SmartCondo Product Profile

Program Matrix

NPF SmartCondo Non-Warrantable Condo								
Primary Residence								
Transaction Type	**Units**	**FICO**	**Maximum LTV/CLTV**	**Maximum Loan Amount[2, 3]**	**Max DTI**	**Housing History**	**Reserves**	**Max Cash-Out**
Purchase or Rate & Term Refinance	1	720	90%	$1,500,000	45%	0x30x12	12 Months	N/A
		700	90%	$1,000,000			9 Months	
		720	85%	$2,500,000			12 Months	
		680	80%	$2,000,000			9 Months	
		660	80%	$1,000,000			6 Months	
Cash Out Refinance[4]	1	720	80%	$1,500,000			9 Months	$ 500,000
		680	75%	$1,000,000			6 Months	$ 500,000
		660	70%	$1,000,000				$ 250,000
Second Home								
Purchase or Rate & Term Refinance	1	720	85%	$2,000,000	45%	0x30x12	12 Months	N/A
		700	80%	$1,500,000			9 Months	
		680	75%	$1,000,000			6 Months	
		660	70%	$1,000,000				
Cash Out Refinance[4]	1	720	75%	$1,500,000			9 Months	$ 500,000
		680	70%	$1,000,000				$ 500,000
		660	65%	$1,000,000				$ 250,000
Investment Home								
Purchase or Rate & Term Refinance	1	720	75%	$1,500,000	45%	0x30x12	12 Months	N/A
		700	70%	$1,000,000				
		680	65%	$1,000,000				
Cash Out Refinance[4]	1	680	65%	$1,000,000			18 Months	$ 250,000

2 Maximum loan amount for FTHB is $1,500,000

3 Minimum loan amount $150,000

Section 1: Program Summary	
1.1 Program Summary	
Program Summary	The SmartCondo Product is designed for strong credit quality borrowers seeking flexible financing options for condominium properties that do not meet agency guidelines.
1.2 Underwriting	
Underwriting	All loans will be manually underwritten but are also required to be run through DU/LPA. Loans scoring Approve/Ineligible, Approve/Eligible or Accept are only eligible if the loan does not meet agency requirements for reasons that DU/LPA are unable to recognize in the score determination. The AUS decision is used from an informational standpoint and not for documentation. Loan must also be run through Loan Scorecard.
1.3 Required Documentation	
Required Documentation	• Notice to Borrower: Ability to Repay Disclosure (Signed by Borrower) • Ability to Repay (ATR) Certification (Completed by Underwriter) • Borrower's Affirmation of Information Provided to Establish Ability to Repay (ATR) (Signed by Borrower)
1.4 Ability to Repay and Qualified Mortgage Rule	
Ability to Repay and Qualified Mortgage Rule	No mortgage loan may be originated under New Penn's Portfolio Programs unless the loan satisfies the "Ability to Repay" provisions dictated by the CFPB in 12 CFR Part 1026.43 (also known as the "Qualified Mortgage Rule"). For each loan, New Penn must make a reasonable and good faith determination, based on verified and documented information, that the borrower has a reasonable ability to repay the loan according to its terms. Generally, New Penn will evaluate, at a minimum, the following eight factors in making this determination: (1) current or reasonably expected income or assets; (2) current employment status; (3) the monthly payment on the covered transaction; (4) the monthly payment on any simultaneous loan; (5) the monthly payment for mortgage-related obligations; (6) current debt obligations, alimony, and child support; (7) the monthly debt-to-income ratio or residual income; and (8) credit history. For any loan that is designated as a (i) "Non-Qualified Mortgage Loan" or a (ii) "Qualified Mortgage Loan" having a rebuttable presumption of compliance with the "Ability to Repay" requirement under the Qualified Mortgage Rule, New Penn's underwriting determination must show that the borrower has sufficient residual income or assets to meet living expenses after taking into account the borrower's income and debt obligations.
1.5 Points and Fees	
Points and Fees	• The maximum allowable points and fees threshold is 5% unless otherwise restricted by applicable state law. • Fees included in the test are the same fees required to be included the QM points and fees test.
Section 2: Eligibility	
2.1 Minimum Loan Amount	
Minimum Loan Amount	• Minimum loan amount is $150,000. • Minimum loan amount for properties located in NY and CT is $1 above conforming and high-balance limits for primary residence transactions.
2.2 Eligible Terms and Programs	
Eligible Terms and Programs	SmartCondo 30 Yr. Fixed SmartCondo 10/1 ARM SmartCondo 5/1 ARM SmartCondo 7/1 ARM SmartCondo 30 Yr. Fixed IO SmartCondo 10/1 ARM IO SmartCondo 5/1 ARM IO SmartCondo 7/1 ARM IO

