



first community mortgage



FCM NMLS ID 629700

Non-Conforming Jumbo Traditional Guidelines

Program Code
NCJT30AM



first community mortgage

Jumbo Traditional Matrix

| 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 | 85 | 1,000,000 | 740 | 12 | 40% |
| | 80 | 1,500,000 | 720 | | |
| | 75 | 2,500,000 | 720 | 12 | 45% |
| | 70 | 3,000,000 | 740 | | |
| | 70 | 2,000,000 | 680 | | |
| 2-4 Units | 80 | 1,000,000 | 740 | 12 | 45% |
| | 75 | 1,500,000 | 720 | | |
| | 70 | 2,500,000 | 720 | | |
| | 65 | 3,000,000 | 740 | | |
| | 65 | 2,000,000 | 680 | | |
| Cash-Out Refinance* | | | | | |
| 1-Unit SFR, PUD, Condo | 75 | 1,500,000 | 720 | 12 | 45% |
| | 70 | 2,500,000 | 720 | | |
| | 65 | 3,000,000 | 740 | | |
| | 65 | 2,000,000 | 680 | | |
| | 75 | 1,500,000 | 720 | | |
| 70 | 2,500,000 | 720 | | | |
| 65 | 3,000,000 | 740 | | | |
| 65 | 2,000,000 | 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 | 720 | 12 | 45% |
| | 70 | 2,500,000 | 720 | | |
| | 65 | 3,000,000 | 740 | | |
| | 65 | 2,000,000 | 680 | | |
| | 75 | 1,500,000 | 720 | | |
| 70 | 2,500,000 | 720 | | | |
| 65 | 3,000,000 | 740 | | | |
| 65 | 2,000,000 | 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 | 720 | 12 | 45% |
| | 70 | 2,500,000 | 720 | | |
| | 65 | 3,000,000 | 740 | | |
| | 65 | 2,000,000 | 680 | | |
| | 70 | 1,500,000 | 720 | | |
| 65 | 2,500,000 | 720 | | | |
| 60 | 3,000,000 | 740 | | | |
| 60 | 2,000,000 | 680 | | | |
| Cash-Out Refinance* | | | | | |
| 1-Unit SFR, PUD, Condo | 70 | 1,500,000 | 720 | 12 | 45% |
| | 65 | 2,500,000 | 720 | | |
| | 60 | 3,000,000 | 740 | | |
| | 60 | 2,000,000 | 680 | | |
| | 70 | 1,500,000 | 720 | | |
| 65 | 2,500,000 | 720 | | | |
| 60 | 3,000,000 | 740 | | | |
| 60 | 2,000,000 | 680 | | | |



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| | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----------|-----|----|-----|
| 2-4 Units | 65 | 1,500,000 | 720 | 12 | 45% |
| | 60 | 2,500,000 | 720 | | |
| | 55 | 3,000,000 | 740 | | |
| | 55 | 2,000,000 | 680 | | |
| Max Cash-Out: \$500,000 | | | | | |
| <p>*LTV/CLTV Restrictions</p> <ul style="list-style-type: none"> Reduce LTV/CLTV by 5% for properties located in CT & IL Cash-Out Refinance: for property owned Free & Clear where the property was granted to borrower and owned ≥ 6 months, max LTV/CLTV = 50%. Florida Condominiums, See Condominiums and PUDs. <p>**Additional Reserves</p> <p>For loans with LTV/CLTV > 80%, add 2 additional months PITIA for each additional financed property.</p> <ul style="list-style-type: none"> Minimum Loan Amount- \$1 over conforming limits | | | | | |



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 lesser of 2% of the loan amount or \$2,000
 - 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:

Borrowers who purchased the subject property with cash or unsecured financing within the past six months (measured from the Closing Date to the Disbursement Date of the new mortgage loan) are eligible for a Rate & Term refinance subject to the following requirements:

- The new loan amount must not be more than the actual documented amount of the Borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid items, and discount points
- Cash-back to the borrower exceeding the original purchase price or appraised fair market value (whichever is lower) is not permitted
- The LTV/CLTV must be based on the lesser of the original purchase price or the current appraised value.
- The source of funds to acquire the property are documented and are the borrower's own funds
- No financing was obtained for the initial purchase of the property
- The date of the purchase transaction is documented by the HUD-1 Settlement Statement or Closing Disclosure which also confirms that no mortgage financing was used to obtain the subject property.
 - A recorded trustee's deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for a HUD-1 Settlement Statement or Closing Disclosure if such a statement was not provided to the purchaser at time of sale.
 - The original purchase transaction was an arm's length transaction. (See Section [Identity of Interest and Non-Arm's Length Transactions](#))



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- If the seller of the property was a legal entity, the principals of the entity must be documented.
- Inherited properties are not eligible

Cash-out limits do not apply to transactions with Delayed Financing. 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: All borrowers whose income is used to qualify must reflect one of the following options:

- Three or more established open and active tradelines as follows:
 - All active in the last 12 months. This is defined as last activity within 12 months of the credit report date
 - Derogatory tradelines do not count
 - Tradelines for authorized users do not count
- Minimum four years of established credit history as follows:
 - Eight or more tradelines reported
 - At least one active in the last 12 months. This is defined as last activity within 12 months of the credit report date
 - At least one of these tradelines must be a mortgage tradeline (can be counted as the active tradeline)
 - Tradelines for authorized users do not count

Where any borrower does not meet the Depth of Credit History requirement, the loan will still be eligible under the following option:

- Six months additional reserves and meets one of the following requirements:
 - $DTI < 35\%$, or;
 - $LTV/CLTV \leq 70\%$ or the program maximum, whichever is less
- **Credit Scores:**
 - Each Borrower whose income is 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 Credit Score:** For each Borrower, qualifying score is the middle of 3 or lower of 2 scores, as applicable. The Qualifying Credit Score for the loan is the score of the borrower with the highest qualifying income (Primary Borrower) to issue a credit decision.
 - If the borrowers earn equal income, the lower score is the Qualifying Credit Score for the loan.
 - For loans with non-occupant borrowers, use the highest qualifying credit score of the occupant(s)
 - All borrowers must meet the minimum credit score requirements for the program

