

PRODUCT ELIGIBILITY

Eligibility

INVESTMENT PROPERTY						
Purchase, R/T Refinance, Cash-Out Refinance						
# Units	Loan Amount	Maximum LTV ^(1,2,3)	Minimum Property Value	Minimum FICO ⁽⁴⁾	Property MAX DTI ⁽⁵⁾	Reserves ⁽⁶⁾
1 Unit	\$75,000 to \$650,000	75%	\$100,000	620	65%	12 mos.
		70%			70%	
		65%			85%	
		60%			90%	
2 Units	\$75,000 to \$750,000	75%	\$100,000	620	65%	12 mos.
		70%			70%	
		65%			85%	
		60%			90%	
3 Units	\$75,000 to \$850,000	75%	\$125,000	620	65%	12 mos.
		70%			70%	
		65%			85%	
		60%			90%	
4 Units	\$75,000 to \$1,000,000	75%	\$125,000	620	65%	12 mos.
		70%			70%	
		65%			85%	
		60%			90%	

- (1) Refer to the Maximum Loan Amount and Cost Basis section for additional restrictions when the property has been owned less than one year
- (2) Maximum Loan-to-Value may require a 10% reduction if all units in the subject property are not occupied. Refer to the Maximum Loan-to-Value section for complete details.
- (3) Secondary financing not permitted.
- (4) Additional criteria apply. Refer to the Credit Requirement section for complete details.
- (5) Refer to the Debt-to-Income Ratio and Documentation Requirements sections for complete details.
- (6) Additional reserves are required when multiple properties are financed with Lender. Refer to the Reserves section for complete details.

Product Code

Loan Description

One (1) loan per property secured by a mortgage and note.

Loan Term (Maturity)

30 years (fully amortizing)

Interest Rate Type

Fixed rate

Financed Properties

Lender will finance up to 10 investment properties; no limit on the number of financed properties borrower can own.

Underwriting

All loans must be manually underwritten. No documentation waivers based on Agency AUS recommendations are permitted.

PRODUCT GUIDELINES

BORROWER ELIGIBILITY

Borrowers: Eligible	<ul style="list-style-type: none"> • U.S. citizens • Permanent resident aliens if the following requirements are met: <ul style="list-style-type: none"> o Documented proof of lawful permanent residence in the U.S. o 24 months employment history in the United States • Non-permanent resident aliens • Foreign Nationals • Illinois Land Trusts • All individual borrowers must have a valid social security number, or ITIN for an eligible Foreign National • Limited Liability Company, in combination with all members of the LLC (in their individual capacity)
Ineligible Borrowers	<ul style="list-style-type: none"> • Irrevocable and Inter-Vivos trusts • Land trusts, except for Illinois Land Trusts • Limited partnerships, general partners, and corporations • Series LLC (identified in LLC documents) • First time homebuyers defined as anyone who has not owned a home for three (3) years. For loans with more than one borrower where at least one borrower has owned a home in the past three (3) years, first-time homebuyer requirements do not apply. • Borrowers party to any transaction where there is a relationship or business affiliation between the buyer, seller, loan agent, or originator that Lender determines to result in a non-arm's length transaction. Refer to Section 7.5.4 for scenarios where non-arm's length transactions may be considered. • Borrowers with only an individual taxpayer identification number (ITIN) unless an eligible Foreign National. • Self-directed IRA
Non-Permanent Resident Aliens	<ul style="list-style-type: none"> • Unexpired passport from the country of citizenship containing INS form 1-94 which must be stamped Employment Authorized, • An Employment Authorization Card along with a copy of the Petition for Non-Immigrant Worker (form I-140) in file, • Unexpired H1B, H2B, L-1, L-2 visas only, • Credit trade line requirements must be met; no exceptions • All borrowers must have a valid social security number <p>Not eligible:</p> <ul style="list-style-type: none"> • Trusts
Foreign Nationals	<p>Visa types allowed: B-1, B-2, H-2, H-3, I, J-1, J-2, O-2, P-1, and P-2</p> <ul style="list-style-type: none"> • Individuals with diplomatic immunity are not eligible • Valid Passport and unexpired Visa (unless resident of country in VISA waiver program) are required <p>Tax identification:</p> <ul style="list-style-type: none"> • Social security number (U.S. credit report required), or • Individual Tax Identification Number (ITIN), and • 1 year 1040-NR <p>Credit:</p> <ul style="list-style-type: none"> • If borrower has a SSN <ul style="list-style-type: none"> o Credit report is required (minimum 680 FICO) <ul style="list-style-type: none"> ▪ If credit history is not sufficient to generate credit scores, follow the requirements for borrowers with an ITIN. • Mortgage History: 0x30 for most recent 24 months • No significant derogatory credit history • Lender Minimum Credit Standards apply • Insufficient tradelines can be supplemented with foreign credit. • If borrower has ITIN

