



by  First Community Mortgage



NMLS# 629700

# Non-Conforming Jumbo Express

## 9-1-20

Program Code: MCJMAX30

<b>Jumbo Express Program</b>					
DU Approve/Ineligible, LPA Accept/Ineligible (ineligible due to loan amount only)					
<b>Primary Residence</b>					
Loan Purpose	Number of Units	Maximum Loan Amount	Maximum LTV/CLTV	Minimum Credit Score	Maximum DTI
Purchase & Rate/Term	1 Unit	\$1,500,000	80% / 80%	700	43
	2 Unit	\$1,500,000	75% / 75%	700	43
Cash-Out	1 Unit	\$1,000,000	75% / 75%	700	38
<b>Second Home</b>					
Loan Purpose	Number of Units	Maximum Loan Amount	Maximum LTV/CLTV	Minimum Credit Score	Maximum DTI
Purchase & Rate/Term	1 Unit	\$1,000,000	80% / 80%	720	43
	1 Unit	\$1,500,000	80% / 80%	740	43
Cash-Out	1 Unit	\$1,000,000	65% / 65%	720	38
Cash-Out	1 Unit	\$1,000,000	70% / 70%	740	38

<b>Underwriting Guidelines</b>	
<b>Eligible Products</b>	Fully Amortizing Fixed Rate 30 -year term
<b>Underwriting</b>	<ul style="list-style-type: none"> <li>Minimum Loan Amount must be \$1 over the current Agency loan limit for the property County and State and number of units</li> <li>AUS is required – DU Approve/Ineligible and LP Accept/Ineligible <ul style="list-style-type: none"> <li>Ineligible for Loan Amount Only</li> </ul> </li> </ul>
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>U.S. Citizens</li> <li>Permanent resident aliens <ul style="list-style-type: none"> <li>Copy of valid resident alien card must be included in loan file</li> </ul> </li> <li>Non-permanent resident aliens <ul style="list-style-type: none"> <li>Must be legally present in the U.S with an acceptable visa type. Acceptable visa types are as follows: <ul style="list-style-type: none"> <li>E Series (E-1, E-2, E-3)</li> <li>G Series (G-1, G-2, G-3, G-4, G-5)</li> <li>H Series (H-1B, H-1C)</li> <li>L Series (L-1, L-1A, L-1B, Spouse L-2 with EAD)</li> <li>NATO Series (NATO 1 – 6)</li> <li>O Series (O-1)</li> <li>TN-1, Canadian NAFTA visa</li> <li>TN-2, Mexican NAFTA visa</li> <li>See USCIS.gov for more information</li> <li>Must have a history of visa renewals and a minimum of two (2) year employment history in the U.S and qualifying income must be from the U.S.</li> <li>Must be able to verify that current employment has a probability of three (3) year continuance. VOE form may be used to document</li> </ul> </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Funds to close must be deposited in a U.S. financial institution. No funds to close from outside the U.S are allowed</li> <li>● Inter-Vivos Revocable Trusts <ul style="list-style-type: none"> <li>○ Trust must be established by one or more natural persons, individually or jointly</li> <li>○ The individual(s) establishing the trust must be the primary beneficiary/beneficiaries</li> <li>○ If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage</li> <li>○ At least one of the trustees must be either the individual establishing the trust, or an institutional trustee that customarily performs the duties of a trustee and is duly authorized to act as a trustee under applicable state law</li> <li>○ The mortgage and trust documents must meet agency eligibility criteria including title and title insurance requirements, as well as applicable state laws that regulate the making of loans to inter-vivos revocable trusts</li> <li>○ The trustee(s) must have the power to mortgage the security property for the purpose of securing a loan to the party (or parties) who are the borrower(s) under the mortgage or deed of trust note</li> </ul> </li> <li>● Illinois Land Trusts- NOT Eligible</li> <li>● Maximum of four borrowers per loan</li> </ul>