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, 24-months primary housing history

| Housing History | Housing Payment History |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortgage Credit History* | <ul style="list-style-type: none"> • Mortgage Payment History: <ul style="list-style-type: none"> ○ Must be on the credit report, or, ○ Private Party Loans: Documented by cancelled checks, bank statements, or evidence of electronic transfers (VOM alone is not sufficient), or ○ Institutional Lender: Documented by cancelled checks, bank statements, or evidence of electronic transfers, or through a statement produced by the lender. • 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"> ○ 0 X 30 within the past 24 months <p>See Credit - Significant Derogatory Credit Events and Other Credit Events for additional mortgage-related requirements</p> |
| Renting | <ul style="list-style-type: none"> • Rental Payment History: <ul style="list-style-type: none"> ○ Credit report rating (if management company rates), or ○ Management company Verification of Rents (VOR), or ○ Cancelled checks, or ○ Bank statements, or ○ Evidence of electronic transfers. • Ratings: <ul style="list-style-type: none"> ○ 0 X 30 within the past 24 months. |
| Living Rent Free | <ul style="list-style-type: none"> • At least one of the borrowers must have a fully documented, recent, consecutive, 24-months primary housing history • Loans where all borrowers are living rent free and do not have a recent, consecutive, 24-month primary housing history are generally not eligible |
| Subject Property Owned Free/Clear | <ul style="list-style-type: none"> • Provide evidence that the property is free and clear • Owned Free and Clear ≥ 24 months: No additional documentation is required. • Owned Free and Clear < 24 months: Verify timely payment of mortgages, taxes, insurance, and HOAs, as applicable, for a full 24-month history. |

***"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.



Housing Payment History Options

- Borrowers who lack primary mortgage or housing history or do not have a complete history as required above are eligible

| Housing History | Housing Payment History |
|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Mortgage Credit History- 24 Months</p> | <p>Borrower has a fully documented, recent, consecutive, 24-month mortgage history on a Second Home or 1-4 Unit Investment Property.</p> <ul style="list-style-type: none"> • Mortgage Payment History: <ul style="list-style-type: none"> ○ Must be from an institutional lender, documented on the credit report, by cancelled checks, bank statements, evidence of electronic transfers, or through a statement produced by the lender. ○ Private Party Loans: Not permitted. • 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"> ○ 0 X 30 within the past 24 months • Subject Transaction Restrictions: <ul style="list-style-type: none"> ○ Primary Residence only ○ Maximum LTV/CLTV = 75% or the program maximum, whichever is less <p>See Credit - Significant Derogatory Credit Events and Trade-Lines for additional mortgage-related requirements.</p> |
| <p>Mortgage Credit History <24 Months, Renting, or Living Rent Free</p> | <p>Borrower does not have a fully documented, recent, consecutive, 24-month primary housing history or has been living Rent Free.</p> <ul style="list-style-type: none"> • Ratings: <ul style="list-style-type: none"> ○ For primary housing history < 24 months (mortgage or rental) no 30 day or more late payments for the rated period. • Subject Transaction Restrictions (See the <u>PRODUCT MATRIX</u> for program requirements): <ul style="list-style-type: none"> ○ Primary Residence only ○ Maximum LTV/CLTV = 75% or the program maximum, whichever is less ○ Minimum Qualifying Credit Score = 720 or the program minimum, whichever is higher <p>See Credit - Significant Derogatory Credit Events and Trade-Lines for additional mortgage-related requirements.</p> |

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.



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: See the table below for requirements that must be met if the Borrower’s current primary residence is pending sale, or is being converted to a second home or investment property

| Pending Sale of Current Residence | |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Qualification | <p>Housing payment for the departure residence may be excluded from the DTI calculation if one of the following are met:</p> <p>Option 1: Departure Residence Not Under Contract:</p> <ul style="list-style-type: none"> • Current listing or borrower written letter of intent (LOI) indicating intent to list within three months of closing on subject property • AVM or appraisal (2055 exterior or full appraisal) on the departure residence, dated within six months of the closing date of the new transaction <ul style="list-style-type: none"> ○ Borrower must have at least 20% equity in the departure residence ○ Equity must be calculated based on existing outstanding property lien(s) divided by the lessor of the listed sales price (if listed) or the AVM or appraisal • Additional 12 months reserves. Note: The Departure Residence is not counted as an Additional Financed Property. (See Section <u>Multiple Financed Properties for the Same Borrower</u>) <p>Option 2: Departure Residence Under Contract:</p> <ul style="list-style-type: none"> • Copy of the fully executed sales contract. Sale must be arm’s length. (See Section Identity of Interest and Non-Arm’s Length Transactions) • Departure Residence closing must be scheduled within 60 days of the subject property’s closing transaction. • Additional 6 months reserves. Note: The Departure Residence is not counted as an Additional Financed Property. (See Section Multiple Financed Properties for the Same Borrower) |
| Conversion of Primary Residence to Second Home | |
| Qualification | <p>Calculate DTI using the PITIA of both the current residence being converted to a second home and the new primary residence (subject property).</p> <p>See Assets – Reserves, Additional Financed Properties</p> |
| Conversion of Primary Residence to Investment Home | |
| Qualification | <p>The income or loss from the Conversion Residence may be included in qualifying income if one of the following are met. Otherwise, include the full PITIA in the borrower’s DTI calculation:</p> <p>Option 1: Conversion Residence Does Not Have a Signed Lease:</p> <ul style="list-style-type: none"> • Signed LOI to rent within three (3) months of the subject property’s closing transaction • AVM or appraisal (2055 exterior or full appraisal) on the departure residence, dated within 6 months of the closing date of the new transaction <ul style="list-style-type: none"> ○ Borrower must have at least 20% equity in the departure residence ○ Equity must be calculated based on existing outstanding property lien(s) divided by the lessor of the listed sales price (if listed) or the AVM or appraisal |