2.3 ARM Features		
ARM Features	Interest Rate Adjustment Caps	5/1 ARM: **2-2-5** 7/1 & 10/1 ARM: **5-2-5**
	Margin	3.75%
	Index	1-Year LIBOR
	Index Establish Date	45 days prior to the change date
	Interest Rate Floor	Initial Note Rate
	Conversion Option	Not permitted
	Assumption	Not permitted
	Negative Amortization	Not permitted
	Interest Only Option	10 Year IO, 20 Year Amortization

2.4 Convertible	
Convertible	Loans are not convertible
2.5 Eligible Transactions	
Eligible Transactions	• Purchase • Rate & Term Refinance • Cash-out Refinance
2.6 Interest Only	
Interest Only	• 10 year Interest Only Period • 20 year amortization period • Eligible on 30 Yr. Fixed, 5/1, 7/1 and 10/1 ARMs only
2.7 Purchases	
Purchases	A purchase money transaction is one in which the proceeds are used to finance the acquisition of a property or to finance the acquisition and rehabilitation of a property. In order to determine eligibility, the following requirements must be satisfied: • A copy of the fully executed purchase contract and all attachments or addenda is required • Proceeds from the transaction cannot be used to give the borrower cash back other than an amount representing reimbursement for the borrower's earnest money deposit, overpayment of a fee, or a legitimate pro-rated real estate tax credit when real estate taxes are paid in arrears • A Certificate of Occupancy from the applicable government authority must be retained in the file, unless a Certificate of Occupancy is not required by a local government. In this case, an Appraisal Update and/or Completion Report (442) must be obtained. One of these items is required on all new construction, regardless of whether the transaction is a construction-to-permanent loan • Refer to Property Flips/Rapid Appreciation for additional requirements
2.8 Refinances (General)	
Refinances (General)	• Borrower(s) must meet the Continuity of Obligation • All refinance transactions must pass the NPF Net Tangible Benefit Test. • Short pay-offs (short refinances) where a new loan is originated resulting in a forgiveness of a portion of principal and/or interest on the first or second mortgage are not permitted. • The refinance of a previously modified mortgage is not permitted unless the borrower is 0X30 on all mortgages for the past 12 months. The modification must be complete on the subject loan prior to loan application. A modified mortgage is defined as a mortgage loan that makes a permanent change in one or more terms of a Borrowers' loan resulting in a change to the loan's monthly payment, interest rate, term, or outstanding principal. (A reduction of a credit line due to value depreciation isnot be considered a modification) • Refer to Property Flips/Rapid Appreciation for additional requirements
2.9 Rate & Term Refinances	
Rate & Term Refinances	Rate-Term Refinances consist of the following transaction types: • Pay off of the current mortgage (and any purchase money seconds) to include principal balance plus accrued interest, and any required prepayment penalty, only. (Other costs