	<ul style="list-style-type: none"> ○ International credit report is required, if available. Minimum three (3) active and open tradelines with a minimum 24 month history. No derogatory credit history permitted. ○ If international credit report is not available, provide at least three (3) satisfactory written credit references from the borrower’s country of origin with at least one reference from a financial institution. Letters of reference from verifiable financial institutions in a foreign country may be used to establish the three open accounts and acceptable history. Letters of reference must state the type and length of relationship, how the accounts are held, and status of the account. All contact information must be provided for the person signing the letter. Any translation must be signed and dated by a certified translator. <ul style="list-style-type: none"> • Any history of Bankruptcy, Foreclosure, Short-Sale or Deed-in-Lieu are not permitted. • A satisfactory mortgage history and rating are required for any other residential property financed in the US. <p>Assets</p> <ul style="list-style-type: none"> • All funds for down payment, closing, and reserves must be seasoned for 2 months in a US banking institution. • Automatic debit payment required from US banking institution. • All asset documentation must be translated into English and US currency by a certified translator. <p>Title: Must be vested in borrower’s name.</p> <p>Exclusionary List/OFAC</p> <ul style="list-style-type: none"> • All parties involved on each transaction must be screened through the creditor’s standard processes. In addition, parties to the transaction (borrowers, sellers, employers, banks, etc.) must be cleared through OFAC’s Specially Designated Nationals and Blocked Persons list. • Borrowers from OFAC sanctioned countries are ineligible. <p>Documents:</p> <ul style="list-style-type: none"> • Valid Passport and unexpired Visa (unless resident of country in VISA waiver program) are required • All documents must be fully translated into English by a certified translator. A copy of the translators valid certification must be provided and be from a recognized US professional translation organization (i.e. American Translator Association, etc). • Documents signed outside the US must be notarized by US embassy or consular office. • All borrowers must complete IRS form W-8 • Declaration of Foreign Residency required closing document <p>Not eligible</p> <ul style="list-style-type: none"> • Trusts • Power of Attorney
Exclusionary Lists	Loan transactions are ineligible if any material parties (companies or individuals) to the transaction are listed on HUD’s Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party list, or any other applicable exclusionary list.
Occupancy	<p>Eligible property types include</p> <ul style="list-style-type: none"> • Non-owner occupied (investment) properties with 1 to 4 units <p>Ineligible property types include</p> <ul style="list-style-type: none"> ▪ Primary residences ▪ Second home residences
Multiple Properties Financed/Owned	<ul style="list-style-type: none"> • Maximum of ten (10) properties financed with Lender • No limit on the number of financed properties the borrower may own.
Ownership Interest	<p>Title must be in the borrower’s name(s) at the time of application for refinance transactions, and at the time of closing for all transactions. Title may be held as follows:</p> <p>Fee Simple with Title Vesting as:</p> <ul style="list-style-type: none"> ○ Individual ○ Joint Tenants ○ Limited Liability Company (See Section below for more detail) <p>Leasehold Estates: In areas where leasehold estates are commonly accepted, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property</p>

<p>Limited Liability Company Requirements</p>	<p>improvements and the borrower’s leasehold interest in the land. The leasehold estate and the improvements must constitute real property, must be subject to the mortgage lien, and must be insured by the lender’s title policy.</p> <ul style="list-style-type: none"> ▪ The borrower is defined collectively as the LLC and the individual members of the LLC (“Individuals”). ▪ The LLC must be wholly owned directly by the Individuals. ▪ Title must be in the name of an existing Limited Liability Company (“LLC”) at the time of closing for all transactions. Newly formed LLC’s will be accepted for refinance and purchase transactions. If the borrower on the refinance transaction has been added to title through a transfer from the LLC to an individual borrower(s), or from an individual borrower(s) to the LLC, the following requirement must be met: <ul style="list-style-type: none"> o The borrower (LLC or individual) must have been a 100% owner(s) collectively prior and after the transfer. ▪ The loan application must be completed by the Individuals, who will be qualified according to the guidelines set forth in this Guide. ▪ Series LLC- not eligible ▪ Provide the following documentation for the LLC. <ul style="list-style-type: none"> o Copy of the filed articles of organization to evidence existence of the LLC. o Copy of the fully executed operating agreement specifying authorized signatories on behalf of the LLC and who have the power to mortgage the security property for the purpose of securing a loan. o Executed Member Consent o Certificate of Good Standing ▪ Documents must be completed and signed as follows: <ul style="list-style-type: none"> o Loan Application (1003) <ul style="list-style-type: none"> ▪ Completed for each Individual ▪ Section labelled “Title will be held in what Name(s)” should be completed with only the LLC name. ▪ Signed by Individuals o Disclosures (GFE, TIL, Notice of Intent to Proceed, Servicing Disclosure, etc.) <ul style="list-style-type: none"> ▪ Completed and signed by Individual(s) o HUD-1 <ul style="list-style-type: none"> ▪ Completed and signed by Individual(s) o Other Closing Documents (Final TIL, Borrower Certification of Business Purpose, etc.) <ul style="list-style-type: none"> ▪ Completed and signed by Individual(s) o Note, Deed of Trust/Mortgage, and all Riders <ul style="list-style-type: none"> ▪ “Borrower” in form, if applicable, to be completed with name of each Individual and the LLC and the LLC collectively as Borrower
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Examples - Signature Requirements:

Note – bracketed term [Authorized Signatory] may be replaced by other label as specified in the Member Consent (e.g. Managing Member, Member, etc.).

Sample 1:

Borrower: JS Investors, LLC and John M. Smith
Single Member of LLC: John M. Smith

Note, Security Instrument & all Riders:

Signature Block

John M. Smith

John M. Smith, an individual

JS INVESTORS, LLC a [] limited liability company

John M. Smith

By: John M. Smith

Title: [Authorized Signatory]

Sample 2:

Borrower: JS Investors, LLC, John M. Smith, and Andrew Jones
2 Members of LLC: John M. Smith and Andrew Jones
Both Members are Authorized Signatories of LLC

Note, Security Instrument & all Riders:

Signature Block

John M. Smith

John M. Smith, an individual

Andrew Jones

Andrew Jones, an individual

JS INVESTORS, LLC a [] limited liability company

John M. Smith

By: John M. Smith

Title: [Authorized Signatory]

OR

JS INVESTORS, LLC a [] limited liability company

Andrew Jones

By: Andrew Jones

Title: [Authorized Signatory]

Sample 3:

Borrower: JS Investors, LLC, John M. Smith, and Andrew Jones
2 Members of LLC: John M. Smith and Andrew Jones
ONLY one Member (Andrew Jones) is authorized to sign for LLC

Note, Security Instrument & all Riders:

Signature Block

John M. Smith

John M. Smith, an individual

Andrew Jones

Andrew Jones, an individual

JS INVESTORS, LLC a [] limited liability company

Andrew Jones

By: Andrew Jones

Title: [Authorized Signatory]

Contact your AE for complete details regarding specific documentation, signature and closing requirements.