| | |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none"> • Market Rent Survey by Licensed Appraiser <ul style="list-style-type: none"> ○ If 75% of market rent is more than the PITIA then this can be used to offset the PITIA. Positive income is not allowed. ○ If 75% of market rent survey is less than the PITIA then the PITIA must be included in liabilities • Additional 9 months PITIA reserves. Note: When calculating total reserves required, the conversion property is not considered an Additional Financed Property. <p>Option 2: Conversion Residence Does Have a Signed Lease:</p> <ul style="list-style-type: none"> • A copy of the fully executed lease agreement. Sale must be arm’s length. (See Section Identity of Interest and Non-Arm’s Length Transactions) • Receipt of a security deposit from the tenant <ul style="list-style-type: none"> ○ Verification of deposit into the borrower's account ○ Deposit funds cannot be used for funds to close or reserve requirements • Lease income <ul style="list-style-type: none"> ○ If 75% of market rent is more than the PITIA then this can be used to offset the PITIA. Positive income is not allowed. ○ If 75% of market rent survey is less than the PITIA then the PITIA must be included in liabilities • Additional 6 months PITIA reserves. Note: When calculating total reserves required, the conversion property is not considered an Additional Financed Property. |
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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"> • Measured from completion date of the foreclosure action to application date. |
| Short Sale, Deed-in-Lieu, or Pre-Foreclosure Sale | 7 years | <ul style="list-style-type: none"> • 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. |
| Loan Modification | 7 years | <ul style="list-style-type: none"> • Measured from the date of the Loan Modification Agreement to the application date. |
| Mortgage Included in Bankruptcy | See Comment | <ul style="list-style-type: none"> • If documentation provided verifies that the mortgage loan in question was discharged in the bankruptcy, apply the bankruptcy waiting period. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting period must be applied. |
| Bankruptcy- Chapter 7 or 11 | 7 years | <ul style="list-style-type: none"> • Measured from discharge or dismissal to the Note Date. |
| Bankruptcy- Chapter 13 | 7 years | <ul style="list-style-type: none"> • If discharged, measured from discharge date to Note Date |
| | 7 years | <ul style="list-style-type: none"> • If dismissed, measured from dismissal date to Note Date. |
| Multiple Significant Derogatory Credit Events | See Comment | <ul style="list-style-type: none"> • Borrowers with multiple Significant Derogatory Credit Events are not eligible under this program. • 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. |

Mortgage Credit related "Significant Derogatory Credit Event" waiting time requirements apply to all Borrowers for all properties owned or previously owned, whether the Borrower(s) owned the property solely or jointly. "Mortgage Credit" is defined as: Payment histories on all mortgage trade lines, regardless of occupancy, including first and subordinate mortgage liens, HELOCs, mobile homes, and manufactured homes, even if reported as an installment loan



| Other Credit Events | Requirements |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Past Due Accounts | <ul style="list-style-type: none"> • See B3-5.3-02 , Payment History |
| Judgments, Garnishments, Liens, and Potential Liens | <ul style="list-style-type: none"> • All delinquent credit obligations that have the potential to affect the subject Mortgage Loan’s lien position or diminish Borrower’s equity in the subject property must be paid off at or before closing including, without limitation: <ul style="list-style-type: none"> ○ Delinquent taxes (including State or Federal income taxes), delinquent property taxes, tax liens, judgments, garnishments and mechanics’ or materialmen’s liens • Verification of sufficient funds to satisfy these obligations must be documented. • Documentation of the pay-off or satisfaction must be provided. • No payment plans or subordination is allowed. • Cash-out proceeds from the subject transaction may not be used to pay off delinquent credit obligations. |
| Aggregate Charge-Offs and Collection Accounts | <ul style="list-style-type: none"> • Charge-offs or collection accounts that do not affect title are not required to be paid off |
| Tax Payment Plans | <ul style="list-style-type: none"> • Tax repayment plans must be paid off prior to or at closing |

Disputed Accounts

| Any disputed accounts/tradelines must be documented as follows | |
|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Scenario | Requirements |
| The borrower is disputing responsibility for the tradeline | <ul style="list-style-type: none"> • Provide documentation clearly reflecting the borrower is not responsible |
| The borrower is responsible but the tradeline is reporting in error | <ul style="list-style-type: none"> • Provide documentation clearly proving the reporting information is in error |
| The borrower is responsible and the tradeline is reporting correctly or can’t be proven inaccurate | <ul style="list-style-type: none"> • The disputed account must be paid off prior to loan closing. If the account is to remain open, any monthly payments for the account must be included in the DTI. Provide documentation that the account is paid as agreed or paid off in full. |

Debt Obligations

- **Pay-Down or Pay-off Revolving or Installment of Debt to Qualify:**
 - **Paying Off Debt:** If a revolving or installment account is paid off at or prior to loan closing, the account may be excluded from the DTI calculation.
 - Document that the borrower has sufficient assets or equity, in addition to the program asset requirements, to pay off the debt.
 - Document that the debt was paid off at closing (Closing Disclosure) or paid off prior to closing
 - **Paying Down Debt:** The borrower may not pay down revolving or installment debt to reduce the DTI to a level that would allow the borrower to qualify. While the borrower may pay debt down using assets or proceeds from the loan, the DTI should be calculated using the original payment prior to paying down the debt.



- **Student Loans:**

- Deferred student loans are included in the DTI as a long-term obligation.
- If no payment is shown on the credit report for a student loan payment, then proof of payment should be provided by student loan lender.
- If payment is unable to be determined, use 1% of the unpaid balance.
- If a student loan is charged off or in collection, the following must be provided:
 - A copy of repayment agreement and six months cancelled checks, or
 - If not in repayment, evidence it won't affect title
- Calculation of student loan payments under an income-driven payment plan are not permitted.



Income

General Income Requirements

Documentation

- All qualifying income must include a complete two-year history, which must be included on the borrower's loan application and be fully documented.
- Exceptions to the two-year history are allowed for the following:
 - Acceptable employment duration requirement is not met due to school (documented with a transcript or diploma)
 - Military service supported with discharge papers
- All qualifying income should reasonably be expected to continue at the same level or better for a minimum of three years.
- For any income type or documentation standards not addressed below, refer to the applicable section in the Fannie Mae Selling Guide in effect as of the loan application date.

Ineligible Income

- Foreign income
- Contributions or support from family members (other than alimony/child support)
- Deferred income not presently available
- Educational benefits
- Illegal income, including income derived from an activity that is deemed illegal by federal or state law or income derived from a business that is legal by state law but illegal by federal law
- One-time capital gains (continuing capital gains is an acceptable source of income)
- Projected income
- Refund of federal or state income tax
- Rental income on a second home, accessory unit or an ineligible second unit
- Reimbursable income
- Gambling winnings
- Automobile allowances (used to offset the auto payment only)
- Per diem income
- Retained earnings
- Unverified sources
- Mortgage credit certificates
- Mortgage differential payments
- Boarder income and room rents
- Non-qualified and non-vested stock options
- **Employment related assets used as qualifying income**

Verification of Employment

- For all borrowers with qualifying income, a Verbal Verification of Employment (VVOE) documenting a minimum two years of employment history must be documented in the loan file.
- Additional requirements for employment verification include:
 - Wage earner income
 - VVOE should include verification of a phone listing and employer's address



- Completed within 10 calendar days prior to Note date
 - Self-employment income
 - VVOE for self-employment income should include verification of a phone listing and address for the borrower's business and verification through a 3rd party such as:
 - CPA or Accountant
 - Regulatory agency
 - Applicable licensing bureau
 - Completed within 10 calendar days prior to the note date
 - If contact is made verbally, the loan file must be documented to identify:
 - The source of the information obtained
 - The name and title of the person who obtained the information
 - Military
 - For Borrowers in the military, a military Leave and Earnings Statement (LES) dated within 30 calendar days prior to closing, or 31 days for longer months, is acceptable in lieu of a verbal verification or a verification of employment through the Defense Manpower Data Center.

