans that allow for lien prioritization over 1st Mortgage (cannot subordinate lien) • Temporary Buydowns
Appraisal Requirement	• Second appraisal based on loan amount is required as follows: ○ Purchase transactions with loan amount >$2 million and LTV > 80% ○ Refinance transactions with loan amount > $2 million, regardless of LTV • Secondary valuations are required on loans with one Appraisal report except for below cases:

  - Secondary valuations are not required when at least one of the Submission Summary Reports (SSR) [either Fannie Mae Collateral Underwriter (CU) or Freddie Mac Loan Collateral Advisor (LCA)] reflects a score of 2.5 or lower. Example: It is acceptable for one SSR score to be 2.4 and the other SSR score to be 2.6 to meet the 2.5 or less requirement.

If Secondary Valuation is…	THEN…
determined from an approved AVM vendor,	The Valuation may not be more than 10% below the original appraised value. Note - AVM value not used for LTV calculations
Clear Capital CDA or a Desk Review (Fannie Mae form 2000 or 2000A)	The original appraised value must be supported by CDA/Desk Review within 10%. Note: Value not used for LTV calculations

- Assigned appraisals not permitted.
- Loans must comply with the UAD requirements.
- Building Sketch Interior dimensions required on all attached projects.
- 2-4 Unit Building Sketch must include each unit's layout (labeled rooms) and indicate the square living area for each unit and gross building area (GBA). GBA includes all interior common areas such as stairways or hallways, based on exterior measurements of the building.
- Appraisers must follow the ANSI standards for interior and exterior inspections and include all of the declarations as required by ANSI in the appraisal report
- Appraisal Waivers (PIW/ACE) not permitted

Escrow Holdback/ Completion Escrow

- Any inadequacies determined by the appraisal must be remedied prior to closing. Escrow holdbacks are not permitted.

Escrow Waivers

- When the monthly qualifying income supports sufficient funds to cover the monthly portion of taxes and insurance, escrow waivers are allowed up to maximum LTV reflected in the applicable product guide. Additionally:
  - LTV must be less ≤ 90% to waive escrow for tax and/or hazard insurance.
  - Flood insurance escrows cannot be waived for subject properties located in SFHAs.
- HPML transactions: escrow accounts are required when the borrowers' APR exceeds the APOR by 2.5% or more

Multiple Property Ownership	• Follow respective Agency guidelines for maximum number of financed properties and additional reserve requirements for second home and investment transactions
Deed Restricted Properties	• Deed Restrictions that negatively impact marketability or are considered prejudicial (such as restrictions based on buyer's marital status, race, religion, etc.) are not eligible. • Code, Covenant and Restrictions (including, but not limited to, restrictions requiring home must be maintained or HOA must approve addition, colors, etc.) are permitted
Maximum Number of Borrowers	• Number of credit applicants is limited to four per loan transaction

JCT: Non-Conforming Jumbo Program

Product code	• SUNNPM0277
Loan Purpose	• Purchase • Limited Cash-Out Refinance • Cash-Out Refinance
Amortization Term	• Fixed Rate - 15,30 years. No negative amortization. • ARM: 30-year amortization. No negative amortization ○ 5 Year (5yr/6m) SOFR ARM - 60 months initial fixed rate period ○ 7 Year (7yr/6m) SOFR ARM - 84 months initial fixed rate period ○ 10 Year (10yr/6m) SOFR ARM - 120 months initial fixed rate period
Qualifying Rate	• FRM: Note Rate • ARM: ○ 5yr/6m SOFR: Higher of Note Rate + 2% or the Fully indexed rate ○ 7yr/6m SOFR, 10yr/6m SOFR: Higher of Note Rate or the Fully indexed rate
Occupancy	• Primary Residence • Second Home • Investment property
Eligible States	• All states except Puerto Rico, American Samoa, Guam, Northern Mariana Islands, US Virgin Islands
Eligible Borrowers	• U.S. Citizens • Permanent Resident Aliens • Non-Permanent Resident Aliens
First-time homebuyer	• Allowed
Eligible Properties	• Single Family Residence • PUD • 2 - 4 Units • Warrantable Condominiums (Fannie Mae Eligible)

Eligibility Matrix

Primary Residence

Transaction Type	Property Types	Maximum Loan Amount	Max LTV / CLTV	Min FICO	Max DTI	Reserves	Max Cash-Out
Purchase & Rate Term Refinance	1-2 Units, PUD, Condo	$1,000,000	80%/ 80%	720	43%	12	N. A
		$2,000,000	75%/75%	720	41%	18	
		$3,000,000	70%/70%	760	41%	24	
			75%/75%	760	41%	36	
	3-4 Units	$2,000,000	70%/70%	720	43%	18	
		$3,000,000	65%/65%	760	41%	36	
Cash Out Refinance	1-2 Units, PUD, Condo	$1,000,000	70%/70%	740	43%	18	$350,000
		$1,500,000	65%/65%	740	43%	18	$350,000

Second Home

Transaction Type	Property Types	Maximum Loan Amount	Max LTV / CLTV	Min FICO	Max DTI	Reserves	Max Cash-Out
Purchase & Rate Term Refinance	1 Unit, PUD, Condo	$1,500,000	70%/ 70%	740	43%	18	N. A

Investment Property

Transaction Type	Property Types	Maximum Loan Amount	Max LTV / CLTV	Min FICO	Max DTI	Reserves	Max Cash-Out

Purchase & Rate Term Refinance	1 Unit, PUD, Condo	$1,500,000	65%/ 65%	760	40%	36	N. A

1.The above maximum LTV/CLTV/HCLTV should be reduced by 5% if the subject property is located in a depreciating market. See Exhibit 1-Depreciating Markets - Click here.
2. PUDs are only allowed on 1-unit properties
3. Florida and Georgia Condominiums are not permitted for investment property.
4. Site condos are only allowed as primary residence.
5. Additional reserve requirement:

  - **In the case of multiple properties**: 2 months PITIA is required on each additional residential property with a lien (i.e., primary residence, second home, and investment property).
  - **In case of pending sale or up sale or listed sale of principal residence**: Refer Section 'Additional reserve requirement in case of pending sale or up for sale or listed for sale of principal residence' for additional reserve requirement.

Additional reserve requirement in case of pending sale or up for sale or listed for sale of principal residence

- If current principal residence is pending sale or up for sale or listed for sale but transaction will not be closed prior to the new mortgage, then below reserve requirements must be met:
  - If the borrower qualifies by considering both properties PITIA in debt-to-income ratios, then 2 months PITIA reserve for the departure property is required.
  - If the borrower is not qualifying by considering both the properties PITIA in ratios, then below requirements must be met:
    - If there is an accepted contract, a minimum of 6 months PITIA reserves on the departure property in addition to the reserves required for the transaction is required and payment on the departure property does not have to be included in the DTI.
    - If there is no contract on the departure property, a minimum of 24 months PITIA reserves for the departure property in addition to the reserves required for the transaction is required and the payment on the departure property does not have to be included in the DTI.

Note: The reserve requirement as per eligibility matrix must be applied in additional to the departure property guidelines.

Underwriting

- Loans are manually underwritten. AUS decisions are not permitted.

Compliance	• All loans must be General QM with Safe Harbor • High-Cost loan not allowed
Ineligible Properties	• Manufactured homes • Time-share units • Property with multiple ADUs (Accessory Dwelling Units) • Structures containing more than 4 units. • Boarding house • Bed and Breakfast • Properties located in Lava Zones 1 and 2 • Properties with Agricultural type lands and zoning, including those properties that are currently not commercially income producing. • Hotel condominium (i.e., Condotels, motels, resort units) • Lodging units • Non-Warranted condominiums • Co-Ops • Any land, building, property, structure, etc. for which there is knowledge of an illegal activity occurring past or present (based on federal or state law), regardless of whether any income or assets are being derived from the illegal activity. Property alterations cannot be made to achieve collateral eligibility. • Properties in excess of 25 acres • Structures containing more than four units. • Units managed in rental pools
Ineligible Transactions & Scenarios	• All Deed Restricted Properties, including Age Only • Higher Priced Mortgage Loans • Industrial, Commercial or Agricultural Zoned Properties • Income sources listed in Section 1508.5-Employment and Income/Introduction/Ineligible Sources of Income topic. • Loans to employees of Citibank N.A. and CitiMortgage Inc. • Mixed Use Properties • Non-Arm’s Length Transactions

- Non-occupant Co-borrowers
- Non-resident Applicants
- Partial Release
- Technical Refinance
- Texas Cash-Out
- Texas Section 50(a)(6)
- Texas Section 50(f)(2)
- Work Completion Escrow

Appraisal

Loan Amount ≤ $2,000,000	1 full interior/exterior appraisal is required.
Loan Amount > $2,000,000	2 full appraisals are required (prepared by different appraisal firms) • Ordering both reports from the same company, vendor, or agent is not allowed. • Both reports are to be ordered from two different Appraisal Management Companies (AMC). • The lesser of the two Appraised values should be used to underwrite the transaction and determine LTV/CLTV.

- All appraisal reports that are more than 120 days old as of the Note/Mortgage require a recertification of value/update that includes an exterior inspection of the property and a review of current market data to confirm that the property has not declined in value since the date of the original appraisal.

Condo Project Approval

- Limited Review Condominium Projects: The Condominium project must meet Fannie Mae's guidelines for limited review.
- Full Review Condominium Projects: The condominium project must meet Fannie Mae's guidelines for full review. The following documentation must be included in the loan package:
  - Condominium Project Questionnaire
  - Current Condominium Project Budget

Buydowns

- Permanent: Permitted
    - Permanent interest rate buy downs are allowed on most transactions. Funds to finance the buy down may be supplied by the borrower, seller, or another third party. If someone other than the borrower, the transaction provides the funds is subject to the contribution restrictions. Refer to -Assets/Source of Funds/Interested Party Contributions for additional restrictions.
    - Note: For all ARM products only the initial rate and the life cap are reduced, not the margin.
    - Exception: Unplanned permanent buy down points that result from a shift in market interest rates during the period between the date of the sales contract and the date of the loan closing (when the sales contract "locks-in" specific financing terms related to the points that will be paid) are not subject to the contribution restrictions.
- Temporary: Not Permitted

Escrow Waivers

- Must have escrows unless state law dictates otherwise.
- An escrow waiver may be granted for loans with LTV/CLTV equal to or lessor than 80%

Subordinate Financing

- Permitted

Assumable

- Not allowed

Prepayment Feature

- Not Available.

Private Mortgage Insurance

- Not Required.

Loan Amount

- Minimum: Must be at least $1 over the conforming loan sizes listed below:

Units	Contiguous States and District of Columbia	Alaska and Hawaii
One	$766,550	$1,149,825
Two	$981,500	$1,472,250
Three	$1,186,350	$1,779,525
Four	$1,474,400	$2,211,600

Properties Listed for Sale

- If the subject property is currently listed for sale the loan is not eligible for a rate/term refinance or a cash-out refinance
- Properties that were listed for sale and taken off the market within the past 180 days are eligible for a rate/term refinance only on a primary or second home. These loans are not eligible for a cash out refinance.

	• Documentation evidencing the listing was cancelled, along with a letter of explanation from the borrower detailing the rationale for cancelling the listing, must be provided. • Property is no longer listed for sale and the additional scrutiny to these transactions will be required to ensure that refinancing the loan provides a benefit to borrower. • This policy does not apply to the refinance of a property that was recently purchased within the past 180 days.
Multiple Properties	• Subject is Primary Residence: For loans secured by primary residences, borrowers may not own or be obligated on a combined total of more than 5 financed residential properties, including the subject property. (Refer to the table below to determine if “other properties owned” should be included in limitation.) • Subject is Second Home or Investment Property: If the subject property is a second home or investment property, typically each borrower individually and all borrowers collectively may not own or be obligated on a combined total of more than 4 financed residential properties (including the subject property) at the time of application (applies to either a single lender or several different lenders, including Citi). • 2 months PITIA is required on each additional residential property with a lien (i.e., primary residence, second home, and investment property).
Age of Credit Documents	• Credit documents may not be more than 120 days old at the time of loan closing for existing and new construction. • Credit documents include credit reports and employment, income, and asset documentation. The age of the documents is measured from the date of the document to the date the note is signed. • For properties located in an “escrow state” only, the printed note date and actual closing/signing date may differ. In these instances, the Closing Disclosure should be used to determine the actual closing date for determining the age of credit documents.
Bankruptcy	The bankruptcy should be fully discharged or dismissed as specified below. • The mortgage application may not be approved before the following time periods have elapsed from the date of the application: ○ 4 years from the date the Chapter 7 or 11 bankruptcy was discharged or dismissed; ○ 4 years from the date a Chapter 12 or 13 repayment plan was dismissed or 2 years from discharge date. Note: The shorter waiting period based on the discharge date recognizes that borrowers have already met a portion of the waiting period within the time needed for the successful completion of a Chapter 12

or 13 plan and subsequent discharge. A borrower who was unable to complete the Chapter 12 or 13 plan and received a dismissal is held to a 4-year waiting period.

- 2 years may be considered an acceptable interval for having re-established a satisfactory credit record when.
  - The previous action was a discharged or dismissed Chapter 12 or 13 bankruptcy, regardless of the reasons that contributed to the previous bankruptcy.
  - The previous action related to a deed-in-lieu or Chapter 7 or 11 bankruptcies resulted from extenuating circumstances. (If the borrower cannot provide satisfactory documentation of the extenuating circumstances, 4 full years must have elapsed.)

- Bankruptcy on the Same Mortgage
  - If a mortgage debt was discharged through a bankruptcy, the bankruptcy waiting periods may be applied if the appropriate documentation to verify that the mortgage obligation that was discharged in the bankruptcy is obtained. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting periods must be applied.

- Multiple Bankruptcy Filings
  - A 5-year time period must have elapsed from the most recent dismissal or discharge date for borrowers with more than one bankruptcy filing within the past 7 years. A satisfactory credit record must be re-established. All bankruptcies must be either dismissed or discharged.

  Note: Two or more borrowers with individual bankruptcies should not be considered cumulative. For example, if the borrower has one bankruptcy and the co-borrower has one bankruptcy, this is not considered a multiple bankruptcy.