Eligible Transaction Types

This product is intended to assist Borrowers in financing residential properties solely for commercial purposes, including, but not limited to, for (i) retaining properties as a stabilized rental, and (ii) monetizing the investment for capital gains purposes. Borrower is required to sign a certification at closing that the properties are not (and will not be) occupied by the borrower (or any affiliate of the borrower) and are owned solely for commercial investment purposes.

- Purchase Transactions
- Refinance Transactions Generally
 - o Unless stated otherwise in the following sections, all refinance transactions must meet Continuity of Obligation requirement as described in the Fannie Mae Single Family Selling Guide.
- Rate/Term Refinances
 - o The new loan amount is limited to
 - The payoff of the present first lien mortgage;
 - The payoff of any seasoned non-first lien mortgages: A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for a minimum of 12

	<p>months. A seasoned equity line is defined as not having any draws greater than \$2,000 in the past 12 months. Withdrawal activity must be documented with a transaction history for the Line of Credit.</p> <ul style="list-style-type: none"> ▪ Closing costs and prepaid items. o Cash to the borrower(s) is limited to the lesser of 2% of the principal amount of the new loan or \$2,000. o The property cannot be listed for sale at the time of the date of the loan application. o Inherited properties are eligible. • Cash Out Refinance: <ul style="list-style-type: none"> o Cash proceeds: no limit o Proceeds may be disbursed directly to the Mortgagor or any other payee and may be used to pay related closing costs, financing costs, and prepaid items. o Properties that have been listed for sale within six (6) months of the loan application are not eligible. o Inherited properties are eligible. • Construction to Permanent Financing: Ineligible
<p>Calculation and Maximum Loan to Value Ratios</p>	<ul style="list-style-type: none"> • Purchases Loan to value ratios are calculated based on the lesser of the purchase price or the appraised value of the subject property. • Refinances, Rate & Term and Cash-Out <ul style="list-style-type: none"> o Property owned > 3 months; the LTV is calculated using the appraised value. o Property owned ≤ 3 months; the LTV is calculated using the lesser of the appraised value or the cost basis of the subject property. <p>The maximum LTV as listed in the product matrix is available when all of the units in the subject property are occupied. If any of the units are unoccupied, a 10% reduction to Max LTV is required. Maximum LTV is always subject to vacancy, Loan-to-Cost, and Debt-to-Income requirements.</p>
<p>Cost Basis and Maximum Loan Amount</p>	<ul style="list-style-type: none"> • Maximum Loan Amount <ul style="list-style-type: none"> o For properties owned ≤ 90 days, the Maximum Loan Amount is limited to the lesser of (i) 75% of Cost Basis (defined below) and (ii) as calculated by all other terms of the product matrix o For properties owned 91-180 days, the Maximum Loan Amount is limited to the lesser of (i) 80% of Cost Basis (defined below) and (ii) as calculated by all other terms of the product matrix o For properties owned 181-365 days, the Maximum Loan Amount is limited to the lesser of (i) 90% of Cost Basis (defined below) and (ii) as calculated by all other terms of the product matrix • Cost Basis <ul style="list-style-type: none"> o The “Cost Basis” for the subject property is defined as the original acquisition cost plus verifiable rehabilitation costs. Eligible rehabilitation costs may include both “Soft” and “Hard” costs. Hard costs include direct construction costs (lumber, paint, nails, concrete, etc.). Soft costs are defined as indirect construction costs that include architectural plans, engineering, legal, and permits. Closing costs, contingency reserves, builder overhead, and like costs may not be included in the Cost Basis. <ul style="list-style-type: none"> o Acceptable Verification Documents: Borrower shall be required to provide evidence of their Cost Basis. Documentation shall include but not be limited to: <ul style="list-style-type: none"> ▪ For all properties, in order of priority, (i) HUD-1 statement; (ii) settlement statement; (iii) Purchase contract or (iv) other (e.g. recorded deed) ▪ Renovation or rehabilitation documentation (e.g. contracts, invoice, cancelled check / bank statements) for all properties. <p>Length of ownership shall be measured from the date of the acquisition of the property to the date of the subject loan application.</p>
<p>Non-Arms Length Transactions</p>	<p>Non-arms length transactions involve a personal relationship or business relationship (outside the subject transaction) between the borrower and any interested party to the transaction. These transactions must be fully disclosed as non-arms length. Examples of non-arms length transactions include, but are not limited to:</p> <ul style="list-style-type: none"> • Family sales or transfers • Trading properties with the seller