Residual Income

- All Primary Residence, Second Home and Investment transactions require a minimum monthly household residual income ≥ \$3,000.
- **Residual Income Calculation:**
 - Total Monthly Qualifying Income LESS Total Monthly Expenses (housing expense, all PITIA, monthly recurring debts, alimony, child support, etc.)

| Residual Income Calculation Examples | |
|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Calculate monthly qualifying income | Example: Borrower \$5,000 + Co-borrower \$3,000 = \$8,000 qualifying income |
| Calculate Proposed PITIA plus all other monthly (debt) payments (as used for DTI calculation) | Example: \$3,500 proposed PITIA + \$1,500 monthly debt = \$5,000 |
| Subtract PITIA + debt from monthly qualifying income. The remainder is residual income for qualification purposes | Example: \$8,000 - \$5,000 = \$3,000 residual income |

- The monthly household residual income calculation must be documented in the loan file.

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
- See Secondary Financing for HELOC payment calculation requirements.
- 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
- Tax or W-2 transcripts are required for all borrowers for the income type used and for each tax year covered by the income documentation used to qualify
- If tax transcripts are not yet available, the loan file must contain a copy of an IRS or vendor document showing that no transcript is available; and
 - 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.
- IRS tax transcripts may not be used in lieu of personal tax returns
- **W-2 Transcripts**
 - A W-2 transcript or tax transcript must be obtained for every Borrower whose W-2 income is being used to qualify, for each tax year covered by the W-2 income documentation used to qualify the Borrower(s).
 - Tax transcripts or W-2 transcripts may be used in lieu of W-2s.

Employment Income

Salaried Borrowers

- Most recent paystub covering one-month and includes year-to-date earnings
- Most recent two years W-2s
- If qualifying income includes commission, then it is subject to the following:
 - Less than 25% of income
 - No additional documentation is necessary
 - More than 25% of income
 - Most recent two years federal tax returns with all schedules
 - Additional conditions for variable income and specific income types are outlined below



Variable Income

Variable income includes bonus, overtime, commission and restricted stock units, and stock option income that is greater than 25% of the borrower’s overall qualifying income.

Income Stability: Variable income must be evaluated in terms of the following:

| Scenario | Requirements |
|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Stable or Increasing (0% to 25% Increase) | Income should be averaged based on program requirements. |
| Decreasing less than 25% | The lower income is used for qualifying. Income should not be averaged. |
| Significant Decrease (greater than 25% decrease) | The lower income may be used for qualifying, provided the decrease is the result of a fully documented one time or isolated incident, including an acceptable Letter of Explanation from the borrower. Documentation provided must support the Letter of Explanation. Income should not be averaged. |
| Significant Increase (greater than a 25% Increase) | The higher income may be used for qualifying, provided there is sufficient documentation to support that the increased income is stable and likely to continue at the qualifying amount. |

Bonus Income Requirements:

- Bonus income requires a minimum 2-year history to be used as qualifying income
- Sign-on bonuses or other one-time pay outs are not eligible
- Bonuses based on a forgivable loan structure are not eligible
- YTD bonus income must be annualized if included in the average
- If YTD bonus is reflecting a “Significant” increase or decrease:
 - Averaging not allowed
 - Letter of Explanation is required
 - Significant bonus income variations from year-to-year may require additional years of documentation to use the income to qualify

Overtime Income Requirements:

- Use the last two-years average of income for qualifying
- Evaluate the annualized YTD earnings for Income Stability
 - “Stable” YTD earnings would allow for utilization of the two-year average
 - “Declining” YTD earnings:
 - Averaging not allowed
 - Must be carefully analyzed before considering as qualifying income
 - Document in writing a sound rationalization for utilization in qualifying
 - “Significant” earnings variations from year-to-year will require additional years of documentation to use the income to qualify
- The borrower must have a consecutive, recent, two-year history of receiving overtime income

Commission Income:

- Commission income is averaged over 24-months regardless of duration of commission income



- Documentation required to use as qualifying income is based on the timeframe for which the commission income has been received by the borrower:
 - 24 months or more
 - Standard documentation as noted above
 - 12 to 23 Months
 - Averaged over 24 months, regardless of time received
 - Requires documented compensating factors to offset the shorter income history
 - Less than 12 months
 - Not eligible for qualifying income
- Additional documentation based on year over year Income Stability
 - “Stable” earnings require no additional review or documentation
 - “Declining” earnings require additional justification and/or documentation to include as qualifying income
 - Loan file must include a letter of explanation for the use of declining commission income
 - Loan file must include documentation used to support the decision to use the income to qualify
 - Draws should be considered when commission income is calculated

Restricted Stock Units and Stock Options

Restricted Stock Units (RSU) or Stock Options may be considered as qualifying income subject to the following:

- Evidence that the stock is publicly traded
- The vesting schedule indicates the income will continue for a minimum of three years at a similar level as the prior two years. For RSU income, the three-year continuance should be calculated as follows:
 - Available number of RSUs as of the application date, multiplied by the 52-week low stock price, divided by 36 months. The result must be greater than or equal to the monthly qualifying amount.
- The calculated income derived from RSUs or stock options income should:
 - Average the previous two years
 - Determine continuance based on the future vesting schedule
- **For calculated income derived from RSUs or stock options, income should use the lower of the two-year history or 36-month continuance amount for qualifying.**
- The income used for qualifying must be supported by future vesting based on the stock price used for qualifying
- Borrower must be currently employed by the employer issuing the RSU/stock options for the income to be considered
- Vested restricted stock units and stock options cannot be used for reserves if using for income to qualify

IRA Distributions

IRA Distributions may be considered as qualifying income subject to the following:

- Documentation of the borrower’s Required Minimum Distribution (RMD)
- Two-history of receipt on the borrower’s tax returns and evidence the distributions will continue for a minimum of three years at a similar level as the prior two years, or;
- Distribution letter, evidence at least one month’s receipt, evidence the distributions will continue for a minimum of three years at a similar level.