	such as late fees and past-due amounts are considered cash back and render the transaction a cash-out refinance if they exceed incidental cash-back limits below) • Pay off of a non-purchase money subordinate lien is permissible provided the subordinate lien is seasoned at least 12 months. If the non-purchase money lien is a home equity line of credit it must have zero draws within the past 12 months • Refinances where the borrower receives incidental cash-back (amounts limited to the lesser of 2% of the loan amount or $2,000) • A co-owner is completing an equity buy-out due to a divorce and all of the following criteria are met: o The property was jointly owned by all parties for at least the 12 months preceding the date of the mortgage application. o The property must be the primary residence. o A written agreement signed by all parties is required stating: ▪ the terms of the property transfer, and ▪ the disposition of the proceeds from the refinance o The borrower who retains sole ownership of the property may not receive any cash proceeds from the refinance. • Standard loan fees (e.g., closing costs on the new mortgage; prepaid finance charges, such as interest, taxes, insurance, etc; and points) may be included in the refinance transaction. • The current appraised value is used to calculate the LTV regardless of length of time the borrower has owned the subject property. See Rapid Appreciation for additional information. Note: For refinances in Texas, a copy of the current mortgage or note is required to determine the previous terms are not subject to Texas Section 50(a)(6). Refer to section 2.11 Texas 50 (a)(6) Refinances for requirements.
2.10 Cash-out Refinances (including Debt Consolidation)	
Cash-out Refinances	The amount of a Cash-Out Refinance may include the present first mortgage loan payoff, subordinate liens (if applicable), closing costs and additional cash in hand to the Borrower. Payoff of draws taken in the past 12 months on a HELOC are counted in the cash in the maximum cash in hand amount. Requirements: • There is no ownership seasoning on a cash-out refinance subject to the following: o At least one borrower must be from the original purchase transaction of the property. o If a borrower(s) is on title without an individual(s) from the original purchase transaction 6 months seasoning is required (seasoning is determined from the date added to title to the application date) • The appraised value is utilized to determine the loan to value • Maximum cash in hand and debt consolidation combined may not exceed amounts outlined in the eligibility matrix of this profile. • Cash-back proceeds may be used to pay existing debts; all revolving debt must be paid off in order to be excluded from qualifying ratios • Cash in hand from a cash-out refinance is not permitted to be used to satisfy reserve requirements • Refer to Property Flips/Rapid Appreciation for additional requirements
2.11 Texas 50(a)(6) Program Summary	
Texas 50(a)(6) Program Summary	This Program Guide serves as a comprehensive summary of New Penn Financials SmartCondo Credit TX 50(a)(6) requirements and allowances. All TX 50(a)(6) loans must comply with the laws of Texas and the requirements described in this section. All other parameters of the SmartCondo product profile must be met in addition to the specific Texas 50(a)(6) requirements outlined in this section

Texas 50(a)(6) Special Considerations	
Texas 50(a)(6) Special Considerations	A Texas (a)(6) loan may not close until: • Twelve days after the borrower submits the loan application or all borrowers sign the 12-day notice, whichever is later. • One day after the borrowers receives a copy of the Settlement Statement and Closing Disclosure. • After the one-year anniversary of the closing of an existing Texas (a)(6) loan.
Texas 50(a)(6) Fee Caps	
Texas 50(a)(6) Fee Caps	• A 2% Fee cap exists on all Texas (a)(6) loans. The following provides guidance on fees that are and are not included in the 2% cap: **<u>Examples of Borrower Paid Fees Included</u>** Administrative Fee Appraisal performed by third party appraiser Appraisal NOT performed by third party appraiser Appraisal Management Fee Assignments Fee Brokerage Fee Certification that HOA Maintenance Fee is Current Closing Fee Commitment Fee Courier Fees Credit Life (if required by Lender) Credit Report Deed Restrictions Document Preparation Escrow Fee Escrow Waiver Flood Certification HOA Transfer Fee Mortgage Insurance Origination Fee Pest Inspection Processing Fee Property Tax Certification Property Tax Service Fee Recording Fees Survey NOT performed by state licensed or registered surveyor Underwriting Fee Warehouse Fee **<u>Examples of Borrower Paid Fees Not Included</u>** Authorized Premiums for Endorsements to Mortgagee Title Insurance Policy Base Premium for Mortgagee Title Insurance Policy Discount Points (If legitimate and bona fide) Flood Insurance Hazard Insurance HOA Maintenance Fees Late Charges Per Diem Interest Post Default Attorney Fees Property Tax Survey performed by state licensed or registered surveyor Title Examination Report if cost is less than Base Premium for Mortgagee Title Insurance Policy (if no title insurance policy is being issued)
Texas 50(a)(6) Attorney Review	
Texas 50(a)(6) Attorney Review	All Texas 50(a)(6) loans must be reviewed and certified by an NPF approved TX Attorney prior to loan closing. NPF's approved firms include: • Black, Mann and Graham • Peirson Patterson
Texas 50(a)(6) Ineligible Transactions	
Texas 50(a)(6) Ineligible Transactions	• Investment Properties • Second Homes • Interest Only transactions
Texas 50(a)(6) Max LTV	
Texas 50(a)(6) Max LTV	Unless otherwise limited by the SmartCondo Product Profile the LTV/CLTV cannot exceed 80%
Texas 50(a)(6) Seasoning	
Texas 50(a)(6) Seasoning	If an existing Texas 50(a)(6) first or second mortgage will be paid off, the lender must verify that 12 months have passed since the closing date of the existing TX 50(a)(6) loan being paid off before the new lien is secured. TX only permits one equity loan at a time and only one within a 12-month period
Texas 50(a)(6) Subordinate Financing	
Texas 50(a)(6) Subordinate Financing	New subordinate financing is not permitted on a first lien TX (a)(6). Existing subordinate liens on the real estate that are not paid off with the new 50(a)(6) loan are permitted provided that: the subordinated 2nd mortgages cannot already be a 50(a)(6) loan (verification is required-the title company must obtain a copy of the security instrument) and the subordinated 2nd mortgage must meet the 80% CLTV requirement. HELOCs are not eligible for subordinate financing. A copy of the subordinating Note, Mortgage/Deed and Subordination Agreement is required.