	<ul style="list-style-type: none"> • Purchasing a property from a builder/developer who, in turn, is purchasing the borrower's existing property • Borrower is related in some manner to a party to the transaction (loan broker, real estate brokers, appraiser, etc.) • Renters buying from a landlord • Employer to employee sales or transfers <p>Generally, non-arms length transactions are not eligible. The following may be considered with appropriate documentation:</p> <ul style="list-style-type: none"> • Family sales or transfers • Borrower is an employee of the originating lender and the lender has an established employee loan program. • Renter buying from landlord, with at least 24 months cancelled checks evidencing satisfactory pay history. • Sellers or Buyers representing themselves as agent in the real estate transaction.
Simultaneous Loan Application Receipt	All loans submitted for the same borrower(s) will be underwritten simultaneously. For multiple submissions, an individual loan will be made for each property.
Secondary or Subordinate Financing/Simultaneous Loans	Secondary or subordinate financing is not permitted.
Interested Party Contributions	Interested parties for the transaction may include the property seller, builder, real estate agent/broker, mortgage lender or their affiliates, or any other party with an interest in the transaction. Interested parties may only contribute funds used for closing costs or for prepaid items. Interested party contributions may not exceed six percent (6%) of the loan amount.
Financing and Sales Concessions	Financing and sales concessions are defined as interested party contributions beyond the stated limits in Interested Party Contributions or any amounts not being used for closing costs or prepaid items. If financing or sales concessions are present, both the appraised value and sales price must be reduced by the concession amount for purposes of calculating the LTV.
Escrow Accounts	Escrows must be established for funds collected by the originator or servicer that are required to be paid under the Security Instrument. These funds include, but not limited to, taxes, insurance (hazard, flood, and mortgage) premiums, special assessments, ground rents, water, sewer, or other government impositions. Lender reserves the right to require taxes for HOA dues at any time during the loan term.
Escrow Holdbacks	Escrow holdbacks are not permitted.
CREDIT	
Credit Report and FICO Requirements	A full residential mortgage credit report (RMCR) or Tri-Merged in-file conforming to Fannie Mae or Freddie Mac requirements must be used. The RMCR or tri-merged in-file must reflect credit history from all 3 repositories. Every submitted credit bureau report must include the full name, address and social security number or ITIN for a Foreign National of each borrower in case of Trust, the Trust beneficiary). If any of this information is inconsistent with that on any document in the file, a new report will be required. Lender will perform a review of all public records including state/federal searches for UCC lien filing, tax liens, litigation, bankruptcies, judgments, criminal records, OFAC/AML and negative news. When title/ownership is held in another entity other than the borrower, the existing ownership entity must be searched.
Age of Credit Report	Credit reports may not be more than 90 days old at time of closing of the mortgage loan. Broker must verify that each account on the credit report with a balance has been checked within 90 days of the date of the credit report.
Representative FICO Score	An individual borrower's representative FICO score is determined by the following: <ul style="list-style-type: none"> • If 2 credit bureau scores are reported, the representative score is the lower score; • If 3 credit bureau scores are reported, the representative score is the middle score. For loan transactions with multiple borrowers, the lowest of all borrowers' representative scores is used.
Minimum Credit Standards	<ul style="list-style-type: none"> • A minimum of 3 trade lines open for at least 24 months is required. <ul style="list-style-type: none"> o At least 2 of the trade lines must show activity within the past 12 months;

	<ul style="list-style-type: none"> o At least 1 trade line must be a mortgage; o Credit history must be established for at least 5 years, and be consistent with the borrower(s) occupation and financial activity; o Borrowers who rent their primary residence must provide satisfactory 24 month rental verification. This can be verified by direct written verification (VOR), canceled checks and/or bank statements. o Private mortgages can be verified by direct written verification (VOM), or private mortgage note and cancelled checks and/or bank statements. • Authorized user accounts and non-traditional credit are not considered as acceptable trade lines. • Fewer than 3 trade lines open for at least 24 months may be considered if: <ul style="list-style-type: none"> o Credit history is established for at least 10 years, and no fewer than 10 trade lines are reported, one of which must be a mortgage; o At least 1 trade line is open and shows activity within the past 12 months.
Adverse Credit History	<p>The following credit standards apply:</p> <ul style="list-style-type: none"> • No mortgage lates in the past 24 months on any mortgage reported on the credit report; or verification of a private mortgage. <ul style="list-style-type: none"> o For borrowers renting their primary residence, the verification of rent must evidence no late payments in the past 24 months. • No bankruptcies or foreclosures, short sales or deed in lieu within the last 3 years. • Modifications due to adverse circumstances are not permitted within the last 3 years. Modifications that are not the result of adverse circumstances are permitted, including: <ul style="list-style-type: none"> o Modification due to a principal pay down with recast may be considered on a case by case basis, o Modification as part of a previous single-close construction-to-permanent financing transaction. • Generally, no public records are permitted within the past 24 months; <ul style="list-style-type: none"> o Public records of di minimis amounts which occurred as isolated events may be permitted. Documentation must be provided describing the cause of the event and the extenuating circumstances that illustrate the borrower’s inability to resolve the problems. Patterns of continuous or repetitive derogatory events are not acceptable. All public records with outstanding debt obligations must be paid off prior to or at closing as noted below: <ul style="list-style-type: none"> ▪ Open judgments, garnishments and all outstanding liens must be paid. ▪ In general, outstanding collections and charge-offs must be paid off. Collections and charge-offs with minor outstanding balances may remain open. • No significant derogatory ratings on any trade line activity within the last 36 months (including installment or revolving accounts)
Landlord Experience	<p>Borrowers who at closing will own greater than four (4) investment properties must demonstrate sufficient landlord experience. Landlord Experience is defined as having experience owning and managing at least two (2) rental properties for at least twenty-four (24) months within the past 3 years. Borrowers who are first time landlords must have a satisfactory 24 month mortgage history or rental verification history.</p>
Debt-to-Income Ratio for Property	<p>For this product, the debt-to-income ratio is only calculated on the subject property. The Debt-to-Income Ratio is calculated for the subject property as follows:</p> $\frac{\text{Monthly Payment (PITIA)}}{\text{Monthly Rental Income}}$ <ul style="list-style-type: none"> • The “Monthly Payment (PITIA)” is equal to the (a) the monthly principal and interest due on the Lender loan and (b) monthly real estate taxes, insurance and HOA dues (if applicable) for the property collateralizing the Lender loan. • The “Monthly Rental Income” is equal to the gross rental income realized from the property. Monthly Rental Income shall be based on the following criteria: <ul style="list-style-type: none"> o For “Occupied” Units or Properties, the Monthly Rental Income should be the lesser of (i) the monthly rental amount reflected on the lease or (ii) the monthly rental market rent documented on the appraisal or other source acceptable to Lender.