Employment Offers and Contract

See B3-3.1-09, Other Sources of Income, Option 1

The borrower's paystub from the new employment must be in the loan file at the time of loan delivery to FCM.

Self-Employment Income

General Requirements

See B3-3.2, Self-Employment Income

Any borrower who has a 25% or greater ownership interest in a business is considered to be self-employed (including a business that generates a borrower's W-2 earnings).

The following general requirements for self-employed borrowers must be considered when analyzing business income for potential use in qualification. The evaluation criteria for a self-employed borrower includes:

- Minimum two-year self-employment history is required **within the same business**.
- Minimum two-year history of self-employment reflected on the borrower's loan application
- Two most recent personal tax returns are required with a minimum of one full year of the applicable self-employment showing on the most current year's tax return
- Location and nature of the borrower's business is stable
- Demand for product and service offered by the business
 - Sales earning trends are positive
- Financial strength of the business
 - Business income is stable and consistent
- Liquidity testing of the business
 - Must be done on the business to ensure that the business can support withdrawal of assets and revenue. See B3-3.4 Self-Employment Documentation Requirements for a Business.

When evaluating the characteristic above, the following are required:

- Complete Comparative Income Analysis (Fannie Mae Form 1088), or equivalent, to determine business viability
- Mortgages, notes, and bonds payable in less than one year can be excluded, if supported
- Business use of home and amortization can be added back
- Net operating loss (NOL)/carryover loss can be excluded if supported

See Section [Verification of Employment – Self-Employment](#)

Additional Documentation

- Analysis of Borrower's Personal Income, See B3-3.3 Self-Employment Documentation Requirements for an Individual
- Analysis of Borrower's Business Income (Note: Documentation below is not required when the borrower documents K-1 income reported on personal tax returns is positive for the most recent two years and the income is not being used to qualify.)
 - Partnership or LLC



- Qualifying income is based on the borrower's documented percentage of ownership
- *See, B3-3.4-01, Analyzing Partnership Returns for a Partnership or LLC*
- 2 most recent years of business tax returns (IRS Form 1065)
- 2 most recent years of IRS Schedule K-1
- Signed Profit and Loss Statement. *See, B3-3.4-04, Analyzing Profit and Loss Statements*
- S Corporation
 - Qualifying income is based on the borrower's documented percentage of ownership
 - *See, B3-3.4-02, Analyzing Returns for an S Corporation*
 - 2 most recent years of business tax returns (IRS Form 1120-S)
 - 2 most recent years of IRS Schedule K-1
 - Signed Profit and Loss Statement. *See, B3-3.4-04, Analyzing Profit and Loss Statements*
- Corporation
 - Borrower must have 100% ownership to use as qualifying income
 - *See, B3-3.4-03, Analyzing Returns for a Corporation*
 - 2 most recent years of business tax returns (IRS Form 1120)
 - Signed Profit and Loss Statement. *See, B3-3.4-04, Analyzing Profit and Loss Statements*
 - Corporate resolution or equivalent documenting borrower's percentage of ownership and legal right to additional income

Rental Income

See B3-3.3-05, Income or Loss Reported on IRS Form 1040, Schedule E

For any rental income received from a family member: Provide documentation showing all rents due for the most recent six months have been received. Rental income from short term leases, Airbnb, VRBO, Homestay or other vacation rentals (i.e., short-term rentals) will be allowed with the following documentation and restrictions:

- A two-year history of receipt is reported on the borrower's income tax returns
- Evidence that the property is currently being offered for rent in the same manner
- Market rents cannot be used for short-term rental income



Assets

Asset Documentation

- For all transaction types, full asset documentation for all funds to close and reserves is required. For most asset types, this will include all pages of the most recent two months statements, the most recent quarterly statement, or a direct verification by a third-party asset verification vendor covering the same period.
- A Verification of Deposit (VOD) alone is not acceptable.
- Follow Fannie Mae requirements, B3-4, Asset Assessment for guidance for allowed funds, ineligible funds, allowable values, retirement accounts and guidance on large deposits. Also see Assets – Ineligible Assets.
- For direct verification by a third-party asset verification vendor, see B3-4.2-01, B3-4.2-01, Verification of Deposits and Asset.
- Also, see Interested Party Contributions and Lender Contributions
- For reserve requirements when there are multiple financed properties for the same borrower, see Assets - Reserves.
- Proceeds from a cash-out refinance are eligible for reserves.
- Foreign Assets: Assets held in a foreign account may be used as a source of funds to close and to meet applicable reserve requirements subject to the following:
 - Funds must be transferred to a United States domiciled account in the borrower's name. The transfer should occur within 30 days of closing, but in all cases 10 days prior to closing.
 - Assets must be verified in U.S. dollar equivalency at the current exchange rate
 - A copy of the two most recent statements of the foreign account to verify that funds are seasoned a minimum of 60 days

Ineligible Assets:

- Private company stocks
- Stock options
- Non-vested restricted stock units
- Cash-out refinance proceeds from the subject property
- Non-financial assets (collectibles, stamps, coins, artwork, etc.) unless liquidated
- Assets titled in an irrevocable trust
- Custodial accounts
- Escrow accounts
- Qualified Tuition Plans or 529 Accounts
- Assets pledged as collateral on another loan
- Below investment grade corporate and municipal bonds
- Health Savings Accounts
- Non-liquidated cryptocurrencies, such as Bitcoin

Borrower Required Funds:

- **Primary Residence with LTV/CLTV > 80%:**
 - All of the down payment must come from the borrower's own funds. A minimum of 5% of the purchase price must come from the occupant borrower's own funds. Any remaining down payment



in excess of 5% of the purchase price may come from a non-occupant co-borrower. These funds may not come from a gift. A borrower's real estate commission from the subject property cannot be used to satisfy the minimum down payment requirement.

- Closing costs, prepaid items, and financing costs may be in the form of acceptable Gift Funds. See Assets – Gift Funds
- **Primary Residence with LTV/CLTV ≤ 80% without Subordinate Financing:**
 - All of the borrower's down payment may come from a non-occupant co-borrower.
 - All of the borrower's down payment may be in the form of acceptable Gift Funds. See Assets – Gift Funds
 - Closing costs, prepaid items, and financing costs may be in the form of acceptable Gift Funds. See Assets – Gift Funds
- All reserves must come from the borrower's own funds.