<b>Ineligible Borrowers</b>	<ul style="list-style-type: none"> <li>● Borrowers with only an ITIN (Individual taxpayer identification number)</li> <li>● Irrevocable trusts</li> <li>● Corporations, limited partnerships, general partnerships, and limited liability companies</li> <li>● Borrower who are party to a lawsuit</li> <li>● Borrowers with Diplomatic Immunity</li> <li>● Foreign nationals</li> </ul>
<b>Ownership</b>	<ul style="list-style-type: none"> <li>● Ownership must be fee simple only and must be in the name of the individual Borrower(s) or Trust. Borrower(s) may hold title as Individual, Joint Tenants, and Tenants in Common</li> </ul>
<b>Eligible Property/Occupancy</b>	<ul style="list-style-type: none"> <li>● Primary Residences <ul style="list-style-type: none"> <li>○ 1-2 unit</li> <li>○ Detached, attached, PUD, and eligible condominiums <ul style="list-style-type: none"> <li>▪ Condo- low/mid/high-rise new and established agency warrantable with HOA</li> <li>▪ Condo's with HOA in litigation are ineligible</li> </ul> </li> </ul> </li> <li>● Second Home <ul style="list-style-type: none"> <li>○ 1 unit</li> <li>○ Detached, attached, PUD and eligible condominiums</li> <li>○ Maximum lot size is 20 acres. Properties with greater than 10 acres must have three comparables with similar acreage</li> <li>○ Must be a reasonable distance away from borrower's primary residence</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Must be occupied by the borrower for some portion of the year</li> <li>○ Must be suitable for year-round use.</li> <li>○ Property may not be a time share, subject to a rental agreement, or other shared ownership agreements</li> <li>○ Rental income and expenses on Schedule E of the borrower's personal tax return(s) must not exceed 30 rental days</li> <li>○ Rental income received on the property cannot be used as qualifying income</li> <li>● Maximum lot size is 20 acres. Properties with greater than 10 acres must have three comparables with similar acreage</li> <li>● Multi-Financed properties- follow AUS requirements</li> </ul>
<b>Ineligible Property/Occupancy Types</b>	<ul style="list-style-type: none"> <li>● Investment properties</li> <li>● Manufactured homes</li> <li>● Co-ops</li> <li>● Factory built housing</li> <li>● Properties held as leasehold</li> <li>● Condo hotel units</li> <li>● Condo with HOA litigation</li> <li>● Unwarrantable condo</li> <li>● Log homes</li> <li>● Timeshare units</li> <li>● Geothermal homes</li> <li>● Unique properties</li> <li>● Mixed Use properties</li> <li>● Commercially zoned properties</li> <li>● Agriculturally zoned properties</li> <li>● Properties with an oil or gas lease</li> <li>● Properties with more than 20 acres</li> <li>● Working farms</li> <li>● Properties located in Puerto Rico, Guam, and US Virgin Islands</li> </ul>
<b>Debt-to-Income Ratio (DTI)</b>	<ul style="list-style-type: none"> <li>● Primary Residence: 43% Purchase/R&amp;T, 38% Cash-Out</li> <li>● Second Home: 43% Purchase/R&amp;T, 38% Cash-Out</li> </ul>
<b>LTV/CLTV/HCLTV</b>	<ul style="list-style-type: none"> <li>● As per Matrix on page 2</li> </ul>
<b>Purchase Transactions</b>	<ul style="list-style-type: none"> <li>● Must adhere to Agency Guidelines</li> <li>● LTV/CLTV is calculated using the lesser of the purchase price or the appraised value of the subject property</li> <li>● Seller must have taken title to the subject property a minimum of 90 days prior to the date of the sales contract</li> <li>● Personal property may not be included in the purchase agreement/sales contract. Personal property items should be deleted from the sales contract or reasonable value must be documented and the sales price adjusted. Items that are customary to residential real estate transactions such as lighting fixtures, kitchen appliances, window treatments and ceiling fans are not considered personal property for purposes of this section</li> </ul>