	<ul style="list-style-type: none"> o For “Vacant” Units or Properties, the Monthly Rental Income shall be based on the monthly market rent documented on the appraisal or other source acceptable to Lender. o Rental income must be supported by documentation defined in the “Rental Income Documentation” section of this Guide and by the market rent as noted on Form 1007 (1-unit properties) or Form 1025 (2-4 unit properties).
EMPLOYMENT AND INCOME	
Disclosure of Employment and Income	The borrower must disclose their employment information on the application (Form 1003). However, only rental income for the subject property is used in qualifying. Therefore income derived from regular employment, retirement or other investments should not be disclosed. The application should otherwise be completed including the Schedule of Real Estate Owned listing all properties financed by Lender.
Documentation Standards	<p>IRS Form 4506-T/Tax Transcripts</p> <ul style="list-style-type: none"> • A completed, signed, and dated IRS form 4506-T must be completed for all borrowers (whose income is used to qualify for the mortgage) at closing; • The 4506-T must be processed and tax transcripts obtained for each year requested; • Tax transcripts must match documentation in the file; • In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect “No Record Found.” <p>Property Calculator The loan file must include an Property Calculator worksheet demonstrating the Debt-to-Income, Maximum Loan-to-Value and Cost Basis-Maximum Loan calculations</p> <p>Fee Details Worksheet The loan file must include a worksheet that includes a complete itemization of all points and fees supported by a HUD-1 settlement statement.</p>
Rental Income Documentation	<p>Tax Returns The most recent one (1) year Personal Income Tax Returns are required for each borrower, regardless of whether or not the subject property is currently leased or occupied.</p> <ul style="list-style-type: none"> • Personal Income Tax Returns must be: <ul style="list-style-type: none"> o Provided for the most recent one (1) tax year available; o Complete including Schedule E; o Signed and dated. <p>Current Rent Subject Rental Property owned by the borrower(s):</p> <ul style="list-style-type: none"> • Copy of current lease <ul style="list-style-type: none"> o Leases are required to be for an initial term of greater than six (6) months, though such leases may convert to month-to-month tenancies upon expiration. If the initial lease term is less than or equal to six (6) months, the maximum LTV is reduced by 10%. In no case can the initial lease be for a term less than 1 month (no weekly rentals). • 3 months rental payment verification, if verification cannot be provided, the property will be treated as a vacant property and the maximum LTV will be reduced by 10%. <p>Application – Schedule of Real Estate Owned</p> <ul style="list-style-type: none"> • All properties financed by Lender, or in the process of being financed by Lender, must be listed on the 1003 Schedule of Real Estate Owned.
Rental Income Calculation	<p>For properties where all units are occupied, the qualifying rent is the lesser of the monthly rental amount reflected on the lease or the market rent documented on the appraisal.</p> <p>For 2 to 4 unit properties where any unit is unoccupied, qualifying rent may be calculated as follows:</p> <ul style="list-style-type: none"> • The market rent documented on the appraisal for each unoccupied unit. • in the event a lease is provided for future occupancy, the qualifying rent is the lesser of the monthly rental amount reflected on the lease or the market rent documented on the appraisal.
ASSETS	
Documentation Requirements	<ul style="list-style-type: none"> • All borrower funds must be documented with two (2) most recent months’ asset statements or VOD covering a minimum of 60 consecutive days. <ul style="list-style-type: none"> o A written VOD may only be used as supporting documentation and cannot be used in lieu of asset statements.