Texas 50(a)(6) Power of Attorney	
Texas 50(a)(6) Power of Attorney	Not permitted
Texas 50(a)(6) Living Trust (Inter Vivos Revocable Trust)	
Texas 50(a)(6) Living Trust	A living trust is an eligible mortgage borrower if it meets the following requirements as well as State requirements. All trusts must be approved by NPF legal prior to Loan Approval. To determine whether or not the Trust meets all the criteria required by State and investor standards, one of the following will be required: • A copy of the trust document must be included in the file • Trust must meet "qualifying trust" under Texas law for purposes of owning residential property that qualifies for the homestead exemption
Texas 50(a)(6) Property	
Texas 50(a)(6) Property	• Urban Homesteads – maximum 10 acres per Article XVI, Section 50(a)(6) of the Texas Constitution (no exceptions) **Deed Restricted Properties:** All deed restricted properties must be reviewed and approved by legal prior to loan approval and must adhere to FNMA requirements (B5-5.2) and Texas State Law
Texas 50(a)(6) Appraisals	
Texas 50(a)(6) Appraisals	All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR) through a New Penn approved Appraisal Management Company. • A full 1004/appraisal is required on all Texas 50(a)(6) transactions • Appraisal must be completed by a Certified appraiser from an NPF approved AMC • Copy of the appraiser's licensee must be included in all funded loan files • The re-use of an appraisal is not permitted
2.12 Continuity of Obligation	
Continuity of Obligation	Continuity of obligation is met when any one of the following exists: • At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced. • The borrower has been on title and residing in the property for at least 6 months and has either paid the mortgage for the last 6 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor. • The loan being refinanced and the title to the property are in the name of a natural person or a limited liability company (LLC) as long as the borrower was a member of the LLC prior to transfer. Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement. • The borrower has recently inherited, or was legally awarded, the property (divorce, separation, or dissolution of a domestic partnership). • The borrower(s) are eligible for Delayed Financing
2.13 Inherited Property / Properties Awarded via Legal Documentation	
Inherited Property and Properties Awarded via Legal Documentation	Inherited properties are permitted provided the borrower has recently inherited, or was legally awarded the property through a divorce, separation, or dissolution of a domestic partnership. Appropriate legal documentation is to be provided to support the inheritance. If the subject property was inherited less than 6 months prior to loan application, the transaction is deemed a rate and term refinance and is subject to the following requirements: • Proceeds must be used to buy-out the documented equity interest of others. Equity owners must be paid at settlement. • The subject property must have cleared probate and the property must be owned in the Borrower's name. • Current appraised value is used for LTV/CLTV/HCLTV determination. In order to complete a cash-out transaction following standard program guidelines, the borrower must have a 6-month minimum ownership at the time of loan application.

