



first community mortgage



FCM NMLS ID 629700



# Non-Conforming Jumbo Direct Guidelines

Program Code  
NCJD30AM



Primary Residence					
Purchase, Rate & Term Refinance					
Property Type	LTV/CLTV*	Maximum Loan Amount	Minimum Credit Score	Months Reserves**	Max DTI
1-Unit SFR, PUD, Condo, 2-4 Units	85	1,000,000	740	6 < \$1MM 12 = \$1MM	36%
	80	1,500,000	700		
	75	2,000,000	700	Per DU	45%
	75	1,000,000	680		
Cash-Out Refinance*					
1-Unit SFR, PUD, Condo, 2-4 Units	75	1,500,000	700	Per DU	45%
	70	2,000,000	700		
	70	1,000,000	680		
Max Cash-Out: \$500,000					
Second Home					
Purchase, Rate & Term Refinance					
Property Type	LTV/CLTV*	Maximum Loan Amount	Minimum Credit Score	Months Reserves**	Max DTI
1-Unit SFR, PUD, Condo	75	1,500,000	700	Per DU	45%
	70	2,000,000	700		
	70	1,000,000	680		
Cash-Out Refinance*					
1-Unit SFR, PUD, Condo	75	1,500,000	700	Per DU	45%
	70	2,000,000	700		
	70	1,000,000	680		
Max Cash-Out: \$500,000					
Investment Property					
Purchase, Rate & Term Refinance					
Property Type	LTV/CLTV*	Maximum Loan Amount	Minimum Credit Score	Months Reserves**	Max DTI
1-Unit SFR, PUD, Condo	75	1,500,000	700	Per DU	45%
	70	2,000,000	700		
	70	1,000,000	680		
2-4 Units	70	1,500,000	700	Per DU	45%
	65	2,000,000	700		
	65	1,000,000	680		
Cash-Out Refinance*					
1-Unit SFR, PUD, Condo	70	1,500,000	700	Per DU	45%
	65	2,000,000	700		
	65	1,000,000	680		
2-4 Units	65	1,500,000	700	Per DU	45%
	60	2,000,000	700		
	60	1,000,000	680		
Max Cash-Out: \$500,000					
<p><b>*LTV/CLTV Restrictions</b></p> <ul style="list-style-type: none"> <li>Reduce LTV/CLTV by 5% for properties located in CT &amp; IL</li> <li>Cash-Out Refinance: for property owned Free &amp; Clear where the property was granted to borrower and owned ≥ 6 months, max LTV/CLTV = 50%.</li> <li>Florida Condominiums, See Condominiums and PUDs.</li> </ul> <p><b>**Additional Reserves</b></p> <p>For loans with LTV/CLTV &gt; 80%, add 2 additional months PITIA for each additional financed property.</p> <ul style="list-style-type: none"> <li>Minimum Loan Amount- \$1 over conforming limits</li> </ul>					



## Loan Purpose

### Ineligible Transactions:

#### Ineligible transactions include:

- Loans to finance the initial construction of a dwelling, one-time-close construction-to-permanent loans, or construction loan modifications.
- Primary residences in Texas subject to Texas Section 50(a)(6) or Texas Section (f)(2).
  - For all Texas refinance transactions, a copy of the previous Note or security instrument is required to document that the previous loan being refinanced was not an (a)(6).
- Loans with temporary buy-downs or prepayment penalties.
- See State and Geographic Restrictions.

### Purchase Transactions:

#### Use of Proceeds:

- Proceeds from the purchase money mortgage transaction must be used to finance the acquisition of the subject property, or
- To pay off the outstanding balance of a land contract or contract for deed.
- Transaction proceeds may not be used to give the applicant cash back other than an amount representing reimbursement for the applicant's overpayment of fees and/or a legitimate pro-rated insurance premiums and real estate tax credit in locales where real estate taxes are paid in arrears, if any.
  - The settlement statement must clearly indicate the refund, and the loan file must include documentation to support the amount and reason for the refund.

### Refinance Transactions:

All refinance transactions must meet the requirements in Loan Purpose – Ineligible Transactions above.

#### Listed Properties:

- Listed at Time of Application: Properties currently listed for sale (at the time of application) are not eligible for refinance transactions.
- Listed within 6 months: Properties listed for sale by the Borrower within six (6) months of the application date are acceptable if the following requirements are met:
  - Rate and Term refinance only: The listing must have expired or been withdrawn prior to the application date.
  - Cash-out Refinance:
    - LTV/CLTV < 70%: The listing must have expired or been withdrawn prior to the application date.
    - LTV/CLTV ≥ 70%: The application date must be six months or more after the last listing expired or was withdrawn.
  - The Appraiser must confirm all of the following:
    - Home is not currently listed in the MLS as for sale.
    - Home is not publicly offered or for sale by the owner.
    - Date the listing was withdrawn or expired.
- Continuity of Obligation Requirement: All refinance transactions must meet the following Continuity of Obligation Requirements:
  - Rate and Term Refinance Transactions. When an existing Mortgage will be satisfied as a result of a Rate and Term 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 the subject property for the most recent 12-month period prior to the application date. In addition, for Primary Residence transactions, at least one Borrower on the refinance Mortgage has also resided in the subject property as a primary residence for the most recent 12 month period prior to the application date. The mortgage file must contain documentation evidencing that the borrower, **either**:
  - Has been making timely mortgage payments, including the payments for any subordinate 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 subject property, e.g., in the case of divorce, separation, or dissolution of a domestic partnership; or
- The title to the subject property is in the name of a Limited Liability Company (LLC) or an acceptable trust. As of the application date, the borrower(s) must be a member of the LLC or beneficiary of the trust. Title to the subject property must be transferred into the Borrower's name prior to the Note Date.
- Cash-Out Refinance Transactions (including properties owned free and clear)
  - All Borrower(s) must have held title to the subject property for a minimum of 6 months prior to the application date.
  - Property was purchased by borrower:
    - If the borrower's purchase date is within 6 to 12 months prior to application date, the LTV/CLTV must be based on the lesser of the original sales price or the current appraised value
    - If the borrower's purchase date is more than 12 months prior to application date, the LTV/CLTV may be based on the current appraised value.
  - Property was not purchased by borrower (e.g. borrower was granted the property):
    - If the borrower has been on title for at least 6 months prior to the application date, the appraised value can be used to calculate LTV/CLTV.
    - The LTV/CLTV maximum is 50% or the program maximum whichever is less.
- Borrower(s) must meet all other program guidelines including the mortgage housing history.
- Transfer of owners from a corporation to an individual does not meet the continuity of obligation requirement.