Documentation Requirements:

- Borrowers who have had bankruptcy closed within the past 7 years must provide the following.
  - Copies of the bankruptcy petition, schedule of debts, discharge or dismissal order and the document issued by the court showing the bankruptcy estate is closed.
  - Evidence to indicate that all debts not satisfied by the bankruptcy have been paid or are being paid.
  - Any other evidence necessary to support the determination that the borrower has reestablished and maintained an acceptable credit reputation

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Borrower Explanations (LOE)

- A written explanation from the borrower is required for the following:
- All Significant Derogatory Information. The purpose for requiring a written explanation is to assist the underwriter in determining whether the Borrower’s credit problems were due to extenuating circumstances

	(factors clearly beyond the control of the Borrower) or whether they reflect financial mismanagement (the Borrower's disregard for the payment of obligations when due). • Temporary Leave: The borrower must provide written confirmation of their intent to return to work and the agreed date of their return. • Gap in Employment: The borrower must provide a written explanation when there is a gap in employment of 30 days or more. • A written explanation may be sent through the mail, email or fax. Confirmation that the written explanation came from the borrower may include the email address, a typed or signed name within the explanation document or an e-signature. • The following are all acceptable forms of documentation for the explanation: o Verbal conversation directly with the borrower (documented in the permanent loan file) ; or o Written explanation/letter sent via regular mail, email, or fax
Credit Inquiries	• If the credit report indicates that a borrower has made an inquiry within the previous 90-day period, then the Sun West may require a letter or a signed statement from the borrower OR a conversation with the borrower (which must be documented in the loan file) may be used to determine whether additional credit was obtained. Note: Letters of explanation that are e-mailed are not required to be signed. Inquiries from a source that would not result in a debt included in the DTI calculation do not require written explanation from the borrower.
Foreclosure	• After 7 years have elapsed, the borrower may obtain a purchase mortgage pursuant to the eligibility requirements in effect at that time. A letter of explanation is required. • When both a bankruptcy and foreclosure are disclosed on the loan application, or when both appear on the credit report, the bankruptcy waiting period may be applied if the borrower provides appropriate documentation to verify that the mortgage loan in question was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting period must be applied.
Garnishments	• If the borrower has a garnishment, the monthly debt should be included in the total debt ratio. The underwriter would require the reason for the garnishment, provide explanation (in writing or verified via telephone). Note: Garnishments do not need to be paid off prior to or at close.

Judgements & Tax Liens / Public Records	• Borrower must pay off all delinquent credit—including delinquent taxes, judgments, charged-off accounts, tax liens and mechanics' or material men's liens—that have the potential to affect lien position or diminish the borrower's equity. • Borrowers with previous judgments must provide evidence of payment in full or evidence the judgment no longer represents a claim against the borrower. • The borrower must provide a satisfactory written explanation along with any supporting documentation, as needed. • Loan proceeds may be used to pay off judgments or tax liens at closing by the title company; pay off must be documented on the Closing Disclosure.
Minimum Tradelines	• **Traditional Credit** ○ The cumulative established credit history of all borrowers on the transaction needs to consist of a minimum of 4 trade lines (installment, revolving accounts, mortgages, etc.), one of which is open and has a minimum of 24 months history, the other 3 may be open or closed but must be rated for at least 12 months ○ if there are less than 4 trade lines, or the trade lines do not meet the required payment history requirements as outlined or if there is no credit, there is insufficient data to determine credit behavior—even if the report includes a credit score
Payment of Past Mortgages / Rent	**Existing Mortgage Payment Requirements** • A verification of mortgage history is required on all transactions and must contain current balance, current status and payment amount verified via: ○ A third party or credit bureau; or ○ Verification of mortgage completed by the holder of the mortgage is acceptable. ○ The credit report must contain the entire mortgage payment history. If the report covers activity for the previous 12 months or longer, we may rely on the credit report for the verification. If it does not, provide the history directly from the mortgage servicer or get 12 months cancelled checks (front and back). ○ On the date of the loan application, the borrower's mortgage payments (first and second) on the subject property must be current, ○ On the date of the loan application, the mortgage history must reflect 0 x 30 in the previous twelve (12) months. "Rolling" Mortgage late pays are not permitted.

- In the case of a recent refinance or account transfer, a combination of payment performance from multiple lenders for the same collateral may be used to complete the twelve-month (12) history requirement.
- For a recent purchase, a combination of payment performance from a prior property or rental payments may be used to complete the twelve-month (12) history. A gap in mortgage/rental payment history of up to six (6) months is allowed by obtaining the most recent eighteen-month (18) history and providing written documentation explaining the reason for the gap.
- For each mortgage liability where the borrower is currently an obligor on the note secured by real estate debt, a verification of mortgage must be obtained if the mortgage is not verified on the credit report.

Rental History

- A verification of rental history is required on all transactions via:
  - Copies (front & back) of twelve (12) months consecutive (one (1) payment per month) rental payment cancelled checks; or
  - Bank statements or direct payment records showing one (1) payment per month; or.
  - Verification of rent from the professional management company; or
  - Residential mortgage credit report ("RMCR") or merged in-file report.
  - Borrowers unable to provide a complete twelve-month (12) mortgage/rental history are limited to owner occupied primary residences only.
  - If the landlord is related to the borrower, twelve months of cancelled checks must be provided.
  - The rental history must reflect 0 x 30 in the previous twelve (12) months.
  - The rental payments must be current on the date of loan application.
  - .

Student loan

- For deferred student loan, the payment must be included in debt-to-income ratios for qualification.
- For repayment student loans, payment must be included in DTI if the remaining payment is more than 10 payments.
- Below guideline must be considered for including student loan payment in DTI:
  - The higher of payment reflecting on the credit report or 1% of the outstanding balance of all the student loans must be considered

    Or

	○ When student loan documentation is received use the monthly payment reflected on the student loan documentation, as long as the payment reflected is greater than $0, which should include all loans showing on the credit bureau (i.e., a copy of the installment loan agreement or the most recent student loan statement). ▪ For Income Driven Repayment plans: If documentation is received in the loan file and shows the payment will increase the higher payment must be used to qualify.
Open 30-day Charge Account	• For all open 30-day charge accounts, the full amount of the outstanding balance must be included in the debt-to-income ratio, or borrower must have sufficient assets to pay off the outstanding account balance. • The funds must be in addition to any funds required for the transaction (cash to close, reserves, etc.)
Unpaid Charge-Offs & Collections	• The unpaid charge-off and/or collection is required to be satisfied as defined below. An explanation from the borrower is required. Proceeds from a cash-out refinance transaction may be used to satisfy the unpaid charge-off and/or collection at closing. • An account may be paid at closing, for a purchase or rate/term refinance transaction, if all of the following requirements are met: ○ The payoff should be documented on the Closing Disclosure and match documentation in the loan file; and ○ The loan must contain documentation as to why the account(s) could not be satisfied prior to the loan closing; and ○ Under no circumstances may the proceeds of the loan be used to pay the unpaid charge-off or collection account unless the transaction is a cash-out refinance. • The total balance of all outstanding collections is <$2,000; or ○ If the total outstanding balance of all collections is >$2,000, then 5% of the balance of each outstanding collection account for all borrowers must be included in the calculation of the total debt ratio. ○ The charge off has not reached a judgment or lien status; and ○ The borrower has documented evidence of the dispute if it is a disputed account. • If none of the above criteria are met, then the collection/charge-off must be paid prior to or at loan closing
Debt Payoff / Consolidation	• If all or any portion of the proceeds of the Mortgage is used to pay off or pay down existing debts (installment) in order to qualify for the Mortgage, payoff must be documented in the Mortgage file. Canceled checks, paid receipts and/or a copy of the Closing Disclosure form or other closing statement may be used to document the repayment.

- When the borrower pays off or pays down an existing debt in order to qualify, the source of funds used must be verified, and meet eligibility requirements for both purchases and refinances

Contingent Liabilities: Paid by Others

- A contingent liability being paid by others may be excluded from the monthly debt payment ratio when meeting the following requirements:
- Installment debt (not including mortgages), revolving, or monthly lease payment:
  - The most recent 12 months' cancelled checks or bank statements from the party making the payments,
  - There must be no delinquencies in the most recent 12 months, and
  - The party making the payments cannot be an interested party to the subject real estate or mortgage transaction

- Mortgage payment or other property related expenses (taxes, insurance, homeowners' association dues):
  - The party making the payments must be obligated on the note,
  - The most recent 12 months' cancelled checks or bank statements from the party making the payments,
  - There must be no delinquencies in the most recent 12 months,
  - The borrower is not using rental income from the property to quality, and
  - The party making the payments cannot be an interested party to the subject real estate or mortgage transaction.

- Court-ordered assignment of debt:
  - When a borrower has outstanding debt that was assigned to another party by court order (such as under a divorce decree or separation agreement), regardless of whether the creditor has not released the borrower from liability, the lender is not required to count this contingent liability as part of the borrower's recurring debt obligations.
  - Lender must document the order with a copy of the appropriate pages from the divorce decree or separation agreement.

Gift Funds

- **Gift funds are allowed with below requirements met:**
    - Allowed only on primary residence.
    - Gift funds cannot be used towards the minimum down payment from the borrower's own funds.
    - Gift funds can't be used to meet reserve requirements on the loan.
- The gift can be provided by the following:

    - Relative, which is defined as a borrower’s spouse, child, or other dependent, or an individual who is related by blood, legal guardianship, marriage
    - or adoption；or
    - Fiancé, fiancée, civil union, or domestic partner；or
    - Former relative, Godparent, or relative of a domestic partner；
    - A trust, established by an acceptable donor

- Gift funds may come from the following sources and same is acceptable provided below requirements are met:
    - Wedding Gifts: The following documentation must be obtained to verify the funds:
        - A copy of a marriage license or certificate, and
        - Verification that gift funds were deposited within 90 days of the date of the marriage license or certificate.

    - Graduation Gifts: The following documentation must be obtained to verify funds:
        - Evidence of graduation from an educational institution, such as diploma or transcripts that supports the date of graduation, and
        - Verification that gift funds were deposited within 90 days of the date of the graduation.

Unacceptable source of funds

- **The following sources of funds is not acceptable on the loan :**
    - Borrowed Funds from the following sources:
        - Signature Loans
        - Lines of Credit-on-Credit Cards
        - Overdraft Protection on Checking Accounts
    - Cash-on-Hand
    - Cash advances from a credit card or other revolving account.
    - Community Assistance or Down Payment Assistance Programs
    - Corporate Sponsored Loans
    - Cryptocurrency
    - Disaster Relief Grant or Loan
    - Employer Assisted Housing (Secured & Unsecured)

  - Funds from Individual Development Accounts (IDA)
  - Gift of equity
  - Gifts which must be repaid in full or partially
  - Gift/Grant from Non-Profit
  - Individual Development Account (IDA) (Including funds from an IDA)
  - Lender Paid Assistance
  - Non-Traditional Savings Plan
  - Pledged Assets
  - Pooled Funds
  - Proceeds from unsecured loans or personal loans
  - Salary / bonus advances received against future earnings
  - Seller Carry backs
  - Seller Derived Assistance
  - Sweat Equity (includes donated goods and/or materials)
  - Trade Equity

Future Income

- **<u>Future income is allowed if below requirements are met:</u>**
  - Purchase transaction.
  - Primary residence or second home occupancy.
  - The borrower is not employed by a family member or by an interested party to the transaction.
  - Borrowers must document a minimum 2-year work / student history.
  - Start date of employment must be within 90 days of the note date.
  - A verbal verification is not required as the borrower will begin employment after closing.

- **<u>The following documentations are required on the loan:</u>**
  - An offer letter or contract for future employment is required on the loan. An offer letter or contract must meet following requirements:
    - Document must be signed by the employer and the same is accepted and signed by the borrower.
    - Document must reflect terms of employment, including position, type and rate of pay, and borrower's start date
    - Offer letter or contract must be non-contingent.

	○ If conditions of employment exist, all conditions of employment must be met either by verbal verification or written documentation prior to closing. ▪ The borrower must have verified sufficient reserves to cover all monthly liabilities for 3 months (the subject PITIA payment and all monthly liabilities included in the DTI) in addition to funds and/or reserve required for the loan.
Primary residence converted into Second home	• The current principal residence is being converted to a second home then following requirements must be met: ▪ The PITIA for the current departed residence and proposed mortgage payments must be included in debt-to-income ratio; and ▪ A minimum of 6 months of PITIA reserves are required for the departure property in addition to the reserve required as per reserve matrix for the transaction.
Primary residence converted into Investment property	• The current principal residence is being converted to investment property then following requirements must be met: ▪ The PITIA for the current departed residence and proposed mortgage payments must be included in debt-to-income ratio; and ▪ A minimum of 6 months of PITIA reserves are required for the departure property in addition to the reserve required as per reserve matrix for the transaction.
Rental income from departing residence	• To use rental income from departed residence equity on the property must be documented by one of the following: ▪ A current appraisal (2055 or better). In order to calculate equity any lien on the property must be deducted from the appraised value. The appraisal must be dated 180 days prior to the note date; or ▪ By comparing the original sales price of the departure property to the current unpaid principal balance. ○ If 25% or more equity is in the departure property: ▪ 75% of the gross rental income can be used to calculate rental income/loss and the following is required: • A copy of the fully executed lease agreement; and • Twelve months of PITIA for the departure property is required in addition to the reserves required for the transaction, and

	• If the borrower does not have a 2-year history of managing an investment property a minimum 760 FICO is required o If less than 25% equity in the departure property: ▪ Rental income cannot be used on the loan: • Both the current and the proposed mortgage payments must be used to qualify the borrower for the new transaction; and • 6 months of PITIA for the departure property in addition to the reserves required for the transaction.
Undisclosed Debt/Credit Bureau Inquiries and Monitoring	• To identify and investigate possible undisclosed debt, the undisclosed debt monitoring services (“UDM”) will be utilized to monitor the credit activity of borrowers between the date of the initial credit report(s) and the closing date or, if UDM service is not utilized then, credit report refresh will be obtained for all borrowers within ten (10) days prior to the loan closing.
Fraud GUARD® or Similar Third-Party Fraud Report Product	• FraudGUARD® report or a similar product will be utilized to evaluate the borrower and loans, and to clear any adverse finding prior to making decision to approve the loan for closing. FraudGUARD® by Interthinx® is a comprehensive system that provides loan-level information on valuation, fraud detection and regulatory compliance issues.
Escrow Holdback/ Completion Escrow	• Any inadequacies determined by the appraisal must be remedied prior to closing. Escrow holdbacks are not permitted.