	<ul style="list-style-type: none"> • All unusual large deposits must be explained and the source must be documented. The borrower's receipt of the funds realized from sale or liquidation when non-liquid assets are used for any part of the down-payment or required cash to close must be verified. • For reserve calculation, the minimum documentation to correctly verify the full PITIA payment should be from one or more of the following sources: current monthly mortgage statement, copies of homeowners' insurance policy; copy of recent tax bill or web search to taxing authority; copy of mortgage note, etc.
Acceptable Assets	<p>The types of assets that can be used for down payment, cash to close and reserves and the value of those funds are as follows, all of which must be verified with documentation:</p> <ul style="list-style-type: none"> • Checking/Savings/Money Market accounts – 100% • Publicly traded stocks, bonds and mutual funds – 70% of value may be used <ul style="list-style-type: none"> o Non-vested or restricted stock accounts are not eligible for use as down payment or reserve • Individual Retirement Accounts (IRAs), SEP or Keogh accounts – 70% of vested value may be used, if the Borrower is not retirement age (59½) an additional 10% withdrawal penalty must be applied(unless confirmed otherwise) for a total discount of 40%. For Borrowers aged ≥ 59½, 100% of retirement assets can be used, except for retirement assets in the form of stocks, bonds, or mutual funds must be discounted 30% to account for market volatility. The additional 10% penalty does not need to be applied. • Annuities – 70% of vested value may be used, if the Borrower is not retirement age (59½) an additional 10% withdrawal penalty must be applied (unless confirmed otherwise) for a total discount of 40%.For Borrowers aged ≥ 59½, 100% of retirement assets can be used, except for retirement assets in the form of stocks, bonds, or mutual funds must be discounted 30% to account for market volatility. The additional 10% penalty does not need to be applied. • 401(K) plans – 70% of the vested amount, after reduction of any outstanding loans. The terms and conditions under which funds may be withdrawn or borrowed must be verified. • Trust Assets – borrower/co-borrower must have full access to consider; Copy of complete trust or trustee letter is required • Business funds may be used for down payment, closing costs and reserves. Cash flow analysis required using 3 months business bank statements to determine no negative impact to business based on withdrawal of funds. <ul style="list-style-type: none"> o Borrower must have access to funds o The borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%) • Sale of Assets – 100% of the net proceeds from the sale of a residence or other personal assets. • Cash Value of Life Insurance – 100% of the cash value. • Borrowed Funds by an Asset - Borrowed funds secured by an asset are an acceptable source of funds for the down payment, closing costs, and reserves, since borrowed funds secured by an asset represent a return of equity. Assets that may be used to secure funds include automobiles, artwork, collectibles, real estate or financial assets such as saving accounts certificates of deposit, stocks, bonds and 401(k) accounts. <ul style="list-style-type: none"> o Reducing the Asset by the Amount Borrowed- If the borrower uses the same financial assets as reserves, the value of the asset must be reduced by the amount of proceeds and related fees for the secured loan. o Documentation Requirements <ul style="list-style-type: none"> o The terms of the secured loan. o Evidence that the party providing the secured loan is not a party to the sale. o Evidence that the funds have been transferred to the borrower. <p>Note: Unless specifically stated otherwise, assets must be documented in accordance with Fannie Mae guidelines. Asset types which are not specifically mentioned above are not permitted including cash out proceeds from the subject property cannot be used for reserves.</p>
Gift Funds	Use of gift funds is not permitted.
Reserves	The amount of reserves required is dependent upon the number of properties financed with Lender. If only one property is financed with Lender, 12 months reserves is required for the subject property If 2 properties are financed with Lender (subsequent or concurrently), 6 months of reserves are required for each property and the calculation is based on the full PITIA (principal, interest, taxes, insurance and homeowners association dues, if applicable) of each individual property. For each additional property

	<p>financed by Lender, an additional 6 months of reserves are required for each property and calculated based upon the full PITIA of each individual property.</p> <ul style="list-style-type: none"> • Borrowers must disclose and lenders must verify all assets. • Unless the borrower is of retirement age, no more than 50% of the total reserve requirement may come from retirement accounts, including 401K, IRA, SEP, and Keogh accounts. For borrowers aged $\geq 59\frac{1}{2}$, 100% of the reserve requirement may come from retirement accounts. In order to be considered effective reserves, the account must be vested and allow withdrawals by the borrower without restrictions other than early withdrawal penalties and applicable taxes. Funds that cannot be withdrawn under circumstances other than the account owner's retirement, employment termination or death cannot be counted as reserves. • All reserves are calculated on the note rate using the full PITIA payment (Principal, Interest, Taxes, Insurance and Assessment(s)).
Eligible Property Types	<ul style="list-style-type: none"> • 1-4 Unit non-owner occupied (investment) properties • Low/Mid/High-Rise condos, Fannie Mae Warrantable <ul style="list-style-type: none"> o Warrantable Types R, S, T <ul style="list-style-type: none"> ▪ PERS: Projects with an unexpired Final Project Approval through Fannie Mae's Project Eligibility Review Service (PERS) are eligible. ▪ CPM: Projects with an unexpired approval using Fannie Mae's Condo Project manager are acceptable in accordance with Fannie Mae guidelines. All supporting documentation must be included in the file. o Limited Review Types P and Q are not eligible for attached condos • Detached (site) condos, Fannie Mae Warrantable <ul style="list-style-type: none"> o Limited Review Types P and Q are eligible for detached condos • Planned Unit Developments (PUDs), Fannie Mae warrantable • Modular homes • Properties with ≤ 2 acres • Log homes, geodesic domes (if common to the area) • Leaseholds (see also Ownership Interest)
Ineligible Property Types	<ul style="list-style-type: none"> • Manufactured or mobile homes • PUDs that do not meet Fannie Mae eligibility criteria • Cooperatives • Condo-hotel units (Condotels) • Timeshares • Unique Properties (except for log homes, geodesic domes) • Properties with values significantly in excess of the predominant value of the subject's market area may be ineligible • Working farm and ranches • Unimproved land and property currently in litigation • Commercial Enterprise (e.g. Bed and Breakfast, Boarding House, Hotel) • Zoning violations including residential properties zoned commercial • Properties with less than 750 Sq. feet of living area. • Mixed use properties • Properties with more than 2 acres • Properties held in a business name (except LLC's). • Properties located in Hawaii Lava Zones 1 & 2 • Properties encumbered by purchase option (i.e. Rent to Buy or Contract for Deed)
Appraisal Requirements	<p>Appraisal Forms</p> <ul style="list-style-type: none"> • 1-Unit Property <ul style="list-style-type: none"> o Form 1004 Uniform Residential Appraisal Report (or Form 1073 for attached Condos) o Form 1007 Single Family Comparable Rent Schedule • 2-4 Unit Property <ul style="list-style-type: none"> o Form 1025 Small Residential Income Property and Appraisal Report <p>Appraisal Standards</p> <p>In addition to the following, please refer to Fannie Mae guidelines for any appraisal topic not covered.</p>