<p><b>Refinance Transactions</b></p>	<p><b>Rate and Term Refinance:</b></p> <ul style="list-style-type: none"> <li>• A minimum of 6 months (per AUS) must have elapsed if the previous refinance transaction combined a first and a non-purchase money subordinate lien into a new first lien. Provide closing disclosure from any prior transaction</li> <li>• Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the date of closing</li> <li>• The mortgage amount may include the: <ul style="list-style-type: none"> <li>○ Payoff of the existing liens.</li> <li>○ Payoff of a co-owner pursuant to a written agreement</li> <li>○ Financing of the payment of prepaid items and closing costs</li> <li>○ Pay off subordinate financing only to the extent that such financing was used to acquire the property. Borrower must document that all proceeds from the subordinate financing were used to acquire the property</li> </ul> </li> <li>• Cash back to the borrower is limited to the lesser of \$2,000 or 2%</li> </ul>
	<p><b>Delayed Financing Refinance</b></p> <ul style="list-style-type: none"> <li>• Delayed financing refinances in which the borrowers purchased the subject property for cash within ninety days (90) from the date of the application are eligible for purchase. Cash back to the borrower in excess of the original purchase price or appraised value (whichever is less) is not allowed. Delayed financing refinances are underwritten as rate and term refinances and are not subject to cash-out refinancing program limitations. Property may not be located in Texas</li> <li>• A Closing Disclosure is required to document no mortgage financing was used to obtain the subject property</li> </ul>
	<p><b>Cash-Out Refinance Requirements:</b></p> <ul style="list-style-type: none"> <li>• Borrower must have held title for a minimum of 6 months from disbursement date</li> <li>• Properties listed for sale are ineligible for refinance unless the listing was withdrawn or expired prior to the date of closing</li> <li>• Texas Cash-Out refinances are ineligible</li> </ul>
<p><b>Construction Loan Refinancing</b></p>	<p><b>Construction loan refinances are eligible as rate and term or cash-out refinances and must meet the following criteria:</b></p> <ul style="list-style-type: none"> <li>• Only the permanent financing on a construction to perm loan is eligible. Single closing construction permanent loan refinances are ineligible</li> <li>• Borrower must have held title to the lot for a minimum of 6 months prior to the closing of the permanent loan</li> <li>• The LTV will be based on the current appraised value if the borrower has held title to the lot for 12 or more months prior to the closing date of the permanent loan</li> <li>• If the lot was acquired less than 12 months before the closing date of the permanent loan the LTV will be based on the lesser of a) the original purchase price of the lot plus the total acquisition costs (sum of construction costs) or b) the current appraised value of the lot plus the total acquisition costs</li> <li>• Appraiser's final inspection is required</li> </ul>