### **Rate and Term Refinance Transactions:**

- All Rate and Term Refinance transactions must meet Fannie Mae requirements, B2-1.3-02, Limited Cash-Out except as modified by the following parameters:
  - Cash back limit is the lessor of 2% of the loan amount or \$2,00
  - HELOCs: A HELOC may be paid off in full and still considered a rate and term transaction provided the HELOC has no draws in excess of \$2,000 within 12 months prior to the new loan
  - Benefit to the borrower must be documented
- Ineligible Transactions:



- The refinance Mortgage is considered to be a Cash-Out Refinance where < 6 months has lapsed from the original Note Date to the application date.

### **Cash-Out Refinance Transactions:**

- All Cash-Out Refinance transactions must meet Fannie Mae requirements, B2-1.3-03, Cash-Out except as modified by the following parameters:
  - Maximum cash-out allowed is \$500,000. This limit is valid for all product-types, occupancies and property-types.
- **Seasoning Requirements:**
  - Minimum 12 months ownership seasoning to use appraised value to determine LTV/CLTV.
  - If the ownership seasoning is less than 12 months, the lower of the purchase price or the appraised value will be used to determine LTV/CLTV.
  - The purchase price must be documented.
  - See [Loan Purpose - Delayed Financing Exception](#)
- All Borrowers must have held title to subject property for a minimum of 6 months. See [Product Matrix](#) for additional LTV/CLTV restrictions for Cash-Out refinance transactions.
- The refinance Mortgage is considered to be a Cash-Out Refinance if cash back exceeds the lesser of 2% of the loan amount or \$2,000.
- The refinance Mortgage is considered to be a Cash-Out Refinance if the mortgage being refinanced was a Cash-Out Refinance and within the last 6 months, measured from Disbursement Date to the Application Date.
- Paying off a HELOC where borrower has drawn more than \$2,000 in the last 12 months.

### **Delayed Financing Exception:**

- Delayed Financing Exception must meet Fannie Mae requirements in B2-1.2-03, Cash-Out.
  - In summary, Fannie Mae requires that 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 if all of the requirements of B2-1.2-03, Cash-Out Delayed Financing Requirements are met.
  - The new loan transaction is considered a Cash-Out Refinance.
  - Fannie Mae requires that all delayed financing transactions must be arm's-length, irrespective of occupancy type, B2-1.3-01, Purchase Transactions. Also, see [Assets - Reserves](#)



## Credit

### Credit Report, Credit Score, and Trade Line Requirements:

Credit Report: Residential Mortgage Credit Report (RMCR) or traditional tri-merge with applicable credit report supplements is required for all Borrowers.

- **Frozen Credit:** Credit reports may not have “frozen credit.” If a Borrower unfreezes credit after the initial report is run, then a new 3-file merged credit report must be obtained.
- **Fraud Alert Requirement:** All credit reports must include FACT Act messages and at least one repository fraud alert product (i.e. Hawk, FACS+ or SAFESCAN). Alerts must be resolved.
- **Inquiries:** Credit reports must list all inquiries made within the previous 90 days and a written explanation for all inquiries within 90 days is required.
- **Credit Scores:** Each Borrower, including those with no income used to qualify, must have a valid social security number and generate a traditional credit score from at least two of these repositories: Experian, Equifax, and TransUnion. Foreign credit is not acceptable. See the PRODUCT MATRIX for minimum credit score requirements.
- **Qualifying Score:** For each Borrower, qualifying score is the middle of 3 or lower of 2 scores, as applicable. Qualifying score for the loan is the lowest qualifying score of any Borrower.
- **Depth of Credit History,** See *B3-5.3-01, Number and Age of Accounts*

### Housing Payment History (Mortgage, Rent, Rent Free):

- **Housing History and Housing Payment History:** As of the application date, at least one of the borrowers must have a fully documented, recent, consecutive, 12-months primary housing history

Housing History	Housing Payment History
<b>Mortgage Credit History*</b>	<ul style="list-style-type: none"> <li>• <b>Mortgage Payment History:</b> <ul style="list-style-type: none"> <li>○ Must be on the credit report, or</li> <li>○ Private Party Loans: Documented by cancelled checks, bank statements, or evidence of electronic transfers (VOM alone is not sufficient), or</li> <li>○ Institutional Lender: Documented by cancelled checks, bank statements, or evidence of electronic transfers, or through a statement produced by the lender.</li> </ul> </li> <li>• Ratings: Inclusive of all liens regardless of position, and applicable to all mortgages on all financed properties, rating must indicate:           <ul style="list-style-type: none"> <li>○ 0 X 30 within the past 12 months</li> </ul> </li> </ul> <p>See Credit - Significant Derogatory Credit Events and Other Credit Events for additional mortgage-related requirements</p>
<b>Renting</b>	<ul style="list-style-type: none"> <li>• Rental Payment History:           <ul style="list-style-type: none"> <li>○ Credit report rating (if management company rates), or</li> <li>○ Management company Verification of Rents (VOR), or</li> <li>○ Cancelled checks, or</li> <li>○ Bank statements, or</li> <li>○ Evidence of electronic transfers.</li> </ul> </li> <li>• Ratings:           <ul style="list-style-type: none"> <li>○ 0 X 30 within the past 12 months.</li> </ul> </li> </ul>



<b>Living Rent Free</b>	<ul style="list-style-type: none"> <li>At least one of the borrowers must have a fully documented, recent, consecutive, 12-months primary housing history</li> <li>Loans where all borrowers are living rent free and do not have a recent, consecutive, 12-month primary housing history are not eligible</li> </ul>
<b>Subject Property Owned Free/Clear</b>	<ul style="list-style-type: none"> <li>Provide evidence that the property is free and clear</li> </ul>

**\*"Mortgage Credit" Defined:** Payment histories on all housing rental payments and mortgage trade lines, regardless of occupancy, including first and second mortgage liens, HELOCs, mobile homes, and manufactured homes are considered mortgage credit, even if reported as an installment loan.

**Extenuating Circumstances:**

- Extenuating circumstances guidelines and flexibilities, derogatory credit, and significant credit events are not permitted. See B3-5.3-08, *Extenuating Circumstances for Derogatory Credit* and B3-5.3-07, *Significant Derogatory Credit Events — Waiting Periods and Re-establishing Credit*.

**30-Day Accounts:**

For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, lenders must verify borrower funds to cover the account balance. See B3-6-07, *Debts Paid Off At or Prior to Closing*.