2.14 Delayed Financing	
Delayed Financing	Permitted with the following restrictions: • No longer than 6 months has elapsed since the original cash acquisition of the property; measured from the loan application date • Must be underwritten as a rate & term refinance; a price adjustment will apply • The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV/CLTV/HCLTV ratios for a rate and term refinance based on the lesser of the purchase price or the current appraised value) • Property must have been purchased using the borrower(s) own funds • Settlement Statement/Closing Disclosure from the original purchase and documentation to show the down payment and closing costs used for the purchase were from the borrower's own funds (no borrowed, gift or shared funds)
2.15 Subordinate Financing	
Subordinate Financing	The following requirements apply to the terms of the subordinate financing: • Maximum CLTV/HCLTV does not exceed the maximum LTV permitted by the program matrix • The subordinate financing must be recorded and clearly subordinate to the new mortgage; title must indicate the lien is in second position • If there is an outstanding balance at the time of closing, the payment on the subordinate financing must be included in the calculation of the borrower's debt to income ratio. • Subordinate financing must be reviewed to ensure that there are no terms that restrict prepayment. Terms that restrict prepayment are not permitted as acceptable subordinate financing. Terms that require payment of certain closing costs that were waived upon origination of the subordinate lien loan are not considered a restriction of prepayment. • Subordinate financing must have regular monthly payments and be at a market interest rate • The source of the subordinate financing is not a natural person except when the natural person is the seller of the subject property. ○ Seller provided subordinate financing is only permitted on arm's length transactions and in accordance with Fannie Mae guidelines • Negative amortization is not allowed. The scheduled payments must be sufficient to cover at least the interest due. **If the debt is a home equity line of credit:** • The CLTV/HCLTV ratio is calculated by adding the full amount of the HELOC (the credit limit) to the first mortgage amount, plus any other subordinate financing, and dividing that sum by the lesser of the sales price or appraised value of the mortgaged premises. • The terms of a HELOC may not provide for a balloon or call option within the first five years after the note date of the new first mortgage **If the second is a closed end subordinate lien:** • Maturity date or amortization basis of the junior lien must not be less than five years after the note date of the first lien mortgage, unless the junior lien is fully amortizing • The loan cannot have a balloon or call option within five years of the date of the note **In all instances, the following items are required:** • A copy of the subordinate note or direct verification from the lien holder verifying all items detailed above must be obtained. • A copy of the unsigned subordination agreement prior to closing. • A copy of the executed subordination agreement at closing.

2.16 Land Contracts (Installment Land Contract or Contract/Bond for Deed)	
Land Contracts	Not permitted
2.17 Construction to Permanent Financing	
Construction to Permanent Financing	• Construction to permanent financing is considered the pay-off of interim construction financing for a newly built property into permanent financing. In all cases, a new note and mortgage for the refinance of the interim construction financing must be created and the mortgage recorded. Single- close construction-to-perm financing is not available therefore modifications of existing construction loans are not permitted • All transactions will be treated as Rate and Term Refinances • Borrower must have legal title to the land prior to application and be named as the borrower on the construction financing • LTV/CLTV/HCLTV will be based on the as-completed appraised value regardless of the length of time the borrower has owned the lot • Underwriting reserves the right to ask for additional documentation for use in the completion of the cost analysis when warranted • A Certificate of Occupancy from the applicable government authority must be retained in the file, unless a Certificate of Occupancy is not required by a local government. In this case, an Appraisal Update and/or Completion Report (442) must be obtained.
2.18 Maximum # of Financed Properties	
Maximum # of Financed Properties	Borrower(s) may own no more than ten (10) financed properties including the subject property. The borrower may own additional real estate if it is owned free and clear. The following property types are not subject to these limitations, even if the borrower is personally obligated on a mortgage on the property: • commercial real estate, • multifamily property consisting of more than four units, • ownership in a timeshare, • ownership of a vacant lot (residential or commercial), or • ownership of a manufactured home on a leasehold estate not titled as real property (chattel lien on the home). Loan files must include full PITIA (principal, interest, taxes, insurance, applicable association dues and/or assessments) for all REO listed on the 1003. Refer to Cash Reserves for additional requirements.
2.19 Multiple Mortgages to the Same Borrower	
Multiple Mortgages to the Same Borrower	• Borrowers limited to eight (8) loans with New Penn Financial not to exceed $2,000,000. • If borrower only has one (1) loan with New Penn Financial, including the subject property, that loan may exceed $2 million (up to the guideline maximum herein). • Borrower may have financing with New Penn Financial on a maximum of 10% of the properties in a PUD or condominium project. ○ For projects ≤ 10 total units, financing on a maximum of 1 unit is allowed • New Penn Financial financing is limited to a maximum concentration of 20% in any Florida condominium project and 25% in any other state. This limitation is per project and not per borrower.
2.20 Ineligible Transactions	
Ineligible Transactions	Unacceptable loan types include but are not limited to the following, provided, however, that in the event that any of these limitations would violate the requirements of the Equal Credit Opportunity Act or the Fair Housing Act, the provisions of those laws and implementing regulations are controlling: • Any loan that meets an agency, state or a federal definition of a high cost loan • Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction. • Bridge loans • Cross-collateralization or Blanket loans, covering multiple properties