UB: NON-CONFORMING JUMBO PROGRAM

Product code	• SUNNPM0098
Loan Purpose	• Purchase • Limited Cash-Out Refinance • Cash-Out Refinance
Amortization Term	• Fixed Rate - 15, 20,30 years. No negative amortization. • ARM: 30-year amortization. No negative amortization ○ 7/1 ARM, 5/2/5 CAPS ○ 10/01 ARM, 5/2/5 CAPS
Qualifying Rate	• FRM: Note Rate • ARM: ○ 7/1 and 10/1 ARM: Note rate
Occupancy	• Primary Residence • Second Home • Investment property
Eligible States	• All states except Massachusetts, Puerto Rico, American Samoa, Guam, Northern Mariana Islands, US Virgin Islands
Underwriting Requirements	• All loans must be submitted to LP or DU (AUS) and a feedback certificate obtained. Data entered into the AUS must follow these product guidelines. • The AUS Feedback will be used in the overall risk assessment however the underwriting decision will be based on this product's guidelines. Debt-to-Income ratios outlined in this product guideline apply regardless of AUS approval with higher DTI. • Default to AUS Findings and FHLMC Selling Guide for any guideline not addressed in this guide.
Eligible Borrowers	• U.S. Citizens • Permanent Resident Aliens • Non-Permanent Resident Alien

First-time homebuyer

- Allowed.

Eligible Properties

- Single Family Residence / Townhome
- 2 units
- PUDs
- Condominium

Loan Amount

- **Minimum**: Must be at least $1 over the conforming loan sizes listed below:

Units	Contiguous States and District of Columbia	Alaska and Hawaii
One	$766,550	$1,149,825
Two	$981,500	$1,472,250

Eligibility Matrix

- **Purchase, Rate and Term Refinance**

Occupancy Type	No of Units	Maximum Loan Amount[5]	Max LTV[2,3]	Max CLTV[2.3]
Primary Residence	1	Up to $900,000	90%[4]	90%
		Up to $1,500,000	80%	85%
		Up to $2,000,000	80%	80%
		Up to $2,500,000	75%	75%
		Up to $3,000,000	70%	70%
	2	Up to $900,000	85%	85%
		Up to $1,000,000	80%	85%
		Up to $1,500,000	75%	80%
Second Home[1]	1	Up to $650,000	80%	80%
		Up to $1,000,000	75%	75%
		Up to $1,500,000	70%	70%

Investment Property[1]	1	Up to $650,000	65%	65%

1. For newly constructed homes that are purchase transactions, borrower(s) may not have an affiliation or relationship with the builder, developer, or seller of the subject property.
2. If LTV/CLTV/HCLTV > 80%, down payment must include 5% of sale price/value from borrower's own funds.
3. LTV/CLTV Maximum:
   -80% LTV/CLTV Maximum
   -properties in Alaska
   - properties in Special Flood Hazard Areas designated zones: V, VE, or V1-V30
   -75% LTV/CLTV Maximum
   - properties in Nevada.
4. Loans with the parameters below will require prior approval from the investor.
   i. Loan amounts > $1,500,000
   ii. Loans with LTV/HCLTV/CLTV > 80%
5. The maximum total financing limit with USBHM second lien cannot exceed the applicable Maximum loan amount. This restriction is not applicable for cases when non-US Bank second is used.

Cash Out Refinance

Occupancy Type	No of Units	Maximum Loan Amount	Max LTV	Max CLTV
Primary Residence	1-2 Units	Up to $750,000	75%	75%
		Up to $1,000,000	70%	70%
		Up to $1,500,000	65%	65%
Second Home	1	Up to $650,000	70%	70%
		Up to $1,000,000	65%	65%

1. New/Simultaneous Subordinate financing is not allowed through U.S. Bank.

2. Delayed financing of 1-unit purchases is allowed to a max LTV equal to the max CLTV allowed based on the loan amount.
3. The borrower must provide a written statement regarding the purpose of any cash out.
4. The borrower must have owned the subject property for at least 6 months prior to the Note date of the new cash out refinance mortgage.
5. The maximum total financing limit with USBHM second lien cannot exceed the applicable Maximum loan amount. This restriction is not applicable for cases when non-US Bank second is used.
6. Maximum cash out allowed (combination of first and second mortgage):

LTVs > 50.0%	$300,000
LTVs < = 50.0%	$500,000

Minimum FICO Score

- A borrower with a history of moderate to slow payment of obligations must have strong offsetting characteristics to be considered favorably.
- The borrower must provide a written explanation for all material adverse credit information.
- Minimum required FICO score:

LTV / CLTV	**FICO**
> 70%	710
> 65 - 70%	700
≤ 65%	680

Additional FICO requirements:

Loan Amount >= $1,000,000	720
Investment Properties	720

Maximum Debt Ratios

- **Maximum DTI**
    - 45% up to a maximum LTV/CLTV/HCLTV of 80%
    - 43% up to a maximum LTV/CLTV/HCLTV of 90%
- Non-Occupant Co Borrower may be used with a Max LTV/CLTV/HCLTV of 80%. If the LTV/CLTV/HCLTV exceeds 80% the Occupant borrower(s) must meet the DTI requirements without the Non-Occupant Co Borrower income.

Non-Occupant Co-Borrower/ Joint Credit	• Joint credit involves a credit instrument with more than one individual borrower whereby both borrowers voluntarily accept and share responsibility for repayment of a debt.
	• Underwriting of a joint application for real estate requires review of each joint applicant's income, liabilities, and Credit Bureau Report(s). Only income of applicants signing the credit agreement/promissory note may be considered when underwriting the application. All income is subject to verification (described below) Sun West requirements may vary according to automated underwriting decisions from Desktop Underwriter/Loan Prospector (DU/LP).
	• Each applicant whose income was used to qualify for the loan must sign the note. A spouse or other party may be required to sign the security instrument or other documentation as required by state law to perfect Sun West's security interest in the property. A non-applicant/borrower spouse may not be required to sign an instrument that transfers that spouse's ownership rights or interests in the property, such as a quitclaim deed or similar document, as a condition of originating the loan.
	• In a Joint credit situation at least one applicant must be or intend to be an owner of the collateral. Joint credit is allowed without restriction when both applicants/borrowers occupy the subject property as his or her primary residence or second home. If a Joint applicant will not occupy the subject property their income may only be considered if the property is a primary residence, the occupying borrower has their own income, but they may not qualify according to the Employment, Income and Debt Policy, and the non-occupant applicant meets one of the following Related Person criteria:
	    ◦ spouse, (trailing spouse income is not allowed, when the spouse has yet to obtain employment in the new location).
	    ◦ child or dependent,
	    ◦ fiancé,
	    ◦ domestic partner (trailing domestic partner income is not allowed, when the domestic partner has yet to obtain employment in the new location), or
	    ◦ individual related to the applicant by blood relationship (e.g., parent, sibling, child, aunt, uncle), marriage or adoption.
	Transactions involving investment properties do not require the applicant(s) to be an owner occupant of the collateral.
	Any liabilities of the applicant used for decisioning, which do not appear on the applicant's credit bureau, must be manually entered into the applicable system.

Subordinate Financing	• Subordinate financing is subject to FHLMC guidelines and the following additional requirements:

- Payments on the subordinate lien may be fixed or adjustable.
- Terms of the subordinate lien must be verified at the time of underwriting.
- Payment must be included in the borrower's house payment-to-income ratio.
- Subordinate financing must come from the following sources:
    - Non-USBHM HELOC or Second mortgage.
    - USBHM second mortgage. Refer to second mortgage guidelines.

TX 50(f)(2)

- Max LTV/CLTV of 80%
- The refinance cannot include any advance of any additional equity other than (1) funds to pay off a valid lien and (2) finance closing costs.
- The refinance must not close before the one-year anniversary date the home equity loan was closed.
- Sun West must provide the borrower with the Notice Concerning Extensions of Credit within 3 business days of application and no less than 12 days before the refinance closes. Note the 50(f)(2) 12-day notice is a different form than the notices provided for a 50(a)(6) Texas Home equity loan.

Underwriting Documentation

- **Maximum Age of Credit Documents**
  The allowed maximum age of credit documents is 120 calendar days. Credit documents include credit reports, employment, income, and asset documentation.

Recovery Time Periods for Reestablishment of Credit After Bankruptcy, Foreclosure, Short Sale

Following is a grid estimating the recovery time frames caused by significant derogatory events. Meeting these time frames does not guarantee a loan approval.

All time frames are from the finalization and/or transfer to the application date unless otherwise stated. Adverse credit must be reflected on the Credit Report.

Significant Derogatory Event	**Recovery Time Periods for Reestablishment of Credit Financial Mismanagement**
Foreclosure	7 years from the completion of the foreclosure (title transfer)
Deed-in-lieu of foreclosure	5 years from the execution date
Short sale	5 years from the execution date
Chapter 7 and 11 Bankruptcy	• is < five (5) years from discharge or dismissal, reestablished excellent credit must be documented and requires

	submission to the investor for prior approval. • is ≥ five (5) and < ten (10) years from discharge to application date, re-established credit must be documented and requires prior approval from the investor.
Chapter 12 Bankruptcy	• is < five (5) years from discharge or dismissal, reestablished excellent credit must be documented and requires submission to the investor for prior approval or • is ≥ five (5) and < ten (10) years from discharge to application date, re-established credit must be documented and requires prior approval from the investor.
Chapter 13 bankruptcy	• is < five (5) years from discharge or dismissal, reestablished excellent credit must be documented and requires prior approval from the investor or • is ≥ five (5) and < ten (10) years from discharge or dismissal, re-established credit must be documented and requires prior approval from the investor.

Income

Analyzing a Borrower’s Employment Record

When analyzing a borrower’s employment, underwriting must examine:

- the borrower's past employment record; and
- the **employer's** confirmation of current, ongoing employment status.

Self-employed applicants must have two (2) years of self-employment history in the same business. (A self-employed applicant is any individual that has a 25% or more ownership interest in a business.)

Underwriters may assume that employment is ongoing if a borrower's employer verifies current employment and does not indicate that employment has been or is set to be terminated. Underwriters should not rely upon a verification of current employment that includes an affirmative statement that the employment is likely to cease, such as a statement that indicates the employee has given (or been given) notice of employment suspension or termination.

Underwriters may favorably consider the stability of a borrower's income if he/she changes jobs frequently within the same line of work but continues to advance in income or benefits. In this analysis, income stability takes precedence over job stability.

Underwriting must not ask the borrower about probable future maternity leave.

For applicants going on, or on pregnancy, maternity, paternity, parental (including adoption), or other temporary short-term disability or medical leave, Sun West will not discriminate in the underwriting of loans including:

- subjecting applicants to different terms and conditions compared to applicants not on short-term leave.
- requiring applicants to return to work or be employed full-time in order to be considered eligible for a loan; or
- unreasonably delaying the application because of the short-term leave status.

During a temporary leave, a borrower's income may be reduced and /or completely interrupted. It must be determined that before, during and after the temporary leave the borrower has capacity to repay the loan and all other monthly obligations based on required documentation, Seller/Broker knowledge and available information, including both regular employment income, temporary leave income, and other supplemental income or liquid reserves available to borrower. A temporary leave should not prevent an applicant from obtaining a loan if the applicant can continue to meet the income requirements to qualify for the loan.

Borrowers Returning to Work after an Extended Absence

A borrower's income may be considered effective and stable when recently returning to the work force after an extended absence, defined as a six month or more leave, if the borrower:

- is employed in the current job for two (2) months or longer; and
- can document a two-year work history prior to an absence from employment using:
    - traditional employment verifications; and/or
    - copies of IRS Form W-2s or pay stubs.

Situations not meeting the criteria listed above may not be used in qualifying.

An acceptable employment situation includes individuals who took several years off from employment to raise children, then returned to the workforce.

Verifying Employment History

must consider and verify the borrower's employment for the most recent two (2) full years with the following documentation:

- Year-to-date (YTD) paystub or salary voucher documenting at least 28 days of income, and,
- IRS W-2 forms for the most recent two tax years, or
- a fully executed written Verification of Employment (VOE) [using Fannie Mae Form 1005, Freddie Mac written verification of employment (WVOE), or Equifax-The Work Number]. the written Verification of Employment (VOE) must contain year-to-date (YTD) and the most recent two (2) tax years of income information, and if the written Verification of Employment (VOE) does not contain all required information, the missing information must be obtained from the borrower or employer.

When Federal Income Tax Returns are received, a completed 1040 Wage Tax Schedule (included with the Federal Income Tax Returns) is acceptable in lieu of an IRS Form W-2.

Borrowers Employed by a Family-Owned Business

Income Documentation Requirement

Effective and stable income from a family business will only be considered with a minimum of one-year Federal Income Tax Return reflecting the income from the family business. In addition to normal employment verification, a borrower employed by a family-owned business is required to provide evidence that he/she is not an owner of the business, which includes:

- Copies of signed personal Federal Income Tax Return, or
- A signed copy of the corporate Federal Income Tax Return showing ownership percentage.

The Federal Income Tax Returns must be signed by the borrower unless one of the following is obtained:

- documentation confirming that the Federal Income Tax Returns were filed electronically,
- a completed IRS Form 4506–C (signed by the borrower) for the year in question, or
- a tax transcript received from the Internal Revenue Service (IRS) that validates the tax return.

For circumstances with a substantial increase of income year to year, the income should be analyzed using an average of pay unless it can be justified to use the higher amount.

Business/Self Employment Income from Marijuana, Hemp Plants and Cannabis

Sun West will not accept any application for loans made to the owner of any business whose products are classified as illegal under either federal or state laws.

This includes marijuana/cannabis-related businesses, businesses with a primary purpose of selling or making products containing CBD (Cannabidiol), and unlicensed hemp farmers.

General Information on Self-Employed Borrowers and Income Analysis

Definition: Self Employed Borrower

A borrower with a 25 percent or greater ownership interest in a business is considered self-employed and will be evaluated as a self-employed borrower for underwriting purposes. For borrowers with < 25% ownership and who receive wages, they will be treated as a wage earner. If they receive income from the business through an IRS Form K-1, current receipt of income must be documented. If distributions are on an annual schedule, and a distribution has not been received for the current partial year, the ownership percentage must be verified and applied according to the income trend. It will be considered a variable source of income and a two (2) year average should be used.

Types of Business Structures

There are four basic types of business structures. They include:

- Sole proprietorships.
- Corporations.
- Limited liability or “S” corporations; and
- Partnerships.

Minimum Length of Self Employment

Income from self-employment is considered stable, and effective, if the borrower has been self-employed for two (2) or more years from the date of application.

Due to the high probability of failure during the first few years of a business, the requirements described in the table below are necessary for borrowers who have been self-employed for less than two (2) years.