**Current Residence Pending Sale or Conversion:**

**Pending Sale of Current Primary Residence, Conversion of Primary Residence to Second Home, Conversion of Primary Residence to Investment Property:**

- Pending Sale of Current Primary Residence, see B3-6-06, *Qualifying Impact of Other Real Estate Owned*
- Conversion of Primary Residence to Second Home, see B3-6-06, *Qualifying Impact of Other Real Estate Owned*
- Conversion of Primary Residence to Investment Property, see B3-3.5-02, *Income from Rental Property in DU*

**Significant Derogatory Credit Events and Other Credit Events**

Significant Derogatory Credit Event	Required Time Elapsed	Comments/Requirements
Foreclosure	7 years	<ul style="list-style-type: none"> <li>Measured from completion date of the foreclosure action to application date.</li> <li>Exceptions for extenuating circumstances are not permitted.</li> </ul>
Short Sale, Deed-in-Lieu, or Pre-Foreclosure Sale	4 years	<ul style="list-style-type: none"> <li>Measured from completion date of the deed-in-lieu of foreclosure, pre-foreclosure sale, or charge-off as reported on the credit report or other documents provided by the borrower to application date.</li> <li>Exceptions for extenuating circumstances are not permitted.</li> </ul>
Loan Modification	4 years	<ul style="list-style-type: none"> <li>Measured from the date of the Loan Modification Agreement to the application date.</li> </ul>
Mortgage Included in Bankruptcy	See Comment	<ul style="list-style-type: none"> <li>If documentation provided verifies that the mortgage loan in question was discharged in the bankruptcy, apply the bankruptcy</li> </ul>



		waiting period. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting period must be applied.
Bankruptcy- Chapter 7 or 11	4 years	<ul style="list-style-type: none"><li>• Measured from discharge or dismissal to the Note Date.</li></ul>
Bankruptcy- Chapter 13	2 years	<ul style="list-style-type: none"><li>• If discharged, measured from discharge date to Note Date</li></ul>
	4 years	<ul style="list-style-type: none"><li>• If dismissed, measured from dismissal date to Note Date.</li></ul>
Multiple Significant Derogatory Credit Events	See Comment	<ul style="list-style-type: none"><li>• Borrowers with multiple Significant Derogatory Credit Events are not eligible under this program.</li><li>• Two or more borrowers with individual bankruptcies are not cumulative, and do not constitute multiple bankruptcies. For example, if the borrower has one bankruptcy and the co-borrower has one bankruptcy this is not considered a multiple bankruptcy.</li></ul>





## Income

### Employment, Income, and VVOE

- Borrower employment, income sources used to qualify, and income calculations must meet Fannie Mae requirements, B3-3.1-01 - 05. Generally:
  - **Employment documentation:** Follow the DU® Findings report and Fannie Mae Selling Guide requirements, B3-3.1-02 Standards for Employment Documentation.
  - **DU Validation Service:** For income and employment verified utilizing the DU Validation Service, see AUS and Underwriting Method in this program guide.
  - **Rental Income:** See B3-3.1-08, Rental Income and B3-3.5-02, Income from Rental Property in DU.
  - **Other Income:** For “other” sources of income follow Fannie Mae requirements, B3-3.1-09, Other Sources of Income and B3-3.2, Self-Employment Income.
  - **VVOE\*:** A Verbal Verification of Employment (VVOE) for each borrower using employment or self-employment income must meet the Fannie Mae requirements, Selling Guide B3-3.1-07, VVOE.
    - Hourly, Salary, and Commission Income (Non-Military) – Per Fannie Mae
    - Military Personnel – Per Fannie Mae
    - Self-Employed Income – See Agency Interim Guidance – COVID-19 for additional requirements
  - **\*DU Validation Service:** When employment is validated by DU, the validation satisfies the requirement for verbal verification of employment described in B3-3.1-07, VVOE. Also, see [AUS and Underwriting Method DU Validation Service](#) in this program guide.
- Employment Offers and Contracts: The borrower’s paystub from the new employment must be in the loan file at the time of loan delivery.
- Employment-Related Assets as Qualifying Income – Must meet Fannie Mae requirements as set forth in B3-3.1-09, Other Sources of Income: generally maximum LTV is 70%.
- DU will analyze the risk factors for all borrowers on the loan regardless of occupancy, including income, assets, liabilities, and credit, B2-2-04.
- **Ineligible Income Sources:** Any income source not meeting the requirements of this program guide and:
  - Income derived from an activity that is deemed illegal by federal or state law for example, income derived from a business that is legal by state law but illegal by federal law, cannot be considered.
  - Foreign income
  - Restricted Stock Units

### Debt-to-Income Ratio:

- For DTI calculation, follow Fannie Mae requirements, B3-6, Liability Assessment.
- **Calculating Monthly Real Estate Taxes:** See Fannie Mae Selling Guide, B3-6-03, Monthly Housing Expense for the Subject Property.
- For maximum DTI, see the [Product Matrix](#)
- DU will analyze the risk factors for ALL borrowers on the loan regardless of occupancy, including income, assets, liabilities, and credit, B2-2-04, Guarantors, Co-Signers, or Non-Occupant Borrowers.



- See Subordinate Financing for HELOC payment calculation requirements.

### **Tax Transcripts:**

- A signed 4506-C (or an alternate form acceptable to the IRS that authorizes the release of tax transcripts) is required for each borrower whose income (regardless of income source) is used to qualify, including for those borrowers whose income is validated by the DU validation service.
- Tax or W-2 transcripts are required for all borrowers for the income type used to qualify.
- If most recent year's tax transcript for the income used to qualify is not available for a borrower who has filed taxes, the income may be verified by one of the following:
  - Officially stamped return by the IRS, or
  - Evidence that the return was electronically received (must reflect refund or amount owed to IRS).

In all cases, evidence of a refund check or payment made must be supplied.

- Tax Extensions:
  - Tax extensions are permitted until October 15th.
  - If the borrower has not filed tax returns by April 15th, the following must be provided on or prior to June 30th:
    - Evidence of tax extension (IRS Form 4868) or evidence of extension filing
    - Proof of payment for tax liability (if applicable) or the amount of the tax liability due can be subtracted from the borrower's liquid assets (if proof of payment is not supplied).
      - The borrower will need to meet the required assets for down payment, closing costs and reserves after the taxes due are subtracted from the borrower's liquid assets.
  - After October 15th proof of tax payment is required.
  - After June 30th, in addition to the requirements above, an IRS Form 4506-T transcript confirming "No Record Found" for the tax returns on extension must be supplied.

## **Assets**

### **Asset Documentation:**

- Follow Fannie Mae requirements, B3-4, Asset Assessment.
- For assets verified using the DU Validation Service, see B3-2-02, DU Validation Service.
- For direct verification by a third-party asset verification vendor, see B3-4.2-01, B3-4.2-01, Verification of Deposits and Asset.
- DU® will analyze the risk factors for all borrowers on the loan regardless of occupancy, including income, assets, liabilities, and credit, B2-2-04, Guarantors, Co-Signers, or Non-Occupant Borrowers on the Subject Transaction
- Also, see Interested Party Contributions and Lender Contributions
- Loan transactions with Community Seconds® are not eligible in this program. See Secondary (Subordinate) Financing.
- For reserve requirements when there are multiple financed properties for the same borrower, see Assets - Reserves.