Gift Funds:

- **General Requirements for Use of Gift Funds:**
 - Eligible only on Primary Residence transactions. Gift funds are not allowed on Second Home and Investment Property transactions.
 - Gift funds may not be used to meet reserve requirements
 - Gift funds are not allowed on transactions with Non-Occupant Co-Borrowers
- **Acceptable Donors:**
 - Eligible donors include a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship, a fiancé, fiancée, or domestic partner.
 - A gift from an eligible donor who has lived with the borrower for the last 12 months is considered the borrower's own funds and may be used to satisfy the minimum borrower contribution requirement if all individuals currently occupy or intend to occupy the subject property.
- **Gift Documentation Requirements**
 - For gift documentation requirements and verification of donor availability of funds and transfer of gift funds, see B3-4.3-04, Personal Gifts

Business Funds:

The use of business funds for down payment, closing costs and reserves is allowed for self-employed borrowers whose business is structured as a sole proprietorship, partnership, or corporation, including an S-corporation. The following requirements are applicable for self-employed borrowers using business funds:

- Borrower(s) who are the sole proprietor or 100% owner of the business must provide three months' business bank statements evidencing ending balances for each month that are greater than the funds being used for the subject transaction.
- If the borrower(s) own ≥ 50% but < 100% of the business the following is required:
 - A letter from a CPA or other third-party to evidence that the borrower has access to the funds and that the funds are not an advancement on future earnings, cash distributions or a loan, and;
 - A cash-flow analysis (Fannie Mae Form 1084 or similar form)
- Borrowers who own < 50% of the business are not eligible to utilize business funds for the subject transaction.
- Business funds must be verified using standard documentation requirements.



- All funds must be seasoned for at least 60 days. Any atypical or large deposits for the business must be sourced and fully documented along with an explanation letter.

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:** The use of business funds for down payment, closing costs and reserves is allowed for self-employed borrowers whose business is structured as a sole proprietorship, partnership, or corporation, including an S-corporation. The following requirements are applicable for self-employed borrowers using business funds:
- Borrower(s) who are the sole proprietor or 100% owner of the business must provide three months' business bank statements evidencing ending balances for each month that are greater than the funds being used for the subject transaction.
- If the borrower(s) own $\geq 50\%$ but $< 100\%$ of the business the following is required:
 - A letter from a CPA or other third-party to evidence that the borrower has access to the funds and that the funds are not an advancement on future earnings, cash distributions or a loan, and;
 - A cash-flow analysis (Fannie Mae Form 1084 or similar form)
- Borrowers who own $< 50\%$ of the business are not eligible to utilize business funds for the subject transaction.
- Business funds must be verified using standard documentation requirements.
- All funds must be seasoned for at least 60 days. Any atypical or large deposits for the business must be sourced and fully documented along with an explanation letter.

1031 Tax Deferred Exchange:

- Transactions that are 1031 Tax Deferred Exchanges are eligible with the following restriction:
 - Investment Property purchases only



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

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

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:

- A Clear Capital Collateral Desktop Analysis (CDA) is required for all appraisals, regardless of CU Score
- 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"> • The lower of the purchase price or appraised value is used to calculate the LTV/CLTV |
| > 10% below the original appraised value of the property, or the finding is “undetermined” | <ul style="list-style-type: none"> • Obtain Both: <ul style="list-style-type: none"> ○ Clear Capital Broker Price Option (BPO); and ○ Clear Capital Value Reconciliation of Three Reports <ul style="list-style-type: none"> ▪ The Value Reconciliation will account for the original appraisal, CDA, and BPO ▪ The final value determined by Clear Capital will be used as the appraised value for the property |
| >The appraised value | <ul style="list-style-type: none"> • The lower of the purchase price or appraised value is used to calculate the LTV/CLTV |

*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

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 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.
 - 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 *Lender Letter LL-2021-14- 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 an FCM Lender Full Review Condo Project Eligibility Certification form
 - Sellers may utilize an “acceptable equivalent” form in lieu of the Lender Full Review Condo Project Eligibility Certification form. Requirements are provided on page 2
- **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 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*.
- **Condo Project Manager “Unavailable” Status-** Must check the CPM status on all loans secured by units in project with five or more attached units. For CPM findings resulting in “Unavailable” status, the loan will be ineligible for purchase by FCM, regardless of the project review process used in underwriting the loan.
- **Condominium Project Exposure Limits** - No single entity (individual, investor group, partnership, or corporation) may have ownership exceeding Fannie Mae’s ownership concentration limit within the project, B4-2.1-03, *Ineligible Projects*.

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
 - Co-ops



- Hotel Condominiums/Condotels
 - 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 meet the Fannie Mae requirements for an established project
- Subject property with unit size less than 650 square feet
- Commercial Use: Commercial or mixed use space in excess of Fannie Mae's allocation limit (no more than 35%)
- Manufactured Home Condominium Projects (MHCPs)
- Multi-dwelling unit condos
- Condominium conversion seasoned less than three years
- Litigation or pre-litigation involving safety, structural soundness, habitability, or functional use of the project
- Single-entity ownership concentration in excess of Fannie Mae's eligibility limit within the project

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 principal, owners, and employees of Investor approved Sellers are ineligible.**
- **Non-Occupant Co-Borrowers:**
 - Permitted on Primary Residence, One Unit, Purchase and Rate and Term refinance transactions only. Cash-Out refinances are not permitted.
 - Up to two non-occupant co-borrowers are permitted.
 - The Primary (occupant) borrower’s credit profile will be used for credit grade determination.
 - Gift funds are not permitted.
 - Subordinate financing is not permitted
 - See Assets – Borrower Required Funds
- **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/Investor, 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"> ● Permanent Resident Card (Green Card), without conditions, or; ● Permanent Resident Card with conditional right to reside, accompanied by a copy of the filed petition to remove conditions on residence (USCIS Form I-751) <p>Any Permanent Resident Card that is due to expire within 6 months must be accompanied by a copy of the application to Replace Permanent Resident Card (USCIS Form I-90) filing receipt.</p> | <ul style="list-style-type: none"> ● See Visa & Employment Authorization Document (EAD) Eligibility Matrix for a list of eligible Visa type and required documentation ● For certain Visa types, an EAD is not issued, and therefore is not required. ● Certain EAD’s do not require a corresponding Visa. See VISA & EAD Eligibility Matrix for EAD’s that are eligible without a Visa ● Visa’s and EAD documents must be unexpired at the time of loan closing or provide acceptable evidence of pending renewal or extensions. ● Borrowers with a derivative Visa type must also provide evidence of the validity of the primary visa. | 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.)