Periods of Self-Employment	**Eligibility Requirement**
> 1 Year & < 2 Years	To be eligible for a loan, the individual must have at least two years of documented previous successful employment in the line of work in which the individual is self-employed, or in a related occupation. A combination of one year of employment and formal education or training in the line of work in which the individual is self-employed or in a related occupation is also acceptable.
< 1 Year	The income from the borrower may not be considered effective income

General Documentation Requirements for Self Employed Borrowers

Self-employed borrowers must provide the following documentation when the income source is relied upon for qualification or there is a loss:

- Signed, dated individual Federal Income Tax Returns, with all applicable tax schedules for the most recent two (2) years; and
- For a corporation, “S” corporation, or partnership, signed copies of business Federal Income Tax Returns for the last two (2) years, with all applicable tax schedules; and
- a year-to-date Profit and Loss (P&L) statement through the most recent quarter, following Generally Accepted Accounting Principles (GAAP), signed by the preparer. Year to date Profit and Loss (P&L) statement requirement is when the borrower has 25% or greater ownership interest in a business, regardless of self-employment type. If the Federal Income Tax Return from the most recent tax filing year has not yet been filed, then a Profit and Loss (P&L) statement is required covering the full tax filing year.

The Federal Income Tax Returns must be signed by the borrower unless one of the following is obtained:

- documentation confirming that the Federal Income Tax Returns were filed electronically,
- a completed IRS Form 4506–C (signed by the borrower) for the year in question, or
- a tax transcript received from the Internal Revenue Service (IRS) that validates the tax return.

The underwriter must verify the existence of the borrower’s business from a third-party source, no more than 30 days prior to the Note Date (or final verification or clear to close). Acceptable third-party sources include, but are not limited to, a regulatory agency, the phone directory, the Internet, directory assistance or the applicable licensing bureau.

General Documentation Requirements for Other Types of Income

If the borrower does not meet the definition of self-employed, the underwriter must obtain the borrower's individual Federal Income Tax Returns for certain other types of income. The two (2) most recent years

Federal Income Tax Returns are required, if the income used to qualify the borrower include, but are not limited to:

- Commission income
- Income reported on a 1099.
- Income from independent contracting
- Income from employment by a family member, property seller, or broker
- Income from employment on a contract basis

A current prepared and signed profit and loss statement, following Generally Accepted Accounting Principles, from the most recent quarter. Underwriter's discretion to ask for additional documentation based upon type and availability of information provided.

Establishing a Borrower's Earnings Trend

When qualifying income, the underwriter must establish the borrower's earnings trend from the previous two (2) years using the borrower's Federal Income Tax Returns.

If a borrower:

- Provides quarterly Federal Income Tax Returns, the income analysis may include income through the period covered by the tax filings, or
- Is not subject to quarterly Federal Income Tax Returns, or do not file them, then the income shown on the P&L statement may be included in the analysis, provided the income stream based on the P&L is consistent with the previous years' earnings.

If the Profit and Loss (P&L) statements submitted for the current year show an income stream considerably greater than what is supported by the previous year's Income Tax Returns, the underwriter must base the income analysis solely on the income verified through the tax returns.

If the borrower's earnings trend for the previous two (2) years is downward and the most recent Income Tax Return or P&L is less than the prior year's Income Tax Return, the borrower's most recent year's Income Tax Return or Profit and Loss (P&L) must be used to calculate his/her income.

Analyzing the Business's Financial Strength

The underwriter 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 (i.e., 25% or greater decline year over year during the most recent two (2) year period) in income over the analysis period are not acceptable.

Utilization of Amended Tax Returns

- Tax returns that are amended and filed with the IRS a minimum of ninety days prior to the loan application date are acceptable. Both the original return(s) and the amended return(s) must be obtained.
- Tax returns that are amended and filed with the IRS less than ninety days prior to the loan application date are acceptable only in conjunction with an underwriter approved exception.
- Tax returns amended and filed after the loan application date are not acceptable.

If an underwriter exception cannot be obtained, any income sources dependent upon tax return documentation cannot be utilized for loan qualification.

An "S" corporation is generally a small, start-up business, with gains and losses passed to stockholders in proportion to each stockholder's percentage of business ownership.

Income for owners of "S" corporations comes from IRS Form W-2 wages and is taxed at the individual rate. The IRS Form 1120S, Compensation of Officers line item is transferred to the borrower's individual IRS Form 1040.

Income Analysis: Partnership Tax Returns (IRS Form 1065)

A partnership is formed when two (2) or more individuals form a business, and share in profits, losses, and responsibility for running the company.

Each partner pays taxes on his/her proportionate share of the partnership's net income.

Income Analysis: Individual Tax Returns (IRS Form 1040)

Analyzing "S" Corporation and Partnership Tax Returns

The calculation of a self-employed borrower's average monthly income must be based on a review of the borrower's complete individual Federal Income Tax Returns (Form 1040) including W-2's and K-1's (if applicable) as well as the borrower's complete business tax returns (Forms 1120, 1120S and 1065), when applicable. Non-cash items such as depreciation, depletion, and amortization may be added back to adjusted gross income for determining qualifying income. Documented nonrecurring losses, such as casualty losses, can also be added back to the adjusted gross income, as well as loss carryovers from previous tax years.

As part of the analysis, consideration whether the borrower's self-employed income has increased or decreased over the previous two (2) years. If the analysis reflects that the borrower's income has significantly increased or decreased, there must be sufficient documentation and justification provided to support the determination that the income used to qualify the borrower is stable and likely to continue for the next three (3) years. It may be necessary to obtain additional years' tax returns when the borrower's self-employment income fluctuates in order to determine the stability of the income. If the borrower is self-employed and the self-employment income is not used to qualify, the borrower's individual Federal Income Tax Returns must be obtained to determine if there is a business loss that may have an impact on the stable monthly income used for qualifying. If a business loss is reported on the borrower's individual

Federal Income Tax Returns, additional documentation may need to be obtained in order to fully evaluate the impact of a business loss on the income used for qualifying.

Caution must be used when including additional income that the borrower draws from the borrower's corporation, partnership, or S-corporation as qualifying income. Documentation must verify that the borrower has a legal right to the additional income by obtaining a corporate resolution or other comparable document that establishes that right. The underwriter must also verify the borrower's percentage of ownership of the business entity from a review of the business Income Tax Returns, letter from the account for the business or similar documents. The analysis of the business must support that the business is clearly capable of providing the borrower with the additional income used to qualify.

Underwriting must obtain written documentation that withdrawal of cash to complete this transaction from the business does not have a negative impact on its ability to continue operating.

Stability of Income

Income may not be used in calculating the borrower’s debt-to-income ratio if it comes from any source that cannot be verified, is not stable, or will not continue. An underwriter may favorably consider the stability of a borrower’s income if the borrower(s) change(s) jobs frequently within the same line of work but continues to advance in income or benefits. In this scenario, income stability takes precedence over job stability.

Salary, Wage, and Other Forms of Income

Asset Dissipation for Non-Retirement Assets

Asset Dissipation for Non-Retirement Assets is not allowed.

Automobile Allowances

For an automobile allowance to be considered as acceptable stable income, the borrower must have received payments for at least two (2) years.

To establish the amount of the automobile allowance, the borrower must provide the following:

- employer verification of the allowance amount and that the payments will continue; and

- evidence of the full amount of the lease or financing expenditure (if the employer pays the automobile expense directly to the creditor).

The Underwriter must:

- add the full amount of the allowance to the borrower's monthly income; and
- and the full amount of the lease or financing expenditure to the borrower's monthly debt obligations.

Commission Income

Commission Income must be averaged over the previous two (2) years. To qualify Commission Income, the borrower must provide:

- Copies of signed Federal Income Tax Returns for the last two (2) years; and
- The most recent pay stub.

The Federal Income Tax Returns must be signed by the borrower unless one of the following is obtained:

- documentation confirming that the Federal Income Tax Returns were filed electronically,
- a completed IRS Form 4506–C (signed by the borrower) for the year in question, or
- a tax transcript received from the Internal Revenue Service (IRS) that validates the tax return.

For circumstances where income has declined by more than 10%, year to date plus the previous two (2) years may be considered.

Borrowers whose Commission Income was received for more than one (1) year, but less than two (2) years may be considered favorably if the underwriter can:

- Document the likelihood that the income will continue, and
- Rationalize accepting the Commission Income.

Qualifying Commission Income Earned for Less Than One Year

Commission Income earned for less than one (1) year is not considered effective income. Considerations may be made for situations in which the borrower’s compensation was changed from salary to commission within a similar position with the same employer.

A borrower may also qualify when the portion of earnings not attributed to commissions would be sufficient to qualify the borrower for the loan.

Employer Differential Payments

If the employer subsidizes a borrower’s mortgage loan payment through direct payments:

- The employer must not be an interested party to the transaction and the payment must be likely to continue for the next three (3) years. A history of receipt is not required for the income to be considered stable.
- Documentation is required to show the payments are pursuant to an established, ongoing and documented employer program.
- The amount of the payments is considered gross income and cannot be used to offset the loan payment directly.

Establishing a Variable Income Earning Trend

Underwriting must establish and document an earnings trend for variable income by comparing the monthly year-to-date (YTD) income amount to prior years’ earnings using either the borrower’s IRS Form W-2, individual Federal Income Tax Return, a tax transcript received directly from the Internal Revenue Service (IRS) or a written Verification of Employment completed by the employer or third-party employment verification vendor.

A period of more than two (2) years must be considered and verified in calculating the variable income if the income varies significantly. Significantly is defined as a variance of 10% or more from year to year and the rationale for using any income other than the lower amount needs to be explained and documented. For these circumstances, the year with the decline should be used. The Underwriter may consider using a period of two (2) years plus year to date if it can be justified that the decline in income is not a reoccurring circumstance.

Foreign Income

Common examples of what may be considered foreign earned income as reflected on U.S. Federal Income Tax Returns include, but are not limited to, the following:

- Foreign employment income (income earned outside U.S. from non-U.S. corporation or government).
- Foreign sourced partnership/ownership dividends (i.e., foreign branch income, passive income, etc.).
- Foreign rental income.
- Foreign bank account interest; and
- Foreign investment dividends/interest.

Foreign income may be used to qualify if all of the following requirements are met:

- most recent two (2) years of Federal Income Tax Returns and associated schedules documenting income used.
- verification of employment and income from employer (with 10 business days prior to close verbal re-verification).
- standard documentation required; and
- self-employed income (income earned by a borrower who is not employed by a foreign corporation or government) is not eligible.

All foreign information must be translated/converted to English by a disinterested Third party. Income from High Risk Countries will be accepted on all transactions except the following:

- Cash-Out Refinances
- 2nd Homes
- Investment Properties
- Loans requiring Gift Funds sourced from a High-Risk Country

Sun West Home Mortgage will continue to require any loan with assets or income from a High-Risk Country to be underwritten by an investor.

General Policy on Borrower Income Analysis

The income of each borrower who will be obligated for the loan debt and whose income is being relied upon in determining their ability to repay must be analyzed to determine whether his/her income level can be reasonably expected to continue.

In most cases, a borrower's income is limited to salaries or wages. Income from other sources can be considered as effective, when properly verified and documented.

Additional income sources do not need to be relied upon for income calculation purposes if the borrower qualifies for the product and terms requested without consideration of additional income sources. Documentation of additional income sources are not required if the income is not being used for qualifying.

Underwriting may assume that salary or wage income from employment verified in accordance with this policy can be reasonably expected to continue if a borrower's employer verifies current employment and income and does not indicate that employment has been or is set to be terminated.

Regardless of income type, tax returns reflecting 2106 unreimbursed employee expenses must be deducted from income.

Income from Seasonal Employment

The borrower must have a two (2)- year consecutive history of receiving income from seasonal employment and expects to be hired next season. Unemployment compensation associated with seasonal employment may be considered qualifying income if the borrower has a two (2) year history of receipt and there must be reasonable assurance that this income will continue. Seasonal employment income to qualify the borrower cannot be used unless the income is reported on the borrower's individual Federal Income Tax Returns for the most recent two (2) year period.

- Federal Income Tax Returns are required on all borrowers,

- Seasonal or variable income must also have two (2) years IRS Form W-2's.

Seasonal employment examples include, but are not limited to:

- Umpiring baseball games in the summer; or
- Working at a department store during the holiday shopping season.

Income from U.S. Territories

Sun West will consider income reported to official income taxation departments of U.S. Territories (Puerto Rico, Guam, Northern Mariana Islands, U.S. Virgin Islands, and American Samoa). It must be established that such income is not already reported through the filing of an IRS tax return. Copies of the applicable U.S. Territory tax returns must be provided for evaluation. If the territory returns are not in English, English versions of the filed forms (or translated returns) must be obtained to facilitate the evaluation of the sources of income and to determine eligible qualifying income. No currency conversions are required as the U.S. Dollar is the standard currency of U.S. Territories. Validation of the income must be performed, typically through tax transcript validation. Applicable transcript request forms for borrowers filing tax returns in U.S. Territories must be completed and processed when required. Prior to pursuing validation of income not reported on IRS Tax Returns, an underwriting assessment must be made that the source(s) of income will be ongoing, and the income meets eligibility criteria as applicable.

Pension Income

Pension income must be evidenced by the following:

- documentation is required to show the applicant(s) is entitled to the income.
- a statement from the organization providing the income.
- proof of recent distribution; or,
- borrowers who are not currently receiving pension income but are scheduled to receive the income beginning no later than 60 calendar days from loan closing will be considered effective income with a copy of the award letter; proof of recent distribution is not required.

Primary Employment Less Than 40 Hour Work Week

When a borrower’s primary employment is less than a typical 40-hour work week, underwriting should consider and evaluate the stability of that income as regular, on-going primary employment. For variable hours, a two (2) year average of income should be considered for qualifying purposes. When hours are consistent, the current rate of pay may be considered for qualifying purposes given the level of income can reasonably be expected to continue.

For example, a registered nurse may have worked 24 hours per week for the last year. Although this job is less than the 40-hour work week, it is the borrower’s primary employment, and should be considered effective income.

Qualifying Part-Time Income

Part-time and seasonal income can be used to qualify the borrower if underwriting can document that the borrower has worked a part-time job uninterrupted for the past two (2) years and plans to continue. Many families rely on part-time and seasonal income for day-to-day needs, and consideration of such income should not be restricted when qualifying these borrowers.

A borrower may have a history that includes different employers, which is acceptable as long as income has been consistently received.

Part-time income received for less than two (2) years may be included as effective income, provided that underwriting justifies and documents that the income is likely to continue.

For qualifying purposes, “part-time” income refers to employment taken to supplement the borrower’s income from regular employment; part-time employment is not a primary job, and it is worked less than 40 hours.