### **Borrower Required Funds:**

- A minimum down payment of 5% of the purchase price from the borrower's own funds is required for any purchase transaction. These funds cannot be from a non-occupant co-borrower or from a gift. A borrower's real estate commission from the subject property cannot be used to satisfy the minimum down payment requirement.

### **Reserve Requirements:**

- **Minimum Months' Reserves:** See the [Product Matrix](#) for minimum number of months reserves required.
  - The minimum number of months' reserves is based on the subject property's PITIA, including payment for any secondary/subordinate financing.
- **Additional Reserves:**
  - **Additional Financed Properties:** For loans with LTV/CLTV > 80%, add 2 months reserves. Additional reserves are calculated on the PITIA of each non-subject property.

### **1031 Tax Deferred Exchange:**

- Not eligible on Primary and Secondary occupancy.



## Appraisal Review and Second Appraisal Requirements

### All Transactions:

The following appraisal review and second appraisal requirements apply, based on transaction type and combined loan amounts, (first lien plus any subordinate liens), as follows:

Purchase Transactions	
Combined Loan Amounts:	Appraisal Requirements:
≤ \$2,000,000	<ul style="list-style-type: none"> <li>• One full URAR appraisal report with interior and exterior inspection on appropriate FNMA form               <ul style="list-style-type: none"> <li>○ Appraisal must be uploaded to UCDP and receive a Collateral Underwriter Risk Score</li> </ul> </li> </ul>
> \$2,000,000	<ul style="list-style-type: none"> <li>• Two full URAR appraisal reports with interior and exterior inspection on appropriate FNMA form               <ul style="list-style-type: none"> <li>○ The appraisal with the lower of the two values must be uploaded to UCDP and receive a Collateral Underwriter Risk Score</li> </ul> </li> </ul>

Refinance Transactions	
Combined Loan Amounts:	Appraisal Requirements:
≤ \$1,500,000	<ul style="list-style-type: none"> <li>• One full URAR appraisal report with interior and exterior inspection on appropriate FNMA form               <ul style="list-style-type: none"> <li>○ Appraisal must be uploaded to UCDP and receive a Collateral Underwriter Risk Score</li> </ul> </li> </ul>
> \$1,500,000	<ul style="list-style-type: none"> <li>• Two full URAR appraisal reports with interior and exterior inspection on appropriate FNMA form               <ul style="list-style-type: none"> <li>○ The appraisal with the lower of the two values must be uploaded to UCDP and receive a Collateral Underwriter Risk Score</li> </ul> </li> </ul>

### Second Appraisal Requirements:

- The second appraisal must be completed by a different appraiser not affiliated with the original appraiser or appraisal company. A second appraisal ordered through the same AMC as the original appraisal is acceptable.
- The appraised value for underwriting purposes is the lower of the purchase price or the two appraisals.

### Third Party Review Requirements:

- For appraisals with a Collateral Underwriter Risk Score of 2.5 or less, no third-party review is required.
- For appraisals with a Collateral Underwriter Risk Score greater than 2.5, a Clear Capital Collateral Desktop Analysis – (CDA) is required.
- The following requirements apply for all transactions utilizing a Clear Capital Collateral Desktop Analysis – (CDA):

≤ 10% of the Appraised Value or the Purchase Price	<ul style="list-style-type: none"> <li>• The lower of the purchase price or appraised value is used to calculate the LTV/CLTV</li> </ul>
> 10% below the original appraised value of the property, or the finding is “undetermined”	<ul style="list-style-type: none"> <li>• Obtain Both:               <ul style="list-style-type: none"> <li>○ Clear Capital Broker Price Option (BPO); and</li> <li>○ Clear Capital Value Reconciliation of Three Reports                   <ul style="list-style-type: none"> <li>▪ The Value Reconciliation will account for the original appraisal, CDA, and BPO</li> </ul> </li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>▪ The final value determined by Clear Captial will be used as the appraised value for the property</li> </ul>
>The appraised value	<ul style="list-style-type: none"> <li>• The lower of the purchase price or appraised value is used to calculate the LTV/CLTV</li> </ul>

*\* Delegated Correspondent: If a CDA is required, FCM reserves the right to require a CDA Release Form*

**Prior Sale within 180 Days:**

For purchase transactions, if there has been a sale or ownership transfer of subject property within the previous 180 days, see Property Flipping, Purchase Contract Assignments for additional appraisal review requirements.

**Disaster Re-inspection Requirements**

- Properties affected by a disaster must meet Fannie Mae requirements in Selling Guide B2-3-05, Properties Affected by a Disaster and the following FCM requirements:
- FCM requires re-inspections for properties in FEMA declared disaster areas eligible for individual assistance, and/or as announced by FCM. **The Property Inspection Date must be after the declared Incident Period End Date for loans within this program.** Also see Appraisal, Property Valuation and Age of Loan.



## Appraisal, Property Valuation

### Appraisal Form

Irrespective of DU® Findings, a full URAR appraisal report with interior and exterior inspection on the appropriate Fannie Mae form is required for all properties. Reduced inspection types, such as exterior-only inspections, and property inspection waivers, such as the Fannie Mae Appraisal Waiver are not allowed.

### General Requirements:

- Appraisals and appraisers must meet Fannie Mae requirements, B4-1, Appraisal Requirements, and the following:
  - All appraisals must be uploaded to the UCDP and receive a “successful” status and a Collateral Underwriter Risk Score, B4-1.1-06 Uniform Appraisal Dataset (UAD) and the Uniform Collateral Data Portal.
  - Appraisers and supervisory appraisers appearing on the Fannie Mae AQM list as subject to 100% review or ineligible will render the appraisal ineligible for delivery to FCM
  - Appraisals generated for third parties are NOT eligible.
  - Appraisal transfers must meet all Appraiser Independence Requirements (AIR) as well as USPAP requirements. (See USPAP Advisory Opinions 26 & 27)
  - Appraisals completed in the name of a lender different than the Seller or its originating TPO are not eligible.

### Appraisal Age:

- To be utilized without an update, appraisals must be dated within 120 days prior to the Note Date.
- No appraisal may be dated more than 180 days prior to the Note Date.
- For appraisal reports dated more than 120 days, but ≤ to 180 days prior to the Note Date, an appraisal update is required as follows:
  - The appraiser must provide an appraisal update based on their exterior inspection of the subject property and knowledge of current market conditions, and
  - The appraiser must acknowledge that the value of the subject property has not declined since the original appraisal date.
  - The update must be completed on Fannie Mae Form 1004D/Freddie Mac Form 442, and
  - The update must be dated within 60 days prior to the Note Date.

### Appraisal Re-Use:

The use of an appraisal utilized for a previous loan that has closed for the subject property is not permitted.