	<ul style="list-style-type: none"> • Fannie Mae forms 1004, 1073, and 1025 (or equivalent Freddie Mac forms) are required. Limited appraisal forms are not permitted. • Appraisals must be dated within 120 days of the Note date. After a 120 day period, a new appraisal is required (re-certification of value is not acceptable). • Appraisals should not include comparables greater than six (6) months old at the time of underwriting review. • Properties with values significantly in excess of the predominant value of the subject property’s market area may be ineligible. • Appraisals must be completed in accordance with Uniform Appraisal Dataset (UAD) requirements. • Lender will consider purchasing Mortgage Loans secured by properties with “unpermitted” structural addition under the following conditions: <ul style="list-style-type: none"> ○ The quality of the work is described in the appraisal and deemed acceptable (“workmanlike quality”) by the appraiser. ○ The addition does not result in a change in the number of units comprising the subject property (e.g., 1-unit property, converted in to a 2- unit property). ○ If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar addition and state the following in the appraisal: <ul style="list-style-type: none"> ▪ Non permitted additions are typical for the market area and a typical buyer would consider the “unpermitted “addition square footage to be part of the overall square footage of the property. ▪ The appraiser has no reason to believe the addition would not pass inspection for a permit. <p>Quality and Condition Ratings</p> <p>The appraiser must assign the standardized Quality and Condition ratings when identifying the quality and condition of the subject property and comparable sales. Lender will only permit transactions on properties with the following ratings:</p> <ul style="list-style-type: none"> • Quality – Q1 to Q5. Properties rated as Q6 are not permitted. ▪ Condition – C1 to C4. Properties rated as C5 or C6 are not permitted.
<p>Properties Subject to Oil, Gas, Water or Mineral Rights</p>	<p>Properties where the title report reflects exceptions for outstanding oil, gas, water or mineral rights are acceptable if commonly granted by private institutional mortgage investors in the area where the Mortgaged property is located, and:</p> <ul style="list-style-type: none"> • The exercise of such rights will not result in damage to the Mortgaged Property or impairment of the use or marketability of the Mortgaged Property for residential purposes and there is no right of surface or subsurface entry within 200 feet of the residential structure, or • There are comprehensive endorsements to the title insurance policy that affirmatively insures the lender against damage or loss due to the exercise of such rights, such as but not limited to: <ul style="list-style-type: none"> ○ Environmental Protection Lien Endorsement, and ○ Restrictions, Encroachments, Minerals Endorsement without any deletions, and ○ Minerals and Surface Damage Endorsement <p>Properties with existing wells (producing or non-producing) or active drilling to exercise any oil, gas or mineral rights may be considered on a case by case basis.</p>
<p>Properties affected by Disasters</p>	<p>When a property is located in an area that has been impacted by a natural disaster, re-inspections and/or certifications from Lender or the Mortgagor may be required to ensure marketability, soundness of the structure and value.</p> <ul style="list-style-type: none"> • This policy is applicable to areas eligible for Individual and/or Public Assistance due to a Federal Emergency Management Agency (“FEMA”) disaster declaration. Announcements and updates regarding the disasters can be found at http://www.fema.gov/disasters. The disaster area policy is effective as of the End Date for the Disaster Incident Period. For example, if the Incident Period is October 26 to November 8, the Effective Date for Disaster Procedures is November 8. • Appraisal performed on or Before End Date for the Incident Period The property must be inspected after the date of the end of the disaster and prior to the Purchase Date and the lender must provide a certification that the inspection was completed and the condition of the property is acceptable. The inspection must:

	<ul style="list-style-type: none"> ○ Be completed on Fannie Mae Form 1004D; ○ Be completed by the original appraiser; ○ Contain an exterior photo of the property, evidencing no damage; and ○ Include a certification from the appraiser stating <ul style="list-style-type: none"> ▪ that an interior inspection was completed by the appraiser, ▪ the date of inspection was after the end of the disaster period, as identified by FEMA, and prior to the Purchase Date, ▪ the property is free from damage and is in no worse condition as when previously inspected and appraised, and ▪ commentary concerning negative conditions that would impact the marketability of the property. ● Appraisal performed After End Date for the Incident Period For a period of time, to be determined by Lender, new appraisals for properties located in the disaster area will require the appraiser to provide a written certification indicating: <ul style="list-style-type: none"> ○ The property is free from damage and the disaster had no impact on value or marketability; ○ If the appraisal indicates damage, the extent of the damage must be addressed. Completion of repairs must be evidenced by Form 1004D, Appraisal Update and/or Completion report, and include interior and exterior photos. ○ The appraisal must include a minimum of three comparable sales, post-disaster.
State Restrictions	Loans secured by properties in the following states/territories are ineligible: <ul style="list-style-type: none"> ● Puerto Rico ● US Territories, including Guam and Virgin Islands ● Certain restrictions may apply to specific US States. Contact your AE for complete details.

Condominium & PUD Projects

Lender will purchase loans secured by property located in Condominium or Planned Unit Development (PUD) projects, provided the project meets Fannie Mae’s warrantability requirements described in their Single Family Seller Guide. A Lender Full Review is required for all attached Condominium projects.