Retirement Income

Retirement income may be considered qualifying income if the borrower can evidence the type of retirement income (e.g., Social Security, pension, annuity), source, amount, and consistent receipt. If any retirement income, such as employer pensions or 401(k)’s, will cease within the first full three (3) years of the mortgage loan, such income may not be used in qualifying. The following shall apply when analyzing retirement income:

- Income may be verified from a copy of the benefit payment or award letter and recent distribution.
- Review balance to verify the amount will be available for distribution over the next three (3) years.
- If amount verified is not consistent, an average from the most recent 12 months will be used.
- Any annual distribution with a 2-year history will be averaged monthly; and
- withdrawals taken with a penalty and a two-year history can be considered qualifying income.

Retirement Income Requirements

Effective income for borrowers planning to retire during the first three (3) year period must include the amount of:

- Documented retirement benefits.
- Social Security payments; or
- Other payments expected to be received in retirement

Social Security Income

Social Security income must be verified by the Social Security Administration benefit verification letter (sometimes called a proof of income letter, budget letter, or proof of award letter. The following shall apply when analyzing Social Security Income:

- Documentation is required to show the applicant(s) is entitled to the income.
- Award letters or other equivalent documentation (Social Security, disability, etc.); or
- Borrowers who are not currently receiving social security retirement but are scheduled to receive the retirement income beginning no later than 60 calendar days from loan closing will be considered effective income with a copy of the award letter; proof of recent distribution is not required.

Pending or current re-evaluation of medical eligibility for benefit payments is not considered an indication that the benefit payments are not likely to continue.

Some portion of Social Security income may be “grossed up” if deemed nontaxable by the Internal Revenue Service (IRS). If the income has been verified with the awards statement, and the income is not sufficient to qualify the borrower, the tax-exempt income shall be grossed up once it has been established and documented that such income is likely to continue (and remain untaxed) into the foreseeable future.

To gross up tax-exempt income, the Underwriter shall use the same provisions as non-taxable income sources, refer to Non-Taxable Income.

Variable Income

Variable income (overtime, bonus, etc.) can be used to qualify the borrower if the borrower has received this income for the past two years, and documentation submitted for the loan does not indicate this income will likely cease. If, for example, the employment verification states that the variable income is unlikely to continue, it may not be used in qualifying.

Underwriting must use an average of variable income for the past two years. Periods of variable income less than two years may be acceptable, provided underwriting can justify and document the reason for using the income for qualifying purposes.

Non-Employment Related Borrower Income

- The Underwriter may proceed without consideration of non-employment related borrower income if the other income sources provided are sufficient to qualify the borrower for the product and terms requested. If the borrower doesn’t qualify using this income, then the Underwriter must request the documentation necessary to consider non-employment related borrower income.

Alimony, Child Support, and Maintenance Income Criteria

Alimony, child support or maintenance income may be considered effective, if:

- Payments are likely to be received consistently for the first three (3) years of the loan;
- The borrower provides the required documentation, which includes a copy of the:
    - Final divorce decree.
    - Legal separation agreement.
    - Court order; or
    - Voluntary payment agreement; and

- The borrower can provide acceptable evidence that payments have been received during the last six (6) months, such as:
    - Cancelled checks.
    - Deposit slips.
    - Income Tax returns; or
    - Court records.

If payments made to date are not consistent, consecutive and in full, no income may be used. Any inconsistencies require signed documentation by both parties explaining the inconsistencies in amount

If the following is allowed as effective income, and the income is not sufficient to qualify the borrower, the Underwriter shall gross up the income:

- child support; and/or
- alimony if under a divorce or separation agreement executed after December 31, 2018.

To gross up tax-exempt income, the Underwriter shall use the same provisions as nontaxable income.

Investment and Trust Income

Analyzing Interest and Dividends

Document the borrower’s continued ownership of the assets on which the interest or dividend income was earned supported by one of the following:

- one (1) monthly account statements dated no more than 60 days from the application; or
- one (1) quarterly statement dated no more than 90 days from the application.

Document a two-year history of the income, as verified by one of the following:

- copies of the borrower's signed individual Federal Income Tax Returns;
- copies of the borrower’s IRS Form 1099; or
- copies of the year end account statements for the most recent two years.

Consider and verify that the income has been received for the most recent two years.

Subtract any funds that are derived from these sources, and are required for the cash investment, before calculating the projected interest or dividend income.

Documentation of sufficient assets after closing is required to support a reasonable expectation of continuance of the dividend and interest income at the level used for qualifying.

Trust Income

Income from trusts may be used with a minimum twelve (12) months history of trust income distribution to borrower if constant payments will continue for at least the first three (3) years of the loan term as evidenced by trust income documentation.

Required trust income documentation includes a copy of the Trust Agreement or other trustee statement, confirming the:

- Amount of the trust.
- Frequency of distribution; and
- Duration of payments.

Trust account funds may be used for the required cash investment if the borrower provides adequate documentation that the withdrawal of funds will not negatively affect income. The borrower may use funds from the trust account for the required cash investment, but the trust income used to determine repayment ability could not be affected negatively by its use.

Notes Receivable Income

In order to include notes receivable income, the borrower must provide:

- A copy of the note to establish the amount and length of payment, and
- Evidence that these payments have been consistently received for the last 12 months through deposit slips, cancelled checks, bank or other account statements, or Federal Income Tax Returns.

- Payments are likely to be received for the first three (3) years of the loan.

If the borrower is not the original payee on the note, the underwriter must establish that the borrower is able to enforce the note.

Military, Government Agency, and Assistance Program Income

The tax-exempt nature of the following payments should be considered. If the pay is considered tax-exempt, the income shall be grossed up. To gross up tax-exempt income refer to Non-Taxable Income.

Military Income

Military personnel not only receive base pay, but often times are entitled to additional forms of pay, such as:

- Income from variable housing allowances;
- Clothing allowances;
- Flight or hazard pay;
- Rations; and
- Proficiency pay

These types of additional pay are acceptable when analyzing a borrower's income as long as the probability of such pay to continue is verified in writing by their contract, commanding officer, etc. and if the income is expected to continue for the first three (3) years of the loan.

VA Benefits

Direct compensation for service-related disabilities from the Department of Veterans Affairs (VA) is acceptable, provided the underwriter receives documentation from the Department of Veterans Affairs (VA).

Education benefits used to offset education expenses are not acceptable.

Government Assistance Programs

Income received from government assistance programs is acceptable as long as the paying agency provides documentation indicating that the income is expected to continue for at least three (3) years.

If the income from government assistance programs will not be received for at least three (3) years, it may not be used in qualifying.

Unemployment income must be documented for two (2) years, and there must be reasonable assurance that this income will continue. This requirement may apply to seasonal employment.

Long Term Disability

Long-term disability income (e.g., Social Security disability benefits, VA disability compensation, worker's compensation, private disability insurance) may be considered qualifying income that has a reasonable expectation of continuance unless there is a pre-determined insurance and/or benefit expiration date that is less than three (3) years (e.g., stated termination of a private disability insurance policy). If the income is considered tax-exempt, the income shall be grossed up. To gross up tax-exempt income refer to Non-Taxable Income.

Pending or current re-evaluation of medical eligibility for insurance and/or benefit payments is not considered an indication that the insurance and/or benefit payment will not continue. Evidence of the source, amount, insurance and/or benefit type must be obtained.

For applicants with disability income, U.S. Bancorp will not impose unnecessary or unduly burdensome requirements, or impose different terms and conditions, on applicants using disability related income. This prohibition includes but is not limited to the adoption, performance, or implementation of any policy, practice or act that requires an applicant who relies on disability income to provide additional information or documentation from a doctor or medical professional addressing the duration, nature, or severity of a disability.

Mortgage/Loan Credit Certificates

If a government entity subsidizes the mortgage/loan payments either through direct payments or tax rebates, these payments may be considered as qualifying income with the following requirements.

- The amount used as qualifying income must be calculated as follows: (Mortgage/Loan amount) x (Note Rate) x (Mortgage/Loan Credit Certificate rate %) divided by 12
- The amount used as qualifying income cannot exceed the maximum mortgage interest credit permitted by the Internal Revenue Service (IRS);
- The file must contain a copy of the Mortgage Credit Certificate (MCC) Underwriter's calculation of the amount used as qualifying income. A history of receipt of Mortgage Credit Certificate (MCC) tax credits is not required.

Homeownership/Home Payment Subsidies

A monthly subsidy must be treated as income, if a borrower is receiving subsidies under the housing choice voucher home ownership option from a Public Housing Agency (PHA). Although continuation of the homeownership voucher subsidy beyond the first year is subject to Congressional appropriation, for the purposes of underwriting, the subsidy will be assumed to continue for at least three (3) years.

If the borrower is receiving the subsidy directly, the amount received is treated as income. The amount received, if determined to be nontaxable income, shall be grossed up. If the Underwriter has verified the income and the income is not sufficient to qualify the borrower, the Underwriter shall gross up all tax-exempt income once it has been established and documented that such income is likely to continue (and remain untaxed) into the foreseeable future. To gross up tax-exempt income refer to Non-Taxable Income within this Policy.

If servicing is receiving the subsidy, then the underwriters may treat this subsidy as an offset to the monthly loan payment (that is, reduce the monthly loan payment by the amount of the home ownership assistance payment before dividing by the monthly income to determine the payment-to-income and debt-to-income ratios). The subsidy payment must not pass through the borrower's hands.

The assistance payment must be:

- paid directly to the servicing creditor; or,

- placed in an account that only the servicing creditor may access.

Assistance payments made directly to the borrower must be treated as income.

Non-Taxable Income

This Policy defines the requirements for treatment of personal income that is not subject to federal income tax. The purpose of this policy is to ensure appropriate and consistent treatment of identified nontaxable income sources in accordance with applicable fair lending laws, regulations, and regulatory guidance; specifically, Section 1002.6(b)(5) of Regulation B and the Interagency Policy Statement on Discrimination in Lending.

Applying a Gross Up Factor to NTI (nontaxable income)

The borrower must provide documentation, such as but not limited to Federal Income Tax Returns, to verify that the income is not taxable in order to gross up the tax-exempt income for qualifying. Upon documentation review, if another nontaxable income source is identified that is not listed here, the income should be grossed up consistent with this Policy. The underwriter must always document the source and support the amount of the non-taxable income that was grossed up. If the borrower is not able to provide documentation to evidence that the income is not taxable or the appropriate tax rate cannot be determined, underwriting cannot gross up the income.

If income is verified through tax returns located in the file, then nontaxable income (NTI) is grossed up by the applicable gross up factor for tax returns (refer to Applicable Gross Up Factors below). Examples include:

- If the borrower has non-taxable income that is reported on the previously filed tax return, the underwriter should use the applicable gross up factor for tax returns or
- If the borrower began receiving non-taxable income during the current year, and they have previously filed a tax return and the return does not contain non-taxable income, the underwriter should use the applicable gross up factor for tax returns.

If income is not verified through tax returns, then the applicable gross up factor (refer to Applicable Gross Up Factors below) must be applied. Examples include:

- If the borrower is not required to file a Federal Income Tax Return, the applicable gross up factor should be used; or

If the borrower began receiving non-taxable income during the current year, and they have not previously filed a tax return, the underwriter should use the applicable gross up factor.

If income is evaluated before income documentation has been provided, the applicable gross up factor is utilized initially and then adjusted as needed to the customer's actual rate once the documentation is reviewed. If a customer has NTI but has a 0% tax rate due to losses or other factors, the applicable gross up factor is used for NTI sources to help ensure equivalent consideration with taxable income.

The underwriter should utilize only one gross up method noted above for the borrower.

For cases where the DTI is clearly acceptable without grossing-up the income, then grossing-up is not required. Clearly acceptable is defined as an approvable DTI which is beneath the product guidelines' published maximum without grossing-up and grossing-up will have no impact on the customer or loan terms (e.g., high loan amount, lower rate).

Calculation

The tax rate and grossed up portion of income to be used is calculated as follows:

- the most recent IRS Form 1040 should be used, the rate is calculated by dividing the Total Tax by the Taxable Income to derive the borrower's current tax rate;
- the grossed-up portion of the monthly income amount to be used is calculated by multiplying the non-taxable income amount by the derived current tax rate; and
- the grossed-up portion is added to the gross monthly income for total qualifying income

- **Applicable Gross Up Factor**

The Borrower provided tax returns	Actual Tax Rate %

The Borrower provided tax returns and the Actual Tax Rate is 0%	25%
The Borrower did not provide tax returns	25%

Projected Income

Analyzing Projected Income

Projected or hypothetical income is not acceptable for qualifying purposes. However, considerations are permitted for income from the following sources:

- Cost-of-living adjustments.
- Performance raises; and
- Bonuses.

For the above considerations to apply, the income must be:

- Verified in writing by the employer.
- Scheduled to begin within 60 days of loan closing: and
- Evidenced that there is a two (2) year history of being received by the borrower.

Income Sources not Subject to Federal Income Tax

Projected Income for New Job

Projected income is acceptable for qualifying purposes for a borrower scheduled to start a new job within 60 days of loan closing if there is a guaranteed, non-revocable contract for employment.

The underwriter must verify that the borrower will have sufficient income or cash reserves (3 months on all monthly obligations, including Principal, Interest, Taxes, Insurance and Association Fee (PITIA) to support the loan payment and any other obligations between loan closing and the start of employment. Examples of this type of scenario are teachers whose contracts begin with the new school year, or a physician beginning a residency after the loan closes.

Rental Income

Analyzing the Stability of Rental Income

Rent received for properties owned by the borrower is acceptable as long as the underwriter can document the stability of the rental income through:

- A current lease,
- An agreement to lease, or
- A rental history over the previous two (2) years that is free of unexplained gaps greater than three (3) months (such gaps could be explained by student, seasonal, or military renters, or property rehabilitation).

Short term rental income from the non-subject property (e.g., Airbnb, VRBO) maybe considered stable as long as the underwriter can document the following:

- A rental history for the Short-Term Rental Property over the previous two (2) years,
- Evidence of rental contracts for future bookings to support continuance.

A separate schedule of real estate is not required for rental properties as long as all properties are documented on the Uniform Residential Loan Application (URLA).

The underwriting analysis may not consider rental income from any property being vacated by the borrower, except under the circumstances described below.

Rental Income from Borrower Occupied Property

The rent for a multiple unit property where the borrower resides in one or more units and charges rent to tenants of other units may be used for qualifying purposes.

Projected rent for the tenant-occupied units only may:

- Be considered gross income, only after deducting vacancy and maintenance factors, and
- Not be used as a direct offset to the loan payment.

Rental income from the tenant-occupied unit on a refinance transaction requires the following documentation:

- copy of the current lease or agreement to lease (must be in effect no more than 60 calendar days from the note date), and
- IRS Form 1040 Schedule E.