## Occupancy Types

- See B2-1.1-01, Occupancy Types

## Condominium and PUD's

### Requirements

- Project reviews must meet Fannie Mae Selling Guide requirements, B4-2 Project Standards and the requirements below.
  - For requirements related to Condo Project Manager™ (CPM™) status, see *LL 2021-04-Temporary Requirements for Condo and Co-op Projects* for additional information
- **Loan File Must Include:**
  - Uniform Underwriting and Transmittal Summary, Form 1008/1077, or equivalent, identifying the type of project review completed.
  - For condominium projects requiring a Full or Limited project review type, Fannie Mae Condominium Project Questionnaire Full Form (Fannie Mae Form 1076) or equivalent.
- **Condominium Project Review** – Fannie Mae review types eligible for delivery to FCM
- **Limited Review**, B4-2.2-01, Limited Review Process:
- **Lender Full Review with or without Condo Project Manager™ (CPM™):**
  - Without CPM requires a Lender Full Review Condo Project Eligibility Certification form
    - Sellers may utilize an “acceptable equivalent” form in lieu of the FCM Lender Full Review Condo Project Eligibility Certification form. Requirements are provided on page 2 of the FCM form.
- **Fannie Mae PERS**- See B4-2.2-06, *Project Eligibility Review Service (PERS)*
- **FHA Project Review** – B4-2.2-05, FHA-Approved Condo Review Eligibility
- **\*Florida Condos:** Additional eligibility restrictions, review requirements, and lower LTV/CLTV/HCLTVs apply, B4-2.1-01 Project Standards, B4-2.2-04 Geographic-Specific Condo Project Considerations.
- **Waiver of Project Review:** Project review requirements, including documentation of liability and fidelity/crime insurance, are waived for Detached Condo Units, and 2- to 4-Unit Condo Projects, subject to all of the requirements, meeting the insurance, project, property type, common expense assessment, and project review waiver criteria in *B4-2.1-02, Waiver of Project Review*.
- **Project Review Expiration:** Limited Reviews and Full Reviews, with or without CPM, must be completed within 180 days of Note Date. PERS approval must be valid (unexpired) as of the Note Date, *B4-2.1-01, Expiration for Project Reviews*.
- **Condominium Project Manager “Unavailable” Status-** CPM status must be checked on all loans that are secured by units in projects with five or more attached units. For CPM findings resulting in an “Unavailable” Status, the loan will be ineligible, regardless of the project review process used in Underwriting the loan.

### Ineligible Condominium Types and Project Types

- Condominium projects must meet Fannie Mae requirements, see B4-2.1-03, Ineligible Projects. The following are not acceptable to FCM:
  - Fannie Mae non-eligible (non-warrantable) condo projects, such as the following project characteristics:
    - New projects with undisclosed excessive sale or financing structures



- Hotel Condominiums/Condotels – (See B4-2.1-03, Ineligible Projects for further definition). The HOA and/or project cannot:
  - Conversions from hotels or motels unless the project was a gut rehabilitation, where the resulting condo units no longer have the characteristics of a hotel/motel and meets the Fannie Mae requirements for an established project
- Multi-dwelling unit condos
- Commercial/Mixed Use Space in excess of Fannie Mae’s allocation limit (no more than 35%)
- Litigation or pre-litigation involving the safety, structural soundness, habitability, or function use of the project
- Single-entry ownership concentration in excess of Fannie Mae’s eligibility limit within the project
- Subject property with unit size less than 650 square feet
- Co-ops
- Manufactured Home Condominium Projects (MHCPs)
- Condominium conversion seasoned less than three years

## Eligibility

### Borrower Eligibility:

- FCM Loans to One Borrower: Maximum exposure to FCM in this program is the lesser of 4 loans or combined loan amounts totaling \$4 million. For loans secured by Second Homes, the maximum loans to one borrower is (1) loan.
- All Borrowers must meet Fannie Mae and FCM Borrower eligibility requirements, B2-2 Borrower Eligibility, including:
  - Borrowers must be a natural person or an eligible Inter Vivos Revocable “Living” trust, B2-2, Borrower Eligibility. (See [Leasehold and Life Estates](#) in this program guide.) Note: If title is taken in Inter Vivos trust, POA cannot be used. See [Trusts](#) in this program guide.
  - Eligible Non-U.S. citizen borrowers must meet Fannie Mae requirements for non-U.S. citizens, B2-2-02 Non-U.S. Citizen Borrower Eligibility Requirements.
  - All Borrowers meet Fannie Mae requirements for Continuity of Income, B3-3.1-01, General Income Information.
  - All Borrowers must have a valid social security number, B2-2-01, General Borrower Eligibility Requirements.
  - No Borrower is a Corporation, Limited Liability Company (LLC), partnership or other business entity, B2-2-01.
- Eligible Borrower Types are limited to:
  - U.S. Citizens
  - Permanent Resident Aliens
  - Inter Vivos Revocable “Living” Trusts
  - Ineligible Borrower Types:
    - Non-Permanent Resident Aliens, Non-Resident Aliens or Other
    - Person(s) with diplomatic immunity or a Foreign Politically Exposed Person(s).
    - Foreign Nationals





- Employees of Western Alliance Bancorporation®, its subsidiaries, or divisions, including but not limited to Western Alliance Bank®, Alliance Bank of Arizona®, Bank of Nevada®, Bridge Bank, First Independent Bank®, Torrey Pines Bank, Alliance Association Bank®, or Western Alliance Equipment Finance are ineligible.
- Insiders or their related interests, such as inter-vivos revocable trusts, of Western Alliance Bancorporation, its subsidiaries, or divisions, as defined under Regulation O, are ineligible.
- **Borrowers with an Individual Taxpayer Identification Number (ITIN) and principals, owners, and employees of Investor approved Sellers are ineligible.**
- All Borrowers must also meet the following FCM requirements:
  - All non-U.S. citizen Borrowers meet the proof of lawful residency documentation requirements listed in the table below.
  - Maximum four (4) Borrowers per loan.
  - Maximum four (4) properties serviced by FCM per Borrower.

Non-US Citizen Proof of Lawful Residency Documentation Requirements		
Permanent Resident Alien	Non-Permanent Resident Alien	Non-Resident Alien or Other
<ul style="list-style-type: none"> <li>● Permanent Resident Card (Green Card), or</li> <li>● Passport with USCIS I-551 Stamp</li> </ul>	Not Eligible	Not Eligible

- All guarantors, co-signers and non-occupant borrowers whose income is considered in qualifying and/or who sign the Note, must meet the FCM “Borrower Eligibility” requirements above and Fannie Mae eligibility requirements, B2-2-04, Guarantors, Co-Signers or Non-Occupant Co-Borrowers. (Note: Guarantors and co-signers must sign the Note.)
- DU® will analyze the risk factors for all borrowers on the loan regardless of occupancy, including income, assets, liabilities and credit, B2-2-04.
- Multiple Financed Properties: See Multiple Financed Properties for the Same Borrower(s)

### Property Eligibility:

Properties must meet Fannie Mae requirements, B2-3-01, General Property Eligibility, B2-3-04, Special Property Eligibility Considerations, and must additionally meet the following requirements:

- **Ineligible Property Types:**
  - Mixed Use Properties including, but not limited to properties that have been modified to accommodate home businesses, such as catering, in-home day care, animal boarding facilities, or auto repair
  - Manufactured or Mobile homes (modular is allowed)
  - Titled with more than 5 acres
  - Rural or Agricultural properties that do not meet the restrictions above
  - Commercial, Industrial or Business Zoned (where highest and best use is not residential)
  - More than four units in dwelling
  - Deed Restriction Communities (Age restricted communities permitted)
  - Houseboat
  - Live/Work Projects



- Condotels
- Geodesic Domes
- Properties in declining markets
- Property secured for land development purposes or where marketability has not been established
- Square footage less than 500 square feet per unit (eligible with 2 acceptable comparable properties that are within 100 square feet of subject)
- Unimproved land
- Properties located on Indian/Native American tribal land
- Properties not suitable for year-round occupancy regardless of location
- Boarding rooms or group homes
- Properties not readily accessible by roads that meet local standards
- Condominium conversion seasoned less than three years
- Time share units/projects
- Motel conversions
- Properties with any type of litigation not meeting Fannie Mae requirements
- Properties that do not have full utilities installed to meet all local health and safety standards
- Properties appraised "subject to" without an Appraisal Update and/or Completion Certificate (FNMA Form 1004D or FHLMC Form 442)
- Properties appraised "as is" that are incomplete and/or require significant repairs
- Any property with health and safety, habitability or structural issues
- Properties in Hawaiian Lava Flow Hazard Zones 1 and 2 as determined by the U.S. Geological Survey's Hawaiian Volcano Observatory
- Bed & breakfast
- Boarding houses
- Condition: Properties with ratings of C5, C6 or Q6 are not allowed unless the issues that caused the ratings are cured prior to loan delivery
- Condominiums: Ineligible condo projects as described in the Ineligible Condo Projects\_section of this Guide
- State and Geographic Restrictions apply
- Also, see Deed Restrictions, and Leasehold Estates and Trusts.
- Additional Fannie Mae guidelines apply to homes with leased solar panels, see B2-3-04, Special Property Eligibility Considerations

### **Trust Eligibility:**

- Trusts must meet the requirements in Fannie Mae Selling Guide B2-2-05, Inter Vivos Revocable Trusts. Fannie Mae allows Inter Vivos "Living" trusts only.
- Documents for loans where title is taken in a trust cannot be signed with a Power of Attorney.
- Also, see Leasehold Estates.

### **State and Geographic Restrictions:**

- Sellers must be licensed in accordance with Applicable Law and approved by AmeriHome for the state where the subject property is located.



- FCM does not purchase mortgage loans secured by properties in the following states:
  - Alaska
  - Hawaii
  - New York
  - New Jersey
  - Properties located in any US Territories or US possessions.
- Texas Refinance: Texas (a)(6) or Texas section (f)(2) transactions are not eligible in this program.
  - For all Texas refinance transactions, a copy of the previous Note or security instrument is required to document that the loan being refinanced was not a Texas (a)(6) transaction.
- Loans secured by properties located on Indian (Native American) tribal land or Indian Trust Land or Restricted Land, and/or properties for which Borrower has a leasehold interest in the same, are not eligible. See Property Eligibility.



## Underwriting

### AUS and Underwriting Method

- **Underwriting Type:** Delegated
  - **Underwriting Eligibility:** This Program requires Fannie Mae Desktop Underwriter (DU®). All loans must be underwritten to the more restrictive of this program guide, the DU Findings report, or the Fannie Mae COVID-19 requirements.
  - Where this Program Guide is silent, follow the relevant sections of the Fannie Mae Single Family Selling Guide in effect as of the date of the loan application.
- **Desktop Underwriter®**
  - A DU Approve/Ineligible recommendation where the Ineligible recommendation is for loan structure only, i.e., LTV/CLTV Limits, Loan Purpose, or Loan Amount. The Ineligible recommendation may not be for a credit event. Except for documented erroneous credit data, credit events may not be excluded from DU®. See B3-2-09, Erroneous Credit Report Data.
  - Loans utilizing DU Validation Service for income, employment, or assets are eligible under this program. See B3-2-02, DU Validation Service. See [Tax Transcripts](#) within this program guide.
  - Fannie Mae Unique Eligibility and Underwriting Considerations are not permitted. See B, Subpart B5 Unique Eligibility and Underwriting Considerations.
- DU Underwriting Analysis report must meet Fannie Mae requirements, in B3-2-01, General Information on DU, B3-2-10 Accuracy of DU Data, DU Tolerances and Errors in the Credit Report and B3-6-02, Debt-to-Income Ratios.
- FCM must have the actual DU “Underwriting Analysis Report” findings report of the Seller or the originating TPO and does not accept another lender’s DU Findings nor DU “Underwriting Findings” reports.
- Manual underwriting is NOT accepted for any loans, including loans with errors in the credit report.

### Mortgage Insurance

- Private Mortgage Insurance (PMI) is NOT required at any LTV

### Multiple Financed Properties for the Same Borrower

- The maximum number of financed residential, 1-4 unit properties, including the subject property, is determined by the occupancy type of the subject transaction:
  - Primary Residence: No maximum
  - Second Home or Investment Property: A maximum of 10 financed properties, cumulative for all borrowers
- Calculation of financed properties includes:
  - All financed residential, 1-4 unit properties, including the subject property, where the borrower is obligated on the mortgage loan.
  - Residential, 1-4 unit properties owed in the name of an LLC or partnership where the borrower has an ownership interest  $\geq 25\%$ .
  - These limitations apply only to the total number of all financed properties, not to the number of mortgages on the property.
  - Jointly financed properties are only counted once.
- Calculation of financed properties does not include:



- Commercial properties, vacant land, timeshares, 5+ unit multi-family properties, or manufactured homes or leasehold estates not titled as real property.
- Residential, 1-4 unit properties owed in the name of an LLC or partnership where the borrower has an ownership interest < 25%.
- Residential, 1-4 unit properties owed by the borrower's joint venture, S or C Corp.