Lender may use the applicable project questionnaire or use another version, provided the alternative version used includes substantially similar information. All loans secured by Condos or PUDs must include the Certification of Project Eligibility. This Certification must be completed by the Seller certifying under which review type and agency guidelines the project was reviewed and qualified. At a minimum, the following documentation must be provided verifying full compliance with Fannie Mae warrantability requirements, including insurance, for the particular project type:

Project	Minimum Documentation Requirements
Detached PUDs	<ul style="list-style-type: none"> ● Form 1004, and ● Certification of Project Eligibility, and ● Documentation verifying insurance coverage in accordance with Fannie Mae guidelines
Attached PUDs	<ul style="list-style-type: none"> ● Form 1004, and ● Certification of Project Eligibility, and ● HOA/Project Questionnaire, and ● Documentation verifying insurance coverage in accordance with Fannie Mae guidelines for the: <ul style="list-style-type: none"> ○ Subject unit, and ○ Project (if applicable)
Condominium	<ul style="list-style-type: none"> ● Form 1073 or Form 1004 (detached condos only), and ● Certification of Project Eligibility, and ● HOA Questionnaire, and ● Project’s Budget (if applicable), and ● Project’s Legal Documents (if applicable), and ● Documentation verifying insurance coverage in accordance with Fannie Mae guidelines for the: <ul style="list-style-type: none"> ○ Subject unit, and ○ Project
Restrictions	Lender maximum exposure is limited to 20% of the units in a project. For projects with ≤ 4 units, Lender limits it’s exposure to no more than one (1) of those units.

Refer to the Fannie Mae Single Family Selling Guide for complete requirements on Condominiums and PUDs.

Non-Warrantable Condos

Lender will purchase loans secured by property located in condominium projects that are not warrantable to Fannie Mae under specific expanded project criteria. Non-warrantable condominiums must meet the Expanded Lender Criteria and all Standard Fannie Mae Criteria referenced below:

Expanded L Criteria

Commercial Space	≤ 40% of project total space
Single Entity Ownership	≤ 20% of total units in project
Investor Concentration Subject Property: Non-owner Occupied • Established Projects • New Projects (Presale)	<ul style="list-style-type: none"> • ≤ 65% of total units can be Non-owner Occupied • ≤ 65% of total units sold or under bona fide contract can be Non-owner Occupied
Minimum # units sold or under contract (New Projects)	At least 25% of units in the project must be under bona fide contract. There is no minimum on the number of units closed & funded in the project.

Standard Fannie Mae Criteria

New & Established Projects	Follow Fannie Mae's definition of New Projects and Established Projects
Delinquent on HOA dues	≤ 15% of total units are ≥ 60 days delinquent
Insurance	Follow Fannie Mae condo insurance requirements for: <ul style="list-style-type: none"> • Hazard – HOA's blanket/master policy • HO-6 – if interior of unit is not covered by HOA's master/blanket policy • Liability – HOA's commercial general liability policy • Fidelity – if applicable • Flood – if applicable
Litigation	No pending litigation (If litigation does not affect safety, soundness or structural integrity of the property, will consider case by case)
Budget Review	The HOA's projected budget must be adequate, provide for the funding of replacement reserves for capital expenditures and deferred maintenance (at least 10% of the budget). A reserve study may be used in accordance with Fannie Mae guidelines.
Legal Review New Projects Only (as defined by Fannie Mae)	In addition to representing and warranting that the condo project has been created and exists in full compliance with the state law requirements of the jurisdiction where the condo project is located and all other applicable laws and regulations, Brokers also must represent and warrant as follows with respect to the project's legal documents: <ul style="list-style-type: none"> • Limitations on Ability to Sell/Right of First Refusal • Rights of Condo Mortgagees and Guarantors • First Mortgagee's Rights Confirmed • Amendments to Documents
Ineligible Projects	With the exception of the items listed under the Lender Expanded Criteria, all non-warrantable condominium projects must not be considered ineligible under Fannie Mae B4-2.1-02 Ineligible Projects.

Non-warrantable condominium projects require a Lender Full Review; Limited Reviews are not permitted. All loans secured by non-warrantable condominiums must include the Non-warrantable Certification of Project Eligibility. This Certification must be completed by the Broker certifying under which review type and agency guidelines the project was reviewed and qualified. At a minimum, the following documentation must be provided:

Project	Minimum Documentation Requirements
Condominium	<ul style="list-style-type: none"> • Form 1073 or Form 1004 (detached condos only), and • Non-warrantable Certification of Project Eligibility, and • HOA Questionnaire, and • Project’s Budget (if applicable), and • Project’s Legal Documents (if applicable), and • Documentation verifying insurance coverage in accordance with Fannie Mae guidelines for the: <ul style="list-style-type: none"> o Subject unit, and o Project

Restrictions:

Lender maximum exposure is limited to 20% of the units in a project. For projects with ≤ 4 units, Lender limits it’s exposure to no more than one (1) of those units.

Refer to the Fannie Mae Single Family Selling Guide for complete requirements on condominiums.

Rent Loss Insurance	Loss of rents insurance (A) with loss payable to Lender; (B) covering all risks required by Lender; (C) equal to 100% of the projected net operating income plus fixed expenses from the applicable Individual Property (actual loss sustained basis) continuing until completion of restoration (the required amount of loss of rents insurance will be reviewed at least annually, and may be changed by Lender); and (D) containing an extended period of indemnity endorsement for the loss of income until the first to occur of the return of that income to the level prior to the loss, or six months after the date the applicable Individual Property is repaired or replaced and operations resumed (including if the Policy expires prior to the end of that period).
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Effective: 10/02/2015 (This information is subject to change without notice. Please contact your account manager for current information)