Rental income may be considered by utilizing the rental income as reported on IRS Form 1040 Schedule E. Rental income should be utilized as income and not as an offset to the housing payment.

Rental income from the tenant-occupied unit on a purchase transaction requires the following documentation:

- copy of current lease or agreement to lease, and
- proof of security deposit.

Rental income may be considered only after deducting vacancy and maintenance factor (25%). Rental income should be utilized as income and not as an offset to the housing payment.

Income from Roommates or Boarders in a Single-Family Property

Rental income from roommates or boarders in a single-family property occupied as the borrower's primary residence is acceptable.

The rental income may be considered effective, if shown on the borrower's Federal Income Tax Return. If not on the Federal Income Tax Return, rental income paid by the roommate or boarder may not be used in qualifying.

Eligible Income from Investment Properties

If the subject property is an eligible investment property, the following requirements must be met in order to include the property's rental income or loss.

- Borrower must have a minimum of 12 months recent landlord experience.

- IRS Form 1040 Schedule E using the Income Calculation Worksheet.

If the subject property being purchased is an investment property, the following underwriting requirements must be met:

- for newly constructed homes that are purchase transactions, the borrower may not be affiliated with or related to the builder, developer or property seller.
- the monthly housing expense related to the borrower's current primary residence must be used in calculating the borrower's monthly housing expense-to-income ratio.
- regardless of whether rental income from the mortgaged premises is used in qualifying, six (6) months of reserves [Principal, Interest, Taxes, Insurance and Association Fee (PITIA)] on the subject property is required.
- borrower funds must not include gifts.
- whenever rental income is to be used in qualifying, the borrower must have rent loss insurance on the investment property for at least six (6) months of gross monthly rent.
- if rental income is not used for qualifying, the monthly payment amount for the mortgaged premises must be used in calculating the monthly debt payment-to-income ratio; and
- rental income may be used with a copy of a fully executed lease and proof of receipt of deposit providing:
    - borrower has a two (2) year history owning and managing other rental property, and
    - no more than 75% of the gross lease amount is used.

Documentation Required to Verify Rental Income

Analysis of the following required documentation is necessary to verify all borrower rental income:

- IRS Form 1040 Schedule E; and
- Current leases/rental agreements.

Analyzing IRS Form 1040 Schedule E

The IRS Form 1040 Schedule E is required to verify all rental income. Depreciation shown on IRS Form 1040 Schedule E may be added back to the net income or loss.

Positive rental income is considered gross income for qualifying purposes, while negative income must be treated as a recurring liability.

The underwriter must confirm that the borrower still owns each property listed, by comparing Schedule E with the real estate owned section of the URLA.

Using Current Leases to Analyze Rental Income

The borrower can provide a current signed lease or other rental agreement for a property that was acquired since the last income tax filing, and is not shown on IRS Form 1040 Schedule E.

In order to calculate the rental income:

- Reduce the gross rental amount by 25 percent for vacancies and maintenance.
- Subtract Principal, Interest, Taxes, Insurance and Association Fee (PITIA); and
- Apply the resulting amount to income, if positive, or recurring debts, if negative.

In order to use rental income from a property not reflected from the last income tax filing, the following is required:

- Reserves equal to six (6) months Principal, Interest, Taxes, Insurance and Association Fee (PITIA) for each property,
- No more than 25% of the borrower(s) income can be derived from these rental properties, and
- Two (2) years recent landlord experience verified through two (2) years of income tax returns and IRS Form 1040 Schedule E.

Exclusion of Rental Income from a Principal Residence Being Vacated by a Borrower

Underwriters may only consider rental income from a borrower’s principal residence that is being vacated in favor of another principal residence since the latest tax filing when the following requirements are met:

- a properly executed lease agreement signed by the borrower and lessee must be in effect no more than 60 calendar days from the note date, and must be at least one year in duration after the loan has closed.

- proof of security deposit receipt and deposit into borrower's account.
- documented sufficient equity of 25% or more in the vacated property.
- rental income is reduced by a 25% vacancy factor.
- if the net rental income exceeds the full monthly payment of the converted primary residence, as applicable, the excess rental income cannot be added to the borrower's gross monthly income to qualify.
- in addition to the reserve requirements for the proposed mortgage, 6 months PITIA in reserves for the departing residence.
- Maximum 80% LTV/CLTV for the subject property

Restricted Stock Units

Restricted stock units may be used as income to qualify the borrower if the income has been verified with a 2-year history of receipt and likelihood of continuance for a minimum of 3 years, based on the vesting/payout schedule. The following documentation is required for use of RSU income and to be calculated using the income calculation worksheet.

- Employer must be a publicly traded entity. Cannot be a privately held company.
- Must be one of the Fortune 1000 companies.
- Must be a U.S. index (i.e., NASDAQ); Foreign exchanges will be excluded.
- Issuance agreement or equivalent documentation
-
- Vesting Schedule of distribution of shares/units.
- 2 years historical IRS Form W-2's from the same employer.
- Evidence payout of RSU with 2 years past year-end pay stubs or WVOE outlining income received from vested shares.

Current vesting schedule which must outline shares awarded and projected vests for the next 3 years. Income will be calculated as follows:

- Calculation of the most recent two years vested historical RSU Income.
- Calculation of the projected RSU (based on shares anticipated to vest in current year multiplied by the stock price at the end of day on the application date.)
- Compare the historic income to the projected income.

  - If there is less than a 10% decline in the income, the historical RSU income will be used to determine the value of continuance.
  - If there is a 10% or higher decline in the income, the projected income using the 52-week low stock price (back from the application date) will be used to determine the value of continuance.

Credit

Consumer Report/Credit Bureau Report

A current Credit Bureau Report from a major credit bureau reporting company is required on every applicant for credit.

A Credit Bureau Report for real estate loan applicants is considered current if no more than 30 days old at time of preliminary credit review and no more than 120 days old at the Note Date.

Information contained in the applicant's credit report is confidential and may not be released to the applicant or anyone else. Applicant desiring information contained in the Credit Bureau Report must contact the credit bureau reporting company.

A Consumer Report (Credit Bureau Report) shall be prepared for each borrower from information provided by consumer/credit reporting agencies meeting established Federal National Mortgage Association (FNMA)/Federal Home Loan Mortgage Corporation (FHLMC) requirements as necessary.

For any manually underwritten loan, at least one borrower whose income or assets are used for qualification must have a minimum number of payment references comprised of:

- at least three (3) tradelines, whether or not on the credit report with at least one tradeline active in the most recent 12 months and seasoned for at least 12 months; Tradelines not listed on the credit report must be evidenced with payment history. When a tradeline reporting is an authorized user account, it must meet the requirements in the Authorized User section to qualify as one of the three (3) required tradelines.
- if a borrower does not have three (3) tradelines, at least four (4) non-credit payment references or a total combination of four (4) tradelines and non-credit payment references; or
- to be used to establish a minimum payment history, a noncredit payment reference must have existed for at least 12 months and be evidenced with payment history.

Tradelines are defined as having a credit account and its associated information such as date opened, balance and periodic payment history, that is typically listed on a credit report.

Any exception consideration must be submitted to the Centralized Exception Department.

Credit Disputes

If a consumer believes information reported in their credit report to be inaccurate regarding their payment history, etc., they can file a dispute with the credit repository and the credit repository must then contact the source of the information to re-verify its accuracy which can take up to 45 days to resolve. Underwriting will use the current FICO score, income, asset, and collateral information in the file to arrive at a decision. Disputed accounts are not included as a qualified trade line to meet the requirements on a manual underwrite.

After application, additional credit reports (often referred to as Rapid Rescore) to be pulled only in those cases of documented erroneous/disputed or inaccurate information or if the credit report obtained at application has expired.

Credit Reports at the time of Application or After

- Once an application is taken and a new credit report obtained, that report will be used for 1003 purposes to qualify the borrower.
- Any change to a credit line will be reviewed with a credit supplement or other acceptable documentation to show the most current credit line information. A credit supplement is sufficient to show a debt has been paid off or closed rather than pulling a full new credit report. Pulling a new credit report is unacceptable.
- Sun West allows additional credit reports or a Rapid Rescore to be pulled only in those cases of documented erroneous, disputed or inaccurate information or if the credit report obtained at application has expired.
- Additional credit reports or a Rapid Rescore are not allowed for purposes of trying to obtain higher credit scores.
- All credit reports are required to be in the loan record.

Credit reports should not be re-ordered when the existing credit report is not more than 120 calendar days from application and is not expected to expire prior to closing as this creates additional operational and compliance risks (i.e. permission to re-pull credit, associated fees, pricing adjustments, resubmission to underwriting, etc.). To minimize these operational and compliance risks, we recommend that any credit report that is expected to expire before the loan closes or close of escrow should not be re-ordered more than 30 days before the closing date unless there is another business justification (i.e. builder construction loans).

Current IRS Tax Liabilities

The underwriter must consider the outstanding tax liability against the available assets and reserves to cover the tax liability. If the assets and reserves are not enough to cover the liability a repayment agreement with the IRS along with documentation of at least one payment made will be required and the debt must be counted as a recurring liability. RECAP form and/or Transmittal form comments should be made to address the underwriter's rationale in the event no conditions are required to address outstanding tax liabilities.

Debt Counseling Prior to Application

Sun West allows the practice of borrower counseling prior to application in which reduction of outstanding debt prior to applying for a mortgage may be an outcome.

Sun West allows the Mortgage Loan Originator to pull a credit report prior to application and to discuss with the borrower how to improve their credit profile.

Deferment or Forbearance of Mortgage Payment Reminder

To be eligible, all mortgage loans that the borrower is obligated including Second Homes, Investment and any co-sign mortgage loan, must be current as of the note date. A borrower with any loan in forbearance or deferment is not eligible unless the borrower has exited the forbearance and made 12 timely payments after exiting forbearance.

Underwriters must review the borrower's credit report to determine the status of all mortgage loans. A mortgage loan in deferment or forbearance will not always be reported on the borrower's current credit report. The credit report may have an indication that the borrower is "currently on a forbearance plan" on the mortgage tradeline.

In addition to reviewing the credit report, Underwriters must also apply due diligence for each mortgage loan (includes 1st mortgages and 2nd mortgage/HELOC/HEILS) on which the borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine whether the payments are current as of the note date of the new transaction.

This due diligence includes co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine whether the payments are current as of the note date of the new transaction. All existing loans must be current as of the note date and no later than the last business day of that month.

Example: Loan file has evidence of April payment made in the month of April:

- Note Date is June 5; Evidence of May payment made within the month of May must be obtained
- Note Date is May 30; Evidence of April payment meets requirements

Examples of acceptable additional due diligence methods to document the loan file include:

- a loan payment history from the servicer
- third-party verification service confirming Mortgage payment history
- a payoff statement (for mortgages being refinanced)
- the latest mortgage account statement from the borrower
- a verification of mortgage

Any exception consideration must be submitted to the Centralized Exception Department.

Delinquent Credit / Other Significant or Derogatory Credit Information

Documentation of the satisfaction of these liabilities, along with verification that there were funds sufficient to satisfy these obligations, must be included in the underwriting file.

Explanation would be required for any payment (including Mortgage payment) that is 1x60 or later or 2x30 in the last 24 months at time of underwriting.

Mortgage

The borrower’s payment history must be reviewed to determine delinquency, severity, and recency of the delinquency. Borrowers with excessive mortgage or rent payment delinquencies are not eligible. Excessive delinquency is defined as any mortgage tradeline or rent history that is not current in the most recent three months or has more than a 1x30 reporting within the 12- month period prior to application.

Collection Accounts

The following may be considered by an Underwriter based on the overall strength of the underwriting file using the following guidance:

All collection accounts (including medical collections) may not have to be paid off at or prior to closing if the total balance of all accounts combined is $1,000 or less. No minimum monthly payment has to be included in monthly debt unless one has been set up and the borrower has been paying a set amount.

Collection accounts that exceed the above limits may not have to be paid off at or prior to closing, provided all of the following are documented:

1. A strong credit profile

2. Meaningful financial reserves

3. Evidence that the accounts pose no threat to the first mortgage lien.

Other Significant or Derogatory Credit

Non-Mortgage Credit obligations exhibiting past due amounts (>30 days) of $1000 or more must be brought current prior to closing.

Underwriters may exclude the requirement to bring significant or derogatory accounts current when the aggregate past due amounts on reported credit accounts is less than $1,000. Appropriate RECAP and/or Transmittal comments must address the underwriter's action.

Before waiving the payment requirement, the following must be considered:

- The borrower's FICO, down payment/equity, number of trade lines, number of times past due and number of days past due should be considered before waiving payment requirement.
- Borrower's verified assets must be sufficient to cover the delinquent sums in addition to the required PITIA reserves per program criteria if the underwriter elects to waive bringing delinquent accounts current.

Other Items that Could Affect Lien Position

Requires any delinquent credit that have the potential to affect our lien position or diminish the borrower's equity to be paid off at or prior to closing, this includes taxes, judgments, mechanics' liens, and liens.

Frozen Credit

For various reasons Consumers are "freezing" their information with one or more of the three credit repositories (Trans Union, Equifax, and Experian) which precludes a three-bureau report from being obtained. When two or more repositories are froze, leaving only one repository to report, the consumer will need to "unfreeze" their information and a new credit report obtained that has at least two repositories reporting. However, a new credit report is not required if the original credit report has only one repository froze while the other two repositories are reporting.

You can see when an account is "frozen" by referencing a section on the Credit Report entitled "Repository Messages". Here is an example from MDA credit bureau.

Date	Reported On	Comment
06/03/2009	TUC-A1	Frozen by consumer as allowed by state law.

When a person freezes their records, they are given either a PIN or a password. They can unfreeze it by contacting the repository and following their repositories and their states instructions using the PIN/password assigned by the repository when the account was frozen.

Each state has specific fees and rules. State information can be found at: http://www.experian.com/consumer/security_freeze.html#state

Mortgage and Rental Payment History

The borrower's most recent mortgage payment or rental payment history must be reviewed.

When the borrower has current mortgage payment history, one of the following direct verifications of all mortgage history must be obtained:

- the Credit Bureau Report covering at least the most recent 12 months of payment history.
- the borrower's canceled checks for the most 12 months.
- a standard Verification of Mortgage (VOM) or loan payment history from the mortgage servicer; or
- the borrower's year-end mortgage account statement (provided it includes a payment receipt history), supplemented by the borrower's canceled checks for the months that have elapsed since the statement was issued.

Refer to Deferment or Forbearance of Mortgage Payment Reminder for additional information. For Deferment or Forbearance of Mortgage Payment, any exception consideration must be submitted to the Centralized Exception Department.