### **Interested Party/Lender Contributions**

- **Interested party contributions (IPCs)**, are financing and sales concessions. IPCs may be applied toward the borrower's closing costs and prepaid items, *B3-4.1-02, B3-4.1-03*, Interested Party Contributions (IPCs). The following are not eligible:
  - Loans with undisclosed interested party contributions, and
  - Loans with Payment Abatements.
- **Maximum IPC:** Generally, for principal residence or second homes 75-01-85 LTV = 6%, ≤ 75% = 9%. Investment property for all CLTV's = 2%, *B3-4.1-02 - 03*.
- **Lender Contributions:** Lenders may contribute to borrower-paid closing costs and prepaid fees as follows, *B3-4.3-06*, Donations from Entities:
  - The lender credit is derived from premium pricing (borrower has selected a higher interest rate in exchange for a lender credit), *B2-1.5-02*, Mortgage Loan Eligibility, Premium Pricing.
    - (The amount of) a lender credit derived from premium pricing is not considered to be an IPC even if the lender is an interested party to the transaction, *B2-1.5-02*.
    - However, when the lender is an interested party to a purchase transaction, any amount of a lender contribution not derived from premium pricing, is considered to be an IPC (*SEL-2018-03*).
  - The lender credit is sourced directly from lender funds with no expectation for repayment or financial obligation apart from the subject mortgage.
    - Funds passed to the lender from a third party, for the purpose of providing a lender credit, are not eligible as a lender contribution.
  - The lender credit cannot be used to fund any portion of the borrower's down payment or reserves and should not exceed the amount needed to offset the borrower's closing costs and prepaid items, *B2-1.5-02*.
  - Any excess lender credit required to be returned to the borrower in accordance with applicable regulatory requirements is considered an overpayment of fees and charges and may be applied as a principal curtailment or returned in cash to the borrower, *B2-1.5-02*.
  - For cash or cash-like lender incentives, see *B3-4.1-02*.

### **Subordinate Financing**

- Subordinate financing must meet Fannie Mae requirements *B2-1.1*, LTV, CLTV, HCLTV and Subordinate Financing, *B5-5.2-04* Re-subordination, and the following requirements:
  - **A copy of the second lien Note is required** for all new and re-subordinating second liens.
  - In all cases, the title policy must ensure that the new first is clearly insured in first lien position.
  - For new subordinate liens FCM requests that a certified copy of the security instrument indicating that it is recording subordinate to the new first lien be in the Loan file.
  - For re-subordinating seconds, a copy of the executed subordination agreement (or equivalent, as designated by applicable state law) must be delivered with the Mortgage Loan file.



- Secondary financing must have Fannie Mae eligible terms and characteristics.
- No lien on subject property may be a sovereign instrumentality (e.g. secured loans provided by tribal governments).
- **HELOCs:** Follow Fannie Mae guidelines for calculating CLTV, HCLTV, *B2-1.2-03*, Home Equity Combined Loan-to-Value (HCLTV) Ratios:
  - The entire credit line limit based on the Note must be used to calculate the HCLTV.
  - If a credit line is reduced without a permanent modification of the original Note, then the entire original line limit must be used to calculate the HCLTV.
- **HELOC Payment Calculation:** To calculate the qualifying payment of a subordinate HELOC, follow B3.6, Liability Assessment Generally:
  - If the HELOC does not report a balance, then there is no recurring monthly debt obligation, so the lender does not need to develop an equivalent payment amount based on the line amount or otherwise.

### **Property Flipping, Purchase Contract Assignments**

- **Purchase Transactions:**
  - If the Purchase Contract has been assigned, the loan is not eligible for sale to FCM.
- **Prior sale within 180 days:**
  - The loan is eligible for sale to FCM only if: 1. Relocation Agency 2. Foreclosure or Deed in Lieu, or 3. Obtained through inheritance or divorce.
  - The 180-day period is measured from closing date of the previous transaction to purchase contract date for the new transaction.
  - Identity of Interest (Non-Arm's Length) transactions are not eligible.

### **Power of Attorney**

- In certain situations, a specific, special, military, or limited Power of Attorney (POA) may be acceptable.
- Use of Power of Attorneys is not allowed for transactions with any of the following characteristics (not all characteristics may be applicable to this program): cash-out refinance; non-owner occupied (investment) properties; title taken as trust; identity of interest or non-arm's length transactions; non-occupant Borrowers.
- The Settlement Agent must not act as the attorney-in-fact or sign documents on behalf of any party to the transaction.
- See Jumbo Traditional Guidelines for full Power of Attorney requirements

### **Leaseholds and Life Estates**

- The following are not eligible:
  - Properties secured by leasehold estates,
  - Life estates,
  - Loans secured by properties located on Indian (Native American) tribal land or Indian Trust Land or Restricted Land, and/or properties for which Borrower has a leasehold interest in same.

### **Escrow/Impounds**



- Escrow/impound accounts are required for all loans > 80% LTV except as prohibited or required by Applicable Law in certain states.
- **Flood Insurance:** Flood insurance must be escrowed if the loan is secured by a primary residence or second home located in a mandatory flood zone, regardless of whether any other funds are escrowed unless premiums are paid by a condominium association, homeowners association or other applicable group as a common expense, (June 22, 2015, Biggert Waters Joint Final Rule).
  - This requirement applies irrespective of property state and/or Seller entity type.
- Loans must additionally comply with Fannie Mae requirements, *B2-1.4-04*, Escrow Accounts.
- **Monthly Real Estate Tax Payment:** An escrow/impound account established for payment of real estate taxes must not be less than the lender's calculation of real estate taxes for borrower qualification, *B3-6-03*, Monthly Housing Expense. Also see Debt-to-Income Ratios (DTI) for calculating monthly real estate taxes.
- HPML loans must meet HPML Escrow requirements. See Compliance.

### Escrow Holdbacks

- Loans that are pending escrow holdbacks (i.e., not fully disbursed) for improvements or repairs that are not yet complete are not eligible for purchase by FCM.
- Prior to purchase by FCM, escrowed completion funds must have been fully disbursed and work completed as evidenced by an acceptably completed Form 442/1004D, Appraisal Update and/or Completion Report

### Deed Restrictions

- Mortgage Loans subject to resale deed restrictions are not eligible, other than an acceptable age-related resale restriction meeting Fannie Mae guidelines, *B5-5.2-02*, Loans with Resale Restrictions: Loan and Borrower Eligibility.
  - Eligible occupancy and property types for loans with age-related resale restrictions (typically for one occupant to be age 55 or older) are as follows:
    - 1 to 2-unit principal residences, including condos and PUDs
    - 1-unit second homes
    - to 2-unit investment properties.

### Title Policy

Title insurance must ensure that First Community Mortgage will be in first lien position and must be in an amount and form acceptable to *Fannie Mae*, *B2-1.5-03*, *Legal Requirements*.