	<ul style="list-style-type: none"> <li>• A certificate of occupancy is required from the applicable governing authority. If the applicable governing authority does not require a certificate of occupancy proof must be provided</li> <li>• Construction loan refinances in which the borrower has acted as builder are not eligible for purchase</li> </ul>
<b>Contract for Deed/Land Contracts</b>	<ul style="list-style-type: none"> <li>• Contract for Deed/Land Contracts are ineligible</li> </ul>
<b>Non-Arm's Length Transactions</b>	<ul style="list-style-type: none"> <li>• Certain Non-Arm's Length Transactions in which a direct relationship exists between the borrower and any party in the transaction are permitted as stipulated by the Agency guidelines</li> </ul>
<b>Credit Documentation Requirements</b>	<b>Age of Credit Documents</b> <ul style="list-style-type: none"> <li>• For all transaction types follow AUS requirements</li> </ul>
	<b>Credit Tradelines/Score</b> <ul style="list-style-type: none"> <li>• Three tradelines required</li> <li>• Representative credit score is middle score of 3 scores reported is used for qualification</li> <li>• If only 2 scores reported the lower of 2 scores is used for qualification</li> <li>• For multiple borrowers the credit score is the lowest of all representative credit scores</li> <li>• If only 1 score or no score is reported the borrower is not eligible. A minimum of 2 credit scores is required</li> </ul>
	<b>Minimum Credit Requirements</b> <ul style="list-style-type: none"> <li>• Determined by AUS</li> </ul>
	<b>Mortgage/Rental History</b> <ul style="list-style-type: none"> <li>• Determined by AUS</li> </ul>
	<b>Credit Inquiries</b> <ul style="list-style-type: none"> <li>• All inquiries that have taken place within 120 days of the credit report date must be explained by the borrower and documented accordingly</li> </ul>
	<b>Liens, Judgments, and Collections</b> <ul style="list-style-type: none"> <li>• Collections accounts or charged-off accounts must be paid off as required by AUS</li> </ul>
	<b>Foreclosure, Deed-In-Lieu of Foreclosure, Bankruptcy, and Short Sales</b> <ul style="list-style-type: none"> <li>• At least seven (7) years must have elapsed since bankruptcy discharge or dismissal, foreclosure, notice of default (NOD), short sale or deed-in-lieu measured from the date of completion to the date of application</li> </ul>
<b>Employment and Income</b>	<b>Income Sources and Calculation of Income</b> <ul style="list-style-type: none"> <li>• All income sources and method of income calculation must meet most recent Agency/Appendix Q Standards for Determining Monthly Debt and Income. The loan file should include an Income Analysis form detailing income calculations <ul style="list-style-type: none"> <li>○ The non-taxable portion of fixed income such as Social Security income, VA benefits, Pensions and Annuity income may be grossed-up twenty five percent (25%)</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Foreign income used for qualifying must be supported by the most recent two (2) years U.S. tax returns</li> <li>○ Unreimbursed business expenses must be deducted from income. This includes borrowers who earn commission income regardless of the percentage of commission income to total income.</li> </ul> <p><b>Employment and Income Stability</b></p> <ul style="list-style-type: none"> <li>• Borrower(s) must have a minimum of two years employment and income history</li> <li>• Gaps in employment over thirty days during the most recent two year period require a satisfactory letter of explanation from the Borrower</li> <li>• All Borrowers contributing income for qualification must be employed at present employment for a minimum of six months to qualify, if there is a gap in employment during the previous two years</li> </ul>
<p><b>Income Documentation Requirements</b></p>	<p><b><i>Important Note Regarding Documentation:</i></b> Appendix Q states that a borrower with a 25 percent or greater ownership interest in a business is considered self-employed. Any borrower for whom the ownership of 25 percent or more of a corporation, limited liability company, partnership, sole proprietorship or other entity appears in the loan file must have the supporting documentation that is required by the relevant portions of the “Self-Employed Borrowers” subsection below. This documentation is required even if the borrower is a salaried employee of such business entity and/or another company, and even if the lender only relied upon the borrower’s salary or other income to establish eligibility. <b>All required documentation as described here and in the following sections must be obtained prior to closing and submitted in the closed loan file</b></p> <p><b>Salaried Borrowers</b></p> <ul style="list-style-type: none"> <li>• Completed, signed and dated final Uniform Residential Mortgage Application. Most current form must be used</li> <li>• W-2’s from all employers for the past two (2) years. All W-2’s must be computer generated</li> <li>• If the borrower does not have 2 years of employment due to previously being in school a copy of the school transcript is required</li> <li>• Most recent paystubs, covering a thirty-day (30) period with YTD earnings. All paystubs must be computer generated</li> <li>• Tax returns are not required for salaried borrowers if wage income is the only source of income used for qualification</li> <li>• Unreimbursed business expenses must be deducted from income regardless if the borrower’s commission income is less than 25% of total income</li> <li>• Borrowers employed in a family business must provide evidence that they are not owners of the business with a CPA letter from the business and personal tax returns</li> <li>• Signed IRS Form 4506T</li> <li>• Two years tax transcripts are required to be obtained from the IRS. Both years transcripts are required prior to closing and must be verified by the Underwriter. Wage transcripts are acceptable for W-2 borrowers. Borrower pulled transcripts are not acceptable. The IRS transcripts and the supporting income documentation provided by the lender must be consistent</li> </ul>