When the borrower has a current mortgage payment history but also has a current rental payment history:

- Verification of all mortgage history must be obtained (refer to direct verifications described above); and
- Verification of Rent (VOR) from a management company that indicates a payment history covering at least the most recent 12 months must be obtained; or
- the borrower's canceled checks for the most recent 12 months verifying the rental payment history.

When the borrower has no current mortgage history, but does have a current rental payment history:

- Verification of Rent (VOR) from a management company that indicates a payment history covering at least the most recent 12 months must be obtained; or
- the borrower's canceled checks for the most recent 12 months.

If the borrower owns "free and clear" the property to be mortgaged, the borrower must have owned the subject property for at least six (6) months.

When there is no previous mortgage or rental payment history it does not prohibit the borrower from obtaining credit.

Non-Sufficient Funds and Overdrafts

Agencies require that bank statements showing NSF must be assessed to determine the significance relative to the borrower's overall credit risk. Borrowers whose bank accounts show a pattern of NSF activity should be reviewed for credit acceptance. The borrowers credit payment history must also be reviewed to determine the significance of the NSF activity.

A borrower who has late payments and/or NSFs on the bank statements should be considered a higher credit risk. A borrower who has no late payments and one or two small NSF would not be considered a higher credit risk.

Many borrowers have Overdraft Protection whereas an arrangement has been made with the bank to cover the amount of the overdraft. This is different than an NSF and is not considered the same.

Self-Reported Tradelines

Credit Reporting Agencies allow borrowers to add utility accounts as tradelines on the credit report (example shown below) to enhance the non-mortgage credit score/FICO calculation. This gives a 'boost' to the credit score/FICO that is used for some consumer lending products.

	The mortgage FICO score calculation used for mortgages does not consider these utility accounts and does not provide the 'boost' in credit score/FICO. Underwriting should omit these self-reported utility accounts in the DTI ratio when qualifying loans. These accounts do not need to be treated as 30-day accounts and do not require reserves to cover the expense.
Business Assets Used for Down Payment/Closing Costs/Reserves	• Allowed ○ the impact on the business from the withdrawal of funds must be evaluated to determine the continued viability of the business and/or the need for paying back those funds from the borrower. Sun West will require a letter from a CPA or Business Banker certifying that the impact of the withdrawal of funds (amount specifically stated) will not negatively impact the ongoing viability of the business. Along with the letter, we will require the CPA or Business Banker to provide a cash flow analysis to document and support that removal of the funds does not have a negative effect on the business.
Cryptocurrency, digital currencies, or altcoins (i.e., Bitcoins, Litecoin, Ethereum, etc.	• Cryptocurrency, digital currencies or altcoins (i.e., Bitcoins, Litecoin, Ethereum, etc.) may not be included as financial assets for mortgage qualification purposes and is an ineligible source of funds for down payment, closing costs or reserves unless being converted into US Currency. • To be used as a source of funds for down payment, closing costs, or reserves, cryptocurrency, digital currencies, or altcoins must be converted into US Currency and be held within a US Financial Institution and verified prior to underwriting final approval. ○ In addition to the verification of US Currency, the borrower(s) must be able to provide acceptable documentation for the source of funds used to initially acquire the cryptocurrency prior to the conversion. Any purchase of the cryptocurrency within the most recent 12 months will be required to have evidence of the source of funds used to acquire the cryptocurrency.
Down Payment Requirement	• At least a minimum five percent (5%) contribution from the borrower's own funds is required on a purchase transaction if the LTV/CLTV/HCLTV is greater than 80%.
Earnest Money Deposits (EMD)	• When an EMD for a purchase transaction is used to qualify the borrower for the mortgage transaction, the file must evidence that the EMD check cleared the borrowers account (e.g., copy of canceled check, asset statement or written statement from EMD holder verifying receipt of the funds). • When the EMD is needed to meet the minimum contribution from borrower personal funds, we require the following:

- Verify that the source of the EMD is an eligible asset type and documented following standard documentation requirements
- Provide 2 months account statements or direct verification (VOD) that covers the period up to and including the date the EMD funds cleared the account.

The EMD must not be counted twice in the evaluation of the mortgage (i.e., deducted from funds to close and counted as assets).

- This guidance does not impact the requirements for Large Deposits or Undisclosed Debt.

Foreign Assets

- All cash to close must come from borrower's assets through a financial institution located within the United States and seasoned with that institution for 30 or more days prior to application.
- In addition, any foreign funds from High Risk Countries will be considered on the all transactions except the following:
    - Cash-Out Refinances
    - 2nd Homes
    - Investment Properties
- Loans requiring Gift Funds sourced from a High-Risk Country is unacceptable.
- All foreign information must be translated/converted to English by a disinterested third party
- Statement or VOD for down payment/reserves from a United States financial institution.

Funds to Close/Reserves

	Loan Amount	**Minimum required Reserves**
Primary Residence	< = $1,000,000	6 months PITI
	> $1,000,000 - $2,000,000	12 months PITI
	>$2,000,000 - $3,000,000	24 months PITI
Second Homes	< = $1,000,000	12 months PITI
	> $1,000,000	24 months PITI
Investment Properties	<=$650,000	12 months PITI

- The borrower may use funds obtained as a gift subject to FHLMC guidelines for gift verification

  - If the borrower plans to rent their existing home after closing, loan must comply with USBHM and Freddie Mac guidelines
- If LTV/CLTV/HCLTV > 80%, down payment must include 5% of the sale price/value from borrower's own funds

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Refinance Loans

Cash/Equity Out

A non-purchase transaction is deemed Cash/Equity Out when:

- There is cash to the borrower (cash in hand) in an amount more that exceeds the lesser of 2% of the balance of the new refinance mortgage or $2,000; or
- There are any funds used to pay off revolving and installment debt, or other funds paid to a disinterested third party, and second liens not meeting Rate/Term Refinance requirements are considered Cash Out; or
- payoff of the outstanding balance or a portion of the balance of a Home Equity Line of Credit (HELOC) that remains open.

For six months from the purchase date, the value will be determined by using the lesser of the purchase price or appraised value.

A transaction is a Cash/Equity Out transaction when at least one borrower has been on the title to the subject property for at least 180 days or the home must be completed (in the case of new construction) for at least 180 days prior to the note date. Exceptions to the 180-day requirement are allowed as specified below

Delayed Financing:

- the executed Closing Document from the purchase transaction must reflect that no financing secured by the subject property was used to purchase the subject property.
- the preliminary title report for the refinance transaction must reflect the borrower as the owner of the subject property and must reflect that there are no liens on the property.
- the source of funds used to purchase the subject property must be fully documented.
- funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.

- if funds were borrowed to purchase the subject property, those funds must be repaid and reflected on the Closing Document for the refinance transaction.
- the amount of the Cash/Equity Out refinance must not exceed the sum of 80% of the original purchase price (or documented acquisition cost) and 100% of related closing costs, financing costs and prepaids/escrows as documented by the Closing Document for the purchase transaction; and
- there must have been no affiliation or relationship between the buyer and seller of the purchase transaction.
- Cash out limit does not apply to Delayed Financing

The Cash/Equity Out transaction must comply with the applicable Loan-to-Value (LTV) / Combined Loan-to-Value (CLTV) / Total Loan-to-Value (CLTV) / Home Equity Total Loan-to-Value (HCLTV) ratio limits.

Property that is listed for sale or that has been listed for sale in the last 90 days is not eligible for Cash/Equity Out.

A simultaneous or subsequent transaction second lien Loan or Line of Credit is exempt from the 180-day requirement when refinancing with a new second lien Loan or Line of Credit.

Continuity of Obligation/General Refinance Requirement

When an existing Mortgage will be satisfied as a result of a refinance transaction, one of the following requirements must be met:

- At least one Borrower on the refinance Mortgage was a Borrower on the Mortgage being refinanced: or
- At least one Borrower on the refinance Mortgage held title to and resided in the Mortgaged Premises as a Primary Residence for the most recent 12-month period and the Mortgage file contains documentation evidencing that the Borrower, either:
    - Has been making timely Mortgage payments, including the payments for any secondary financing, for the most recent 12-month period; or
    - Is a Related Person to a Borrower on the Mortgage being refinanced; or
- At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises (for example), in the case of divorce, separation or dissolution of a domestic partnership)

Rate/Term Refinance

A non-purchase transaction is deemed a Rate/Term Refinance when there is a financing of closing costs (including prepaid expenses) where cash to the borrower does not exceed the lesser of 2% of the balance of the new refinance mortgage or $2,000. A non-purchase transaction is also deemed a Rate/Term Refinance when there is a:

- payoff of the outstanding principal balance of an existing first mortgage.
- payoff of the outstanding principal balance of any existing second lien that was used in whole to acquire the subject property.
- payoff and closure of a second lien that was used in total for home improvement, where documentation of the costs of the home improvement is obtained (no Seasoning of the second lien loan is required).
- payoff and closure of a second lien that has been open at least 12 months; or
- payoff of the outstanding balance and closure of a Home Equity Line of Credit (HELOC) that has been open at least 12 months and draws within the most recent 12 months do not exceed 2% of the new mortgage amount.

For six months from the purchase date, the value will be determined by using the lesser of the purchase price or appraised value.

If the mortgage being refinanced has been open less than 12 months and if the underwriter has knowledge the loan was a Cash/Equity Out refinance transaction, then the following applies:

- if the mortgage being refinanced was originated by U.S. Bank, the new loan is not eligible for a Rate/Term Refinance designation; and,
- if the mortgage being refinanced was originated by another financial institution, the new loan is not eligible for a Rate/Term Refinance designation unless the Loan-to-Value (LTV) / Combined Loan-to-Value (CLTV) is 80% or less.

A transaction is deemed a Special Purpose Refinance when the owner of a property uses the proceeds of the transaction to buy out the equity of a co-owner and is considered a Rate/Term Refinance. The loan amount of a Special Purpose Refinance is limited to amounts used to buy out the equity of the co-owner, which may include:

- paying off the first mortgage, regardless of age;
- paying off a second lien secured by the subject property; or
- paying related closing costs.

To qualify as a Special Purpose Refinance when paying off the mortgages/liens or related closing costs, the following shall apply:

- the borrower and the co-owner receiving the buy-out proceeds must have jointly owned the property for a minimum of 12 months prior to the initial loan application (parties who inherited an interest in the property are exempt from this requirement);
- the borrower and the co-owner receiving the buy-out proceeds must provide evidence that they occupied the subject property as their primary residence (parties who inherited an interest in the property are exempt from this requirement);
- the borrower and the co-owner receiving the buy-out proceeds must provide a written agreement, signed by all parties, stating the terms of the property transfer and the disposition of the proceeds from the refinancing transaction; and
- the borrower who retains sole ownership of the property may not receive any of the proceeds from the refinance transaction.

Refinance Payoff Documentation

All refinances submitted to Underwriting for Final Approval require, a payoff statement which must be obtained for the following reasons:

1. When Sun West is refinancing a mortgage that is currently serviced by U.S. Bank, the payoff statement is to determine the existence of a pre-payment penalty on a first or closed end second or an early termination fee on a HELOC if it is required to be closed. If a penalty or fee exists, it must be included in the points and fees test.

2. Sun West requires a payoff statement on all refinances regardless of servicer, on all products to avoid exceeding U.S. Bank Home Mortgage principal curtailment limit of $2,000.00 for Conventional loans along with compliance issues with regards to curtailments.

3. A payoff dated on or after the application date is required at the time a refinance is submitted to Underwriting for final approval. Any subsequent resubmission will not require an additional updated payoff unless the payoff has expired, or the borrower has made an additional payment.

Appraisal Requirements

- Fully completed URAR (Form 70) required. No short forms allowed.
- If the combined loan amount for the 1st and 2nd mortgage is less than or equal to $1.5M, only one appraisal will be required. If the combined loan amount for the 1st and 2nd mortgage is greater than $1.5M, **two** appraisals will be required.
- The combined loan amount threshold calculation for appraisal purposes will be only the loans /liens with U.S. Bank that are secured by the subject property. The threshold calculation does not include 2nd mortgages held by another lender and subordinate to U.S. Bank.
- the appraisal must be reviewed and approved by the investor prior to close

Mortgage Insurance

Primary Residence	**30 Yr. Term**	**20-15 Yr. Term**
85.01% - 90.0% LTV	25%	12%
80.01% - 85.0% LTV	12%	6%

- Refundable and Non-Refundable Single Premium MI is allowed if the full premium is included in the QM and High Costs Points and Fees test AND the policy provides for a refund of unused premium as required by HOPA.
- Split Premium MI is allowed.
- Custom, Reduced and Financed MI are not allowed.

Contributions by Interested Parties

- Primary Residence and Second Home:
    - 6% of the lesser of the sales price or the appraised value.
- Investment Property:
    - 2% of the lesser of the sales price of the appraised value.

Margin	• 2.750%
Index	• Weekly average yield of U.S. Treasury Securities adjusted to a constant maturity of one-year, as shown on Federal Reserve Statistical Release
Adjustment Cap	• 7/1 ARM: +/- 5% on the first-rate adjustment and +/- 2% adjustment thereafter. • 10/1 ARM: +/- 5% on the first-rate adjustment and +/- 2% adjustment thereafter
Lifetime Cap	• 7/1 ARM: 5% over initial rate • 10/1 ARM: 5% over initial rate
Lifetime Floor	• Same as the margin after initial fixed rate
Temporary Buydowns	• Not allowed
Assumability	• Not assumable
Escrow Waivers	• An escrow waiver may be granted for conventional loans with LTV/CLTV equal to or lessor than 80% (properties located in CA may waive escrows with an LTV/CLTV lower than 90%).
Prepayment Penalty	• None
Ineligible Products	• Higher-Priced Covered Transactions (HPCT QM-Rebuttable Presumption) • Balloon Transactions • Graduated Payments • Cash out loans in Texas subject to 50(a)(6) regulation is ineligible. • Interest Only Products • Temporary Buy Downs • Loans with Prepayment Penalties • Points and Fees exceeding 3% • High cost, Subprime and loans with Prepayment features
Ineligible Borrowers	• Foreign Nationals • Borrowers with diplomatic status • Life Estates • Non-Revocable Trusts

	• Guardianships • LLCs, Corporations or Partnerships • Land Trusts, except for Illinois Land Trust • Borrowers with any ownership in a business that is federally illegal, regardless of if the income is not being considered for qualifying
Ineligible Properties	• Manufactured Homes/Mobile Homes • 3–4-unit owner occupied properties • Condotels / Condo Hotels • Mixed-Use Properties • Model Home Leasebacks • Non-Warrantable Condominiums • Properties with condition rating of C5/C6 • Properties with construction rating of Q6 • Properties located in Hawaii in lava zones 1 & 2. • Properties located in areas where a valid security interest in the property cannot be obtained. • Properties >20 acres • Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant. • Tenants-in-Common projects (TICs) • Unique properties • Working farms, ranches or orchards
Undisclosed Debt/Credit Bureau Inquiries and Monitoring	• To identify and investigate possible undisclosed debt, the undisclosed debt monitoring services ("UDM") will be utilized to monitor the credit activity of borrowers between the date of the initial credit report(s) and the closing date or, if UDM service is not utilized then, credit report refresh will be obtained for all borrowers within ten (10) days prior to the loan closing.
Fraud GUARD® or Similar Third-Party Fraud Report Product	• FraudGUARD® report or a similar product will be utilized to evaluate the borrower and loans, and to clear any adverse finding prior to making decision to approve the loan for closing. FraudGUARD® by Interthinx® is a comprehensive system that provides loan-level information on valuation, fraud detection and regulatory compliance issues.