- Multiple Financed Properties: See Multiple Financed Properties for the Same Borrower(s)

Property Eligibility:

Properties must be residential in nature, supported by like comparables, and meet *Fannie Mae requirements, B2-3-01*. For properties with solar panels, see B2-3.04.

- **Rural and Agricultural Properties:**

- Properties may be classified as a rural property if any of the following conditions exists:

- Classified as rural by the appraiser
- Located on a gravel road
- Two of the three comparable properties are more than five miles from the subject property
- Less than 25% of the surrounding market area is developed

- **Properties zoned or considered Rural or Agricultural are eligible providing they meet ALL the following criteria:**

- Primary Residence transactions only
- Appraisal must indicate 'highest and best use'
- Property generally cannot be income producing
- Lot size and acreage must be typical for area and similar to the comparable properties
- Outbuildings may be considered in determining the market value of the subject property when there are similar comparable properties
- Subject property's neighborhood must exhibit suburban characteristics

- **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 10 acres (limit also applies to Rural and Agricultural properties)
- 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 funding
- Condition: 2-4 Unit properties with a condition description of fair are not allowed unless the issues that caused the ratings are cured prior to loan funding, resulting in a condition description of Good or Average
- 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.

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 FCM 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

Underwriting Method

- **Underwriting Type:** Delegated
 - **Manual Underwriting Only**
 - 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.

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.
 - Pending Sale of Current Residence or Conversion of a Primary Residence to an Investment Property. See Current Residence Pending Sale or Conversion.

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%, $\leq 75\%$ = 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.
- The Power of Attorney (POA) can be used only for closing documents, and must comply with the following:
 - Ineligible Transaction Types: Power of Attorney is NOT permitted with the following transaction types:
 - Cash-out refinance
 - Non-owner-occupied transactions
 - Title taken as trust
 - Fannie Mae cash-out Texas (a)(6) transactions, under the Fannie Mae cash-out definition
 - Identity of interest or non-arm's length transactions
 - Non-Occupant Borrowers: Non-occupant borrowers may not use a POA.
 - POA Type: Must be Specific, Special, Limited, or Military.
 - Subject Property Address: Must specifically identify the subject property address.
 - Borrower Must Identify: Must clearly identify that the Borrower is identifying an attorney-in-fact.
 - General Powers of Attorney are not acceptable.
 - The attorney-in-fact may not be: The Lender, Control Affiliate of the Lender, employee of the Lender or Lender's Control Affiliates, originator, title company, closing agent or Control Affiliate, property seller, appraiser, realtor, a party to the transaction, a party with a direct or indirect financial interest in the transaction, or any other party deemed ineligible by Fannie Mae in their respective Guides and Guidelines.
 - The Borrower's name(s) on the POA must match the name(s) on the Note, Deed and other documents signed.
 - Valid at time of Note: POA must be signed and dated by the Borrower such that it was valid at the time the Note or Mortgage was executed.
 - Notarized: POA must be notarized -Notarized signature of grantor (if executed outside the U.S., it must be notarized at a U.S. Embassy or a military installation).
 - Stamped: POA must bear the Recorder's stamp, if previously recorded.



- Durable: The POA must be in full force and effect on the closing date, must survive subsequent disability (durable), and must be revocable only in writing or alternatively gives a specific expiration date which survives the closing date.
- Signature Blocks: The Attorney-in-Fact must execute all closing documents at settlement in a manner to match the typed signature blocks on the Mortgage Loan Documents. If an Attorney-in-Fact is signing closing documents, no less than the following must be signed as attorney-in-fact:
 - Note
 - Deed of Trust/Mortgage (Security Instrument)
 - TIL • Notice of Right to Cancel and
 - HUD-1 Settlement Statement or Closing Disclosure as they may apply, subject to any FCM or regulatory signing requirements.
- Loan Application (1003): Must meet applicable Agency POA requirements for the initial and/or final 1003 loan application being signed by the Borrower or the attorney-in-fact. For Non-Agency loan programs, refer to the applicable non-Agency program guide.
- Insured: The title company must ensure that the Seller or assignee is in first lien position without exception to the POA.
- Recorded: The original POA must be recorded with the Mortgage (Security Instrument) and a copy delivered with the Note subject to the following:
 - FCM will accept a duplicate or conformed copy of the Power of Attorney, together with a certificate of receipt from the recording office, certifying that such copy represents a true and complete copy of the original and that such original has been or is currently submitted to be recorded, or
 - If the original Power of Attorney or other such instrument has been delivered for recording in the appropriate public recording office of the jurisdiction in which the Mortgaged Property, the original must follow as a Final Document.
- Borrower Present at Close: Must meet any applicable Agency requirements for one or more Borrower(s) to be present at close.
- The Mortgage Loan documents must be executed correctly in compliance with the terms and requirements of the Power of Attorney.

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.
 - 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

- Transactions with identity of interest or non-arm's length characteristics are not eligible 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 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.
- **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.
- **The following additional requirements apply by transaction type:**

| Transaction Type | Requirements |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Purchase | <ul style="list-style-type: none"> • 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. |
| Rate & Term Refinance | <ul style="list-style-type: none"> • Document that the subject transaction provides a benefit to the borrower, e.g., lower monthly payment, shorter loan term, elimination of mortgage insurance. |
| Cash-Out Refinance | <ul style="list-style-type: none"> • 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. |

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.

Age of Loan and First Payment Date

- Credit documents must be less than four (4) months old on date the Note is signed, *B1-1-03*, Allowable Age of Credit Documents and Federal Income Tax Returns.
- Properties in Disaster Areas: Follow Fannie Mae requirements for age of documents when a property is in a declared disaster area granted individual assistance, *B2-3-05 Properties Affected by a Disaster*
- First Payment Date: Loans must meet the First Payment Date requirements below:
 - No more than 62 days after the final closing disbursement date, and
 - On the first calendar day of the month



first community mortgage

Jumbo Traditional Compliance/General

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.

VISA & EAD ELIGIBILITY GUIDE MATRIX

Using this Guide Matrix:

- This is not intended to be a complete representation of program and product eligibility requirements. See the applicable program guides for detailed requirements.
- Visas and Employment Authorization Documents (EAD) must be unexpired at the time of loan closing or provide acceptable evidence of pending renewal or extensions.
- Borrowers with a derivative Visa type¹ must also provide evidence of the validity of the primary Visa.