**Salaried Borrowers who also file Self-Employed and/or Supplemental Income/Loss Tax Return Schedules**

- Salaried borrowers who also own 25% or more of a business or other entity are required to provide a year-to-date P&L and balance sheet for that business or entity even if the income from that business or entity is not being used to qualify. This requirement includes all businesses and entities including those organized as pass through entities
- Salaried borrowers who file a schedule C (sole proprietorship) will be considered as self-employed and required to provide a year-to-date P&L and balance sheet. This includes borrowers who may be filing the Schedule C as a tax write off for accounting purposes
- Most recent signed two (2) years business tax returns are required for businesses where the borrower owns 25% or more and the business reports an income loss on the schedule K-1. Loss must be deducted from income

**Salaried Borrowers with Commission/Bonus**

- For borrowers receiving bonus, commission, or any other non-base salary compensation in addition to base salary, a 2-year history of the receipt of the income is required
- This must be addressed with a written VOE breaking down the bonus or commission income for the past 2 years, further supported by a year-to-date paystub
- A year-to-date paystub, W-2's and tax returns alone will not satisfy the documentation requirements for bonus, commission or any other non-base salary compensation

**Verbal VOE**

- Verbal VOE dated within 5 business days prior to closing documented in writing. The verbal VOE must cover 24 months of employment. If the borrower has changed jobs during the past two years, the verbal VOE must show the start and end dates for each job. Any employment gaps exceeding 30 days must be addressed with a satisfactory letter of explanation from the borrower

**Self-Employed Borrowers**

- Borrowers with a 25 percent or greater ownership interest in a business are considered self-employed and will be evaluated as a self-employed borrower for underwriting purposes
- Completed, signed and dated final Uniform Residential Mortgage Application. Most current form must be used
- For business income being used for qualifying the most recent signed two (2) years tax returns, including all schedules, both individual and business returns are required. All personal and business tax returns must be signed and dated prior to closing
- Self-employed borrowers using wage income to qualify paid by their business need to fully document the income with W-2's for the past two (2) years and most recent paystubs, covering a thirty-day (30) period with year-to-date earnings. W-2 and paystubs must be computer generated
- If tax return schedules show a loss in the prior year for any business where the borrower owns 25% or more, business tax returns including all schedules are required for this business in order to calculate the average loss. This is required regardless if this business income is being used to qualify. Tax returns must be signed and dated prior to closing



	<ul style="list-style-type: none"> <li>• Signed IRS Form 4506T</li> <li>• Two years tax transcripts are required to be obtained from the IRS. Both years transcripts are required prior to closing and must be verified by the Underwriter. Wage transcripts are acceptable for W-2 borrowers. Borrower pulled transcripts are not acceptable. The IRS transcripts and the supporting income documentation provided by the lender must be consistent</li> </ul>
	<p><b>P&amp;L and Balance Sheet Requirements</b></p> <ul style="list-style-type: none"> <li>• Year-to-date P&amp;L statement and balance sheet are required if note date is beyond 120 days from the end of the last fiscal year</li> <li>• All borrowers owning 25% or more of a business or entity must provide a year-to-date P&amp;L statement and balance sheet for that entity, regardless of whether or not the business income is being used to qualify. This requirement includes all business entities including those organized as pass through entities</li> <li>• If the tax return for the previous tax year is not filed a 12-month P&amp;L and balance sheet for this period is required</li> <li>• If the most recent year's tax returns have not been filed by the IRS deadline, an executed copy of the borrower's extension request for both personal and business tax returns must be provided</li> <li>• The P&amp;L and balance sheet is required even if the borrower does not have a business checking account</li> <li>• P&amp;L and tax returns must show stable or increasing income from all business entities and income sources for the period relative to previous periods. Income cannot decline by 20% or more from the prior tax period</li> </ul>
	<p><b>Verification of Active Business</b></p> <ul style="list-style-type: none"> <li>• The lender must verify the existence of the borrower's business within 5 calendar days prior to closing. Methods of verifying business include: <ul style="list-style-type: none"> <li>○ Verification from a third party such as a CPA, regulatory agency or by an applicable licensing bureau. If CPA letter is used it must indicate the borrower has been self-employed for a minimum of 2 years</li> </ul> </li> </ul>
	<p><b>Rental Income</b></p> <ul style="list-style-type: none"> <li>• Rental income from other properties must be documented with the borrower's most recent signed federal income tax return that includes Schedule E. Leases are required for all properties where rental income is being used to qualify. For commercial properties a copy of the lease or rent roll is required</li> <li>• Proposed rental income from the comparable rent schedule may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property</li> <li>• Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 12 months or the time period after the lease expired</li> <li>• A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rent by 75% and subtract the PITI to arrive at the rental income/loss used for qualifying</li> <li>• Commercial properties owned on schedule E must be documented with a rent roll and evidence that the primary use and zoning of the property is commercial</li> </ul>
	<p><b>Retirement or Pension Income</b> Retirement or Pension income must be verified by the following:</p>