## Compliance

### Compliance-Regulatory Compliance

- **Ability to Repay Rule (ATR):** All Mortgage Loans in this program, must meet the requirements of the “Ability to Repay” (ATR) Rule in 12 CFR §1026.43(c)(2).
- **Qualified Mortgage (QM) Status:** Loans in this program are not required to be QM loans and are not required to meet the requirements in 12 CFR §1026.43(e)(2).
- **Appendix Q:** Loans in this program are not required to meet the Standards for Determining Monthly Debt and Income in Appendix Q.
- **Homeownership Counseling Disclosure:** A RESPA compliant Homeownership Counseling Disclosure must be provided with initial disclosures and documented in the loan file for all loans delivered to FCM.
- **High-Cost Limits:** Loans exceeding any applicable federal, state or municipal High Cost limits are not eligible for purchase by FCM (e.g. HOEPA).
- **HPML/HPCT**
  - FCM will purchase a higher priced mortgage loan (HPML) or higher priced covered transaction (HPCT) that meets program and product eligibility guidelines, all Applicable Laws, and fully complies with Fannie Mae requirements, *B2-1.4-02*, Mortgage Loan Eligibility are eligible.
  - HPML Escrow Rule requirements must be met for primary residence HPML, which includes maintaining an HPML compliant escrow for at least 5 years.
    - The TILA Higher-Priced Mortgage Loans (HPML) Escrow Rule Small Entity Compliance Guide is available at [CFPB.gov](http://CFPB.gov).
  - Reminder: DU® does not assess whether a loan is HPML or HPCT. Seller is responsible for this determination.
- **LE and CD:** All Mortgage Loans in this program require an LE and CD, including all investment property transactions.
  - Refinance Transactions - CD: Requires use of Alternative Closing Disclosure H-25(E) – alternative form, Mortgage Loan Transaction Closing Disclosure – Refinance Transaction, for all transactions without a property seller.
- **Regulation Z / TILA Right Of Rescission Requirements - Notice of Right to Cancel Requirements:**
  - For transactions with a new creditor, use H-8 Rescission Model Form (General), or a substantially similar notice.
  - For transactions with the original creditor, use H-9 Rescission Model Form (Refinancing with Original Creditor), or a substantially similar notice.
- **Under-Disclosed Total Finance Charge Requirement:** Overlay to Regulation Z, 1026.23(g), Tolerances for Accuracy.
  - For all rescindable transactions with total finance charges under-disclosed by more than \$35, the following must be documented in the loan file:
  - If discovered prior-to-close:
    - Borrower refund for all under-disclosed amounts was issued, and
    - Rescission was re-opened, and
    - Any additionally required waiting period was met before loan close.
  - If discovered post-close:
    - Borrower refund for all under-disclosed amounts was issued, and
    - Rescission was re-opened, and





- Additional rescission period has expired.
- For non-rescindable transactions with total finance charges under-disclosed by more than \$100, the following must be documented in the loan file:
- Borrower refund issued for all under-disclosed amounts.

## General

### Identity of Interest and Non-Arm's Length Transactions

- Loans for transactions with identity of interest or non-arm's length characteristics are not eligible for sale to FCM under this Program. Examples of these types of transactions (not a complete list) include:
  - Sales of properties between family members
  - Sales of properties between business associates
  - Sales involving a business entity and an individual who is an officer or principal in that business
  - Sales involving the builder/developer of subject property and an employee or affiliate of the builder/developer
  - Transactions involving an assignment of the sales contract.

### Electronic Signatures

#### eSignatures

- The following Mortgage Loan documents may not contain eSignatures:
  - Note and Riders to the Note
  - Security Instrument
  - Rider(s) to the Security Instrument
  - Power of Attorney
- The Seller's process and technology must be in full compliance with the ESIGN Act.
  - Loans with electronic signatures must meet the requirements of all applicable state and Federal law, as well as Fannie Mae requirements, A2-5.1-03, Electronic Records, Signature, and Transactions.
  - The "electronic signature consent agreements" referenced by Fannie Mae must be included in the loan file.

### Remote Notarizations

- Transactions utilizing remote ("webcam") notarization are not eligible for purchase.

### COVID-19 Requirements

- The loan must be underwritten to the more restrictive of this Program Guide, the DU findings report, or the Fannie Mae COVID-19 requirements.
- **Income:**
  - Rental Income: Provide documentation for all rental income used to qualify that all rents due for the most recent **two** months have been received.
  - Unemployment Benefits: Not eligible for qualifying income.
  - Income from Furloughed Borrowers: Not eligible for qualifying income.



### Forbearance

- **Additional Due Diligence:** In addition to reviewing the credit report, the Seller must apply due diligence for each mortgage loan on which the borrower is obligated (including co-signed and non-subject property transactions) to determine whether the payments are current as of the Note date.
- **General Eligibility Requirement:**
  - No mortgage loan on which the borrower is obligated may be in forbearance as of the Note date.
- **Borrower in forbearance with no missed payments:**
  - A Borrower who was granted a Mortgage Payment Forbearance and continues to make payments as agreed under the terms of the original Note is not considered delinquent or late and shall be treated as if not in forbearance provided that documentation is provided that the Forbearance Plan is terminated at or prior to the Note date.
- **Borrower in forbearance with missed payments resolved through a reinstatement:**
  - Reinstatement prior to the application date: No additional source of funds documentation required.
  - Reinstatement after the application date: Document source of funds, see B3-4, Asset Assessment. Proceeds from refinance may not be used to reinstate any mortgage loan.
  - Verify that the borrower has made at least three timely payments as of the Note date. See Fannie Mae Lender Letter (LL-2021-03)
- **Borrower in forbearance with missed payments resolved through a loss mitigation solution:**
  - Verify that the borrower has made at least three timely payments as of the Note date. See Fannie Mae Lender Letter (LL-2021-03)
- **The following additional requirements apply by transaction type:**

Transaction Type	Requirements
Purchase	<ul style="list-style-type: none"> <li>• Property securing the loan that was in forbearance must have been sold and the loan in forbearance paid in full as of the Note date.</li> </ul>
Rate & Term Refinance	<ul style="list-style-type: none"> <li>• Document that the subject transaction provides a benefit to the borrower, e.g., lower monthly payment, shorter loan term, elimination of mortgage insurance.</li> </ul>
Cash-Out Refinance	<ul style="list-style-type: none"> <li>• All proceeds from subject transaction must generally be used to pay off consumer debt, lowering the borrower’s overall monthly obligations. Pay-off of debt must occur through loan closing and be documented on the Closing Disclosure.</li> </ul>

### Fraud Detection Tools/Fraud Report

The Seller must provide evidence in the loan file that they have ordered a third-party fraud detection report and have resolved any red flags, discrepancies, and conflicting information.

### Property Flipping, Purchase Contract Assignments

- **Purchase Transactions:**
  - If the Purchase Contract has been assigned, the loan is not eligible for sale to FCM.
- **Prior sale within 180 days:**
  - The loan is eligible for sale to FCM only if: 1. Relocation Agency 2. Foreclosure or Deed in Lieu, or 3. Obtained through inheritance or divorce.
  - The 180-day period is measured from closing date of the previous transaction to purchase contract date for the new transaction.



- Identity of Interest (Non-Arm's Length) transactions are not eligible.

**Transfers and Assignments of MERS**

Loans must be registered MERS® at time of delivery and a MERS TOB and TOS initiated by the Seller to First Community Mortgage within two calendar days of loan purchase.