Guide Summary:

- The *Visa & Employment Authorization Document (EAD) Eligibility Guide Matrix* is a list of eligible Visa types and EAD requirements for loan transactions which include Non-Permanent Resident Alien borrowers.
- Visa categories, types, descriptions, or EADs which are not specifically detailed on the list below are generally not acceptable.
- All loans must meet the continuity, stability, and dependable income requirements of the applicable Agency and program guide.
- See the applicable program guide for additional requirements.

VISA ELIGIBILITY MATRIX

| Visa Category | Visa Type | Brief Description | Documentation Required | EAD Code |
|--------------------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|----------|
| Trade Treaty Work Visa | E-1 | Treaty trader - employee, spouse, and/or child | Visa and EAD | C02 |
| | E-2 | Treaty investor - employee, spouse, and/or child | Visa | |
| | E-3 | Specialty occupation | | |
| | E-1, E-2, or E-3D | Spouse of E-1, E-2 or E-3 | Visa and EAD | A17/C12 |
| Temporary Employment Visa | H-1B | Specialty Occupation | Visa | |
| | H-1B1 | Specialty Occupation | | |
| | H-1B2 | Specialty Occupation - U.S. Department of Defense | | |
| | H-1B3 | Fashion model of distinguished merit and ability | | |
| | H-1C | Registered nurse - U.S. Department of Labor | | |
| | H-4 | Spouse or child of H-1B | Visa and EAD | C26 |
| Media Work Visa | I | Foreign media outlet (press, radio, film, or other) | Visa | |
| Nonimmigrant Visa for Fiancé(e) | K-1 | Fiancé(e) - purpose of marriage | Visa and EAD | A06 |
| Nonimmigrant Visa for Spouse | K-3 | Spouse of a U.S. citizen | Visa and EAD | A09 |
| Temporary Employment Visa | L-1A | Intracompany transfer - managerial or executive | Visa | |
| | L-1B | Intracompany transfer - specialized knowledge | | |
| | L-2 | Spouse or child of L-1A or L-1B | Visa and EAD | A18 |
| Temporary Employment Visa | O-1A/B | Extraordinary ability in analysis, business, education, entertainment | Visa | |
| | O-2 | Assistant to O-1 | | |
| | P-1A | Internationally recognized athlete | | |
| NAFTA Professional Workers Visa | TN | Professional under NAFTA | Visa | |
| Spouse / Child of Permanent Resident Alien | V-1 | Spouse of a Legal Permanent Resident (LPR) who is the principal beneficiary of a family-based petition (Form I-130) which was filed prior to December 21, 2000, and has been pending for at least three years. | Visa and EAD | A15 |
| | V-2 | Child of a Lawful Permanent Resident (LPR) who is the principal beneficiary of a family-based visa petition (Form I-130) that was filed prior to December 21, 2000, and has been pending for at least three years. | | |
| | V-3 | The derivative child of a V-1 or V-2. | | |

EAD ELIGIBILITY MATRIX

Certain borrowers may hold an EAD which does not require a corresponding Visa type. Borrower's holding the **EADs noted below are eligible without a Visa.**

| EAD Code | EAD Code Definition |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| C09 | Adjustment of status applicant |
| C10 | <ul style="list-style-type: none"> Nicaraguan Adjustment and Central American Relief Act (NACARA) section 203 applicants Applicant for suspension of deportation Applicant for cancellation of removal |
| C24 | LIFE legalization applicant |
| C31 | <ul style="list-style-type: none"> Principal beneficiary of an approved VAWA self-petition Qualified child of a beneficiary of an approved VAWA self-petition |

TEMPORARY EMPLOYMENT VISAS – ADDITIONAL INFORMATION

| Visa Category | Visa Type | Brief Classification Description | USCIS Period of Stay/Extension Requirements – Income Continuity, Stability, and Dependability Considerations |
|----------------------------------|--------------------------------|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Temporary Employment Visa | H1-B | Specialty Occupations, DOD Cooperative Research and Development Project Workers, and Fashion Models | <ul style="list-style-type: none"> An H-1B specialty occupation worker or fashion model, May be admitted for a period of up to three years. The time period may be extended, but generally cannot go beyond a total of six years, though some exceptions do apply. |
| | L-1A | Intracompany Transferee Executive or Manager | <ul style="list-style-type: none"> Qualified employees entering the U.S. to establish a new office will be allowed a maximum initial stay of one year. All other qualified employees will be allowed a maximum initial stay of three years. All L-1A employees, requests for extension of stay may be granted in increments of up to an additional two years, until the employee has reached the maximum limit of seven years. |
| | L-1B | Intracompany Transferee Specialized Knowledge | <ul style="list-style-type: none"> Qualified employees entering the U.S. to establish a new office will be allowed a maximum initial stay of one year. All other qualified employees will be allowed a maximum initial stay of three years. All L-1B employees, requests for extension of stay may be granted in increments of up to an additional two years, until the employee has reached the maximum limit of five years. |
| | O-1A/ O-1B/ O-2 | Individuals with Extraordinary Ability or Achievement | <ul style="list-style-type: none"> An initial period of stay for up to 3 years. USCIS will determine time necessary to accomplish the initial event or activity in increments of up to 1 year. New petitions involving new events or an event that, on case-by-case basis is determined to be materially different from the event in the initial petition may be approved for up to 3 years. |
| | P-1A | Athlete | <ul style="list-style-type: none"> Individual athlete - The time needed to complete the event, competition, or performance. This period of time cannot exceed five years. Extensions of Stay in increments of up to five years in order to continue or complete the event, competition, or performance. Total stay is limited to 10 years. |
| | P-1B | Member of an Internationally Recognized Entertainment Group | <ul style="list-style-type: none"> Time needed to complete the event, competition or performance, not to exceed one year. Extensions of Stay in increments of up to one year in order to continue or complete the same event, competition or performance for which you were admitted. |

Resources:

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| 8 CFR § 274a.12 - Classes of aliens authorized to accept employment |
| U.S. Citizenship and Immigration Services – Documents That Establish Identity and Employment Authorization |
| U.S. Department of State – Directory of U.S. Visa Categories |
| U.S. Citizenship and Immigration Services – Employment Authorization Documentation Reference Code Table |
| U.S. Citizenship and Immigration Services – Temporary (Nonimmigrant) Workers |

1. U.S. Dept. of State – Glossary **Derivative Status:** Getting a status (Visa) through another applicant, as provided under immigration law for certain Visa categories. For example, the spouse and children of an exchange visitor (J Visa holder), would be granted derivative status as a J-2 Visa holder.