	<ul style="list-style-type: none"> <li>• Copies of retirement award letters</li> <li>• Copies of last two (2) months bank statements to document the regular deposit of payments</li> <li>• Distributions from a retirement account (401K, IRA, Keogh, SEP) must be documented with a distribution letter and copies of last two (2) months bank statements to document the regular deposit of payments</li> <li>• Annuity retirement benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income</li> </ul>
	<p><b>Social Security Income</b></p> <p>Social Security Income must be verified by the following:</p> <ul style="list-style-type: none"> <li>• Copy of the Social Security Administrations award letter</li> <li>• Copies of last two (2) months bank statements to document the regular deposit of payments</li> <li>• Benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income</li> </ul>
	<p><b>Alimony and Child Support Income</b></p> <ul style="list-style-type: none"> <li>• Alimony and Child Support are allowable sources of income with proof of a minimum of three-year continuance</li> </ul>
	<p><b>Unacceptable Income</b></p> <p>Unacceptable income sources include the following:</p> <ul style="list-style-type: none"> <li>• Any source that cannot be verified</li> <li>• Restricted stock income (RSU)</li> <li>• Income that is temporary</li> <li>• Rental Income (Boarder Income) received from the borrower’s primary residence</li> <li>• Expense account payments</li> <li>• Asset depletion of non-employment related assets</li> <li>• Retained earnings</li> <li>• Automobile allowances</li> </ul>
<b>Debts and Liabilities</b>	<p><b>Debt-to-Income Ratio</b></p> <ul style="list-style-type: none"> <li>• The Debt-to-Income (DTI) ratio is based on the total of existing monthly liabilities and any planned future monthly liabilities divided by gross monthly income. Liabilities include but are not limited to all housing expenses, revolving debts, installment debts, other mortgages, rent, alimony, child support, and other consistent and recurring expenses. All liabilities are included in qualifying. Refer to the Matrix on page 2 for the maximum allowable DTI</li> </ul>
	<p><b>Installment Debt</b></p> <ul style="list-style-type: none"> <li>• Installment debt, including car lease payments, must be included in the qualifying ratio regardless of months remaining</li> <li>• When a borrower has a contingent liability (co-signed debt) it may be excluded from DTI with proof that the primary obligor has made timely payments for the last 12 months</li> <li>• Installment debt paid by another entity such as the borrower’s business must be included unless the business entity (not the borrower) is the primary obligor</li> </ul>
	<p><b>Revolving Debt</b></p> <ul style="list-style-type: none"> <li>• Follow AUS requirements</li> </ul>