AL: JUMBO AUS PROGRAM

Product code	• SUNNPM0394
Loan Purpose	• Purchase • Limited Cash-Out Refinance • Cash-Out Refinance
Amortization Term	• Fixed Rate - 15,30 years. No negative amortization. • ARM: 30-year amortization. No negative amortization ○ 5yr/6m ARM ○ 7yr/6m ARM ○ 10yr/6m ARM
Interest only	• Not allowed
Qualifying Rate	• FRM: Note Rate • ARM: ○ 5yr/6m SOFR: Higher of Note Rate + 2% or the Fully indexed rate ○ 7yr/6m SOFR, 10yr/6m SOFR: Higher of Note Rate or the Fully indexed rate
Occupancy	• Primary Residence • Second Home
Eligible States	• All states except Maine, Maryland, Puerto Rico, American Samoa, Guam, Northern Mariana Islands, US Virgin Islands, Los Angeles (County). • Texas 50 (a)(6) and Texas conversion loans are ineligible.
Eligible Borrowers	• U.S. Citizens • Permanent Resident Aliens
Non-occupant co-borrowers	• Allowed
First time home buyers	• Allowed

Eligible Properties

- Single Family Residence
- PUD
- 2 - 4 Units
- Warrantable Condominiums (Fannie Mae Eligible)
- Maximum 50 acres - Below are the restrictions:
    - Acreage greater than twenty (20) acres – Maximum LTV/CLTV must be reduced by 10%.
    - Zoning must be used for residential use.

Loan Amount

- Minimum Loan Amount: Must be at least $1 over the conforming loan sizes.
- Maximum Loan Amount: $3,500,000.

Minimum FICO

- 720

Credit Score

- All borrowers must have at least two (2) credit scores.

Non-Traditional Credit

- Not allowed.

Eligibility Matrix

Primary Residence					
Minimum FICO	**Max. Loan Amount**	**Purchase and Rate and Term refi**		**Cash out refinance**	
		Max. LTV/CLTV	**Maximum DTI**	**Max. LTV/CLTV**	**Maximum DTI**
740	<=$2,000,000	80%	50%	75%	45%
	$2,000,001 - $3,000,000	75%	45%	NA	NA
	$3,000,001-$3,500,000	65%	45%	NA	NA
720	<=$2,000,000	80%	50%	75%	40%
	$2,000,001 - $3,000,000	75%	45%	NA	NA

Additional loan amount restrictions:

- 2 units property: Maximum loan amount allowed is $1,500,000.
- 3-4 units properties: Maximum loan amount allowed is $1,000,000.

1 unit Second Home					
Minimum FICO	**Max. Loan Amount**	**Purchase and Rate and Term refi**		**Cash out refinance**	
		Max. LTV/CLTV	**Maximum DTI**	**Max. LTV/CLTV**	**Maximum DTI**
720	<=$2,000,000	75%	45%	70%	40%
	$2,000,001 - $3,000,000	70%	45%	NA	NA

Cash out limit

- $500,000

Reserve requirement

Loan Amount	Reserves
<=$1,500,000	Six (6) months PITIA
$1,500,001 - $2,000,000	Nine (9) months PITIA
$2,000,001 - $3,500,000	Twenty-Four (24) months PITIA

Approval type

- Loan must be either fully underwritten through Fannie Mae’s Desktop Underwriter (“DU”) or Freddie Mac’s Loan Prospector (“LP”)
- Manually underwritten loans will not be accepted.

Refer to the table below for eligibility requirements for transactions submitted through Fannie Mae DU or Freddie Mac LPA:

AUS Finding	Requirements
Fannie Mae DU: Approve/Eligible or Freddie Mac LPA: Accept/Eligible	Eligible when loan amount is at least base conforming plus $1 but below the high balance conforming limit.
Fannie Mae DU: Approve/Ineligible for loan amount	For loans $1 above the conforming or high balance conforming loan limit.
Freddie Mac LPA: Accept/Ineligible for loan amount	For loans $1 above the conforming or high balance conforming loan limit.
Fannie Mae DU or Freddie Mac LPA findings other than those listed above	Not eligible.

Note: Refer with Caution, Caution, Refer and Incomplete findings not eligible.

Underwriting

- Follow either Fannie Mae (DU) or Freddie Mac (LP) for any guideline not addressed in this guide.
- Agency-specific programs are not eligible for OB: Jumbo AUS (including but not limited to HomeReady, Home Possible, Green Choice, Choice Renovation, etc.)

Fraud Guard

- Fraud guard is required on all the loans.

Compliance

- All covered loans must be designated as ATR compliant and must adhere to the standards set forth in the CFPB's Reg Z, section 1026.43(c).
- High-Cost loans are not allowed.

Ineligible Properties

- Manufactured homes
- Time-share units.
- Property with multiple ADUs (Accessory Dwelling Units)
- Structures containing more than 4 units.
- Boarding house
- Bed and Breakfast
- Properties located in Lava Zones 1 and 2
- Properties with Agricultural type lands and zoning, including those properties that are currently not commercially income producing.

	• Hotel condominium (i.e., Condotels, motels, resort units) • Lodging units • Non-Warranted condominiums • Co-Ops • Any land, building, property, structure, etc. for which there is knowledge of an illegal activity occurring past or present (based on federal or state law), regardless of whether any income or assets are being derived from the illegal activity. Property alterations cannot be made to achieve collateral eligibility. • Properties in excess of 50 acres • Structures containing more than four units. • Units managed in rental pools. • Leasehold • Commercial property • Geodesic Domes
Income and Employment requirements	• Follow either Fannie Mae (DU) or Freddie Mac (LP) guidelines and AUS clause for the income and employment requirements
Cryptocurrency	• Cryptocurrency is not allowed as income or reserves.
Credit and Liability requirement	• Follow either Fannie Mae (DU) or Freddie Mac (LP) guidelines and AUS clause for liability requirement.
Seasoning Requirement	• The borrower must have owned the property for at least six (6) months.
Housing History	• Housing history required based upon DU/LPA

Derogatory housing event

Derogatory Housing event	Waiting period	Extenuating Circumstances
Foreclosure	Seven (7) years seasoning	Not allowed
Short Sale, Deed in lieu, Pre-Foreclosure	Seven (7) years seasoning	Allowed with below: 1. Loan <= $1,000,000 = Four (4) years since discharge or dismissal date. 2. Loan >$1,000,000 = Seven (7) years since discharge or dismissal date.
Bankruptcy (Chapter 7, 11 or 13)	Seven (7) years seasoning	Allowed with below: 1. Loan <= $1,000,000 = Four (4) years since discharge or dismissal date. 2. Loan >$1,000,000 = Seven (7) years since discharge or dismissal date.
Multiple bankruptcies	Seven (7) years seasoning since discharge or dismissal date	Not allowed

Appraisal requirement

- All appraisals must comply with and conform to USPAP and the Appraisal Independence requirements and any requirement for HPMLs.
- A full appraisal is required for all programs.
- Exterior only appraisal or appraisal waivers are ineligible.
- Two appraisals are required for either of the following scenarios:
  - Loan Amount >$2,000,000.

	o HPML flip transactions. Interior photos are required. • Appraisals with condition or quality ratings of C5 or C6 will not be eligible.
Escrow	• Required. • Escrow for taxes and insurance will be required for all HPMLs (5 years).
Power of attorney	• Limited Power of Attorney (POA) is acceptable for executing closing documents, is specific to the transaction, contains an expiration date, initial 1003 is signed by the Borrower executing the POA. • POA is not permitted on cash out transactions.
Non-Arm's Length transaction	• Allowed
Subordinate Financing	• Follow FNMA or FHLMC guidelines.
Assumable	• Not allowed
Prepayment Feature	• Not available.
Recast	• Not permitted
MERS	• Required
Private Mortgage Insurance	• Not required.
Ineligible Borrowers	• Foreign Nationals • Non-Permanent Resident Alien (including DACA) • Individuals with diplomatic immunity • Entities such as corporations, general or limited partnerships, real estate syndication, life estate or land trust • Non-profit organizations • Applications involved in Federally Prohibited Activities

- Custodian, agent, conservator or guardian, non-applicant spouse or a vested owner signing on behalf of the applicant without a valid Power of Attorney (POA).
- Applicants living or working in a foreign county are ineligible for financing.

PR – NON CONFORMING

Product is suspended effective 12/12/2023.

Product Code	• SUNCON0020
Eligible Borrowers	• US Citizens • Permanent Resident Aliens • Non-Permanent Resident Aliens
Eligible Occupancy	• Primary Residence • Second Home • Investment property
Loan Purpose	• Purchase • Limited Cash out Refinance • Cash Out Refinance
Eligible Properties	• Single-family residence • PUDs • 2-4 units • Warrantable Condominiums
Eligible Amortization Terms	• Fixed Rate – 15, 30 years
Eligible geographical locations	• Puerto Rico Only
Maximum Debt-to-income ratio	• As per AUS and maximum up to 49%

General Underwriting

- DU must be run on all the loans however loan will be considered a Manually Underwritten loan. Fannie Mae requirements applicable to manually underwritten loans must be followed.
- Default to Fannie Mae Selling Guide for any guideline not addressed in this guide.

Qualifying Credit Score

- Minimum FICO 620, Refer Eligibility Matrix for details

Eligibility Matrix

Primary Residence									
Loan Amount		Purchase				Limited Cash Out / Cash Out Refinance			
		FICO & LTV/CLTV				FICO & LTV/CLTV			
		≥650	649	639-630	629-620	≥650	649	639-630	629-620
Up to	$250,000	89%	85%	80%	75%	80%	75%	70%	65%
$250,001	$650,000	85%	80%	75%	70%	75%	70%	65%	60%
$650,001	$1,500,000	80%	75%	70%	65%	70%	65%	60%	55%
$1,500,001	$3,000,000	75%	70%	65%	60%	65%	60%	55%	50%

Second Home			
Loan Amount		Purchase	Limited Cash Out / Cash Out Refinance
		LTV/CLTV	LTV/CLTV
Up to	$250,000	80%	75%
$250,001	$650,000	75%	70%
$650,001	$1,500,000	70%	65%
$1,500,001	$3,000,000	65%	60%

Investment Property		
Loan Amount	Purchase	Limited Cash Out / Cash Out Refinance

		LTV/CLTV	LTV/CLTV
Up to	$250,000	75%	70%
$250,001	$650,000	70%	65%
$650,001	$1,500,000	65%	60%
$1,500,001	$3,000,000	55%	50%

Documentation Type	• Full documentation
Compliance	• High-Cost loan not allowed. • Total points and fees must not exceed 3% • Fully documented ability-to-repay
Non-Occupant Co-Borrower	• Allowed, must meet Fannie Mae guidelines
Subordinate Financing	• Allowed up to maximum CLTV limits specified in Eligibility matrix. Must meet Fannie Mae guidelines.
Credit Report	• Tri-merged credit report required • Non-traditional credit not allowed
Borrower Income and Employment Information	• Follow Fannie Mae manual UW requirements. • Verbal verification of employment (VVOE) within 10 days of loan closing irrespective of employment type. • All self-employed borrower files must include last 2 years signed and dated tax returns with all schedules or Tax transcripts, a third-party verification of the existence of business. • YTD P&L with last 6 months business bank statements is required. YTD to support the P&L. • For all self-employed borrowers, Underwriter to calculate and include Cash Flow analysis (Fannie Mae Form 1084 (click here) / Freddie Mac Form 91 (click here) • 1099 borrowers are considered self-employed.
Derogatory credit event	• Follow Fannie Mae requirements
Age of Documentation	• Follow the Fannie Mae requirement.

Escrow Holdback/ Completion Escrow	• Any inadequacies determined by the appraisal must be remedied prior to closing. Escrow holdbacks are not permitted.
Escrow Waivers	• Must have escrows unless state law dictates otherwise. • An escrow waiver may be granted for loans with LTV/CLTV equal to or lessor than 80%
Private Mortgage Insurance	• Not Required
Appraisal Requirement	• One full appraisal is required
Fraud Report	• FraudGUARD® report or a similar product will be utilized to evaluate the borrower and loans, and to clear any adverse finding prior to making decision to approve the loan for closing
Ineligible Borrowers	• Undocumented Foreign Nationals • Borrowers with diplomatic status • Life Estates • Non-Revocable Trusts • Guardianships • LLCs, Corporations or Partnerships • Land Trusts • Borrowers with any ownership in a business that is federally illegal, regardless of if the income is not being considered for qualifying
Ineligible Properties	• Time-share units • Property with multiple ADUs (Accessory Dwelling Units) • Structures containing more than 4 units • Boarding house • Bed and Breakfast • Properties located in Lava Zones 1 and 2

	• Hotel condominium (i.e., Condotels, motels, resort units) • Manufactured housing (Mobile home) • Properties with > 20 Acres • Additional review requirements apply for Properties with > 10 Acres • Lodging units • Non-Warranted condominiums • Co-Ops • Properties zoned commercial, agricultural or mixed use are ineligible • Leasehold properties, land trusts, hobby farms • Regarding solar panels, anything that will include a UCC filing associated with the property and/or will create an easement on title is ineligible
Ineligible Features	• Loans that are not Qualified Mortgages eligible for safe harbor protection under 12 CFR Part 1026. • Loans that do not meet the Ability to Repay requirements of TILA • Deed-restricted and resale-restricted properties are ineligible. • Higher-Priced Covered Transactions (HPCTQM-Rebuttable Presumption) • Balloons • Graduated Payments • Temporary Buy downs • Loans with Prepayment Penalties