	<p><b>Home Equity Line of Credit (HELOC)</b></p> <ul style="list-style-type: none"> <li>For HELOC loans paid off at closing the line must be closed to any future draws. Requirement on title commitment for payoff and cancellation of HELOC is acceptable to document</li> </ul>
	<p><b>Pending Sale of Departing Residence or Conversion of Departing Residence to Investment Property</b></p> <p>If the current primary residence is being converted to an investment property the following applies:</p> <ul style="list-style-type: none"> <li>The rental income from the departing residence may be used if the borrower has a loan to value of 75% or less, as evidenced by either: <ul style="list-style-type: none"> <li>A current residential appraisal (no more than 6 months old from application date) and outstanding liens as evidenced by a mortgage statement or credit report reference or;</li> <li>An Exterior Only appraisal (2055) (no more than 6 months old from application date) and outstanding liens as evidenced by a mortgage statement or credit report reference or;</li> <li>An automated valuation model (AVM) listing the prior sales price minus outstanding liens as evidenced by a mortgage statement or credit report reference. The AVM may not be used as a current valuation to determine the borrower's equity percentage.</li> </ul> </li> <li>A 25% expense /vacancy deduction must be applied to all rental income. Copies of the signed lease are required</li> <li>Reserves of six (6) months of PITI must be documented in addition to the required reserves for the primary residence</li> </ul>
<p><b>Assets and Source of Funds</b></p>	<p><b>Source of Funds</b></p> <ul style="list-style-type: none"> <li>Follow AUS requirements</li> </ul>
	<p><b>Cash Reserves</b></p> <ul style="list-style-type: none"> <li>The greater of the AUS reserve requirements or below requirements: <ul style="list-style-type: none"> <li>If loan amount &lt;= \$1,000,000 – 6 months PITI reserves</li> <li>If loan amount &gt; \$1,000,000 – 9 months PITI reserves</li> <li>Second Homes – 12 months PITI reserves</li> </ul> </li> <li>Reserves must be verified and comprised of liquid assets that borrower can readily access. Equity lines of credit, gift funds, and cash out from the subject property on refinance transactions are not acceptable sources to meet the reserve requirement</li> </ul>
<p><b>Appraisal Requirements</b></p>	<ul style="list-style-type: none"> <li>All appraisals must be completed on the most current Agency appraisal forms and conform to Agency appraisal practices</li> <li>Property Inspection Waiver (PIW) not allowed</li> <li>Properties must be appraised within the twelve months that precede the date of the Note and Mortgage</li> <li>Appraisals must not be over 120 days old from the date of the Note. If appraisal is over 120 days old a recertification of value needs to be performed</li> </ul>
<p><b>Third Party Appraisal Review</b></p>	<ul style="list-style-type: none"> <li>Appraisal desk review is required and will be ordered by FCM on all loans with a collateral underwriter score higher than 2.5. Loans with a collateral underwriter score of 2.5 or lower are exempt from the above appraisal desk review requirement</li> <li>The review must not be over 120 days old from the date of the Note</li> </ul>

	<ul style="list-style-type: none"> <li>If the desk review produces a value in excess of a 10% negative variance to the appraised value, FCM will order a field review. If the field review also produces a value in excess of 10% negative variance, the loan will be ineligible</li> </ul>
<b>Properties Located in a Disaster Area</b>	<ul style="list-style-type: none"> <li>For properties located in a FEMA declared disaster area a re-inspection is required to be performed by the original appraiser. A written certification is required from the appraiser to confirm that the property value has not been impacted by the disaster.</li> <li>For FEMA declared natural disasters, the inspections must be dated after the disaster end date is declared by FEMA</li> </ul>
<b>Additional Loan Attributes/Policies</b>	<b>Subordinate Financing</b> <ul style="list-style-type: none"> <li>Allowed up to maximum CLTV per matrix. Secondary financing terms must conform to Agency guidelines</li> </ul>
	<b>Chain of Title</b> <ul style="list-style-type: none"> <li>All transactions require a minimum twelve (12) month chain of title</li> <li>For purchase transactions seller must have taken title to the subject property a minimum of ninety (90) days prior to the date of sales contract</li> </ul>
	<b>Balloon Mortgage</b> <ul style="list-style-type: none"> <li>Balloon mortgages are not eligible for purchase</li> </ul>
	<b>Recasting/Re-amortizing</b> <ul style="list-style-type: none"> <li>Recasting or re-amortized transactions are not eligible for purchase</li> </ul>
	<b>Temporary Buydown</b> <ul style="list-style-type: none"> <li>Temporary buydown mortgage loans are not eligible for purchase</li> </ul>
	<b>Prepayment Penalty</b> <ul style="list-style-type: none"> <li>Mortgage loans with prepayment penalties are not eligible for purchase</li> </ul>
	<b>Interested Party Contributions</b> <ul style="list-style-type: none"> <li>Interested party contributions include funds contributed by the property seller, builder, developer, real estate agent or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses <ul style="list-style-type: none"> <li>LTV between 75.01% - 80% max 6% contribution allowed</li> <li>LTV ≤ 75% max 9% contribution allowed</li> </ul> </li> </ul>
	<b>Seller Concessions/Contribution</b> <ul style="list-style-type: none"> <li>Seller contributions in excess of the interested party contribution limits or contributions not being used for prepaid expenses or closing costs are considered seller concessions. The amount of the seller concession must be deducted from the purchase price and appraised value to determine the LTV</li> </ul>
	<b>HERO/PACE/Solar Panels</b> <ul style="list-style-type: none"> <li>Any item that that will include a UCC associated with the property and/or will create an easement on title is ineligible</li> </ul>
<b>Escrows</b> <ul style="list-style-type: none"> <li>It is recommended that escrow account be created for funds collected by the originator to pay taxes, hazard insurance, flood insurance, special assessments, water, sewer, and other items as applicable</li> </ul>	

	<ul style="list-style-type: none"> <li>• Properties where the insurance coverage on the declaration page does not cover the loan amount must be have a cost estimate from the insurance company or agent evidencing the property is insured for its replacement cost</li> <li>• Hazard insurance must have the same inception date as the date of disbursement on purchase money mortgages. This may be documented with a post-closing Closing Disclosure or the correction of the inception date on the hazard policy</li> <li>• All applicable loans must adhere to HFIAA regarding flood insurance escrows</li> <li>• Escrow holdbacks are not allowed</li> </ul>
<b>Title and Closing Documentation</b>	<p><b>Forms</b></p> <ul style="list-style-type: none"> <li>• All Notes, security instruments, riders, addenda and special purpose documents used in connection with fully amortizing one to two family conventional first mortgages must be prepared on approved Agency forms unless this guide specifically requires otherwise. See most recent Fannie Mae and Freddie Mac Selling Guides for reference</li> <li>• Copy of security instrument submitted in the file must be a true and certified stamped copy of the original recorded security instrument</li> </ul>
	<p><b>Title</b></p> <ul style="list-style-type: none"> <li>• Title insurance must meet Agency requirements and be written on the 2006 American Land Title ALTA form providing gap coverage or the ALTA short form. Other state forms may be used in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not been adopted. If alternative forms are used, the lender must ensure that those amendments provide the same coverage</li> <li>• The title policy should include all applicable endorsements issued by a title insurer qualified to do business in the jurisdiction in which the mortgage insured property is located, including the endorsements for Condominiums, PUDs, and ARM loan types</li> <li>• The title insurance coverage must include an environmental protection lien endorsement (ALTA 8.1-06 or equivalent state form)</li> <li>• The title insurance policy must insure the mortgagee and its successors and assigns as to the first priority lien of the loan amount at least equal to the outstanding principal balance of the loan</li> <li>• A statement by the title insurance company or closing attorney on such binder or commitment that the priority of the lien of the related Mortgage during the period between the date of the funding of the related Mortgage Loan and the date of the related title policy (which title policy shall be dated the date of recording of the related Mortgage) is insured</li> <li>• Any existing tax or mechanic's liens must be paid in full through escrow</li> </ul>