	• Deed-Restricted Properties • Flip transactions (multiple private transfer in the last 12 months; see Property Flips/Rapid Appreciation for more details) • Foreclosure bailouts of any kind. (An arms-length purchase of a short sale is not deemed a foreclosure bailout.) • Land trusts in the state of Illinois • Leaseholds secured by Indian/Tribal lands • Lease-Purchase Options • Loans to fund escrows for work completion except as provided in this guide • Loans to officers / owners of New Penn Financial's approved mortgage brokers, correspondents. • Loans with any fraudulent activities including but not limited to straw borrowers, straw buyers, builder/seller bailout plans, multiple property payment skimming, which typically involves investors who purchase investment properties with seller carry back financing and collect rents but do not make the mortgage loan payments. • Model Home Lease-Backs • Mortgage Credit Certificates (MCC) • Refinancing of a subsidized loan, including loans subsidized by Habitat for Humanity, U.S. Department of Agriculture, FHA with a recapture or any city/county grant. • Reverse 1031 Exchanges • Temporary Buydowns
Section 3: Borrower Eligibility	
3.1 Occupancy	

Occupancy	Eligible occupancy types include:
	• Primary residences for 1-unit properties
	• Second Homes – 1 Unit only
	  ○ must be available for the borrower's exclusive use, no rental or time-sharing arrangements
	  ○ Must be suitable for year round use
	  ○ Must be located in a recognized vacation area typical for second home properties (e.g., beach, ski, golf, resort)
	  ○ Must be a reasonable distance from borrower's current owner-occupied property
	• Investment or Non-Owner Occupied – 1-Units

3.2 Borrower Eligibility	

Borrower Eligibility	• Borrowers must be either
	  ○ U.S. Citizens or
	  ○ Lawful permanent or non-permanent residents of the United States – refer to section 3.3 Non-U.S. Citizen Borrowers
	• All borrowers must have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located. There is no maximum age limit for a borrower.
	• No more than 4 borrowers may be party to any transaction.
	• First Time Home Buyers are eligible- Refer to section 3.4 First Time Homebuyers

3.3 Non-US Citizen Borrowers	
Non-US Citizen Borrowers	New Penn originates or purchases mortgages made to non–U.S. citizens who are lawful permanent or non-permanent residents of the United States that meet the following requirements: • Permanent Resident Aliens; provide evidence of lawful residency and must meet all the same standards as U.S. citizens. ○ A copy of the borrower's identification is required to verify review of the acceptable documentation that evidences borrower is eligible to lawfully reside in the U.S.

	○ Valid Green card, evidence of continuous status for at least 12 months and 12 month remaining status. ○ Borrower must be employed in U.S. for the last 24 months or have acceptable education documentation (e.g., college transcripts) combined with employment to total at least 24 months • Non-Permanent Resident Aliens must meet the following requirements ○ Must have an unexpired passport from their country of citizenship containing INS form I-94 which must be stamped Employment Authorized ○ An Employment Authorization Card along with a copy of the Petition for Non-Immigrant Worker (formI-140) in file ○ The borrower(s) must have a minimum of 5 years residency, with the likelihood of employment continuance for at least 3 years ○ Owner Occupied only ○ Only H1B and H2B Visas are accepted ○ Visa must have a minimum remaining duration of 2 years with a letter of intent from the employer to renew ○ Borrower must have a 5 year history in the same line of work ○ Borrowers with diplomatic immunity are ineligible ○ Borrowers with Deferred Action for Childhood (DACA) approval are not eligible • Foreign Nationals are not eligible
3.4 First Time Homebuyers	
First Time Homebuyers	A First Time Homebuyer (FTHB) is defined as a borrower who had no ownership interest (sole or joint) in a residential property during the three-year period prior to loan application. Only one borrower must meet the homeownership requirements to meet standard guidelines and not be considered a first time homebuyer loan. The following requirements must be met for FTHB: • First Time Homebuyers must have a 0x30 cumulative housing history covering the most recent 12 months unless they have lived rent free. • Primary residence only • Maximum loan amount of $1,500,000
3.5 Power of Attorney	
Power of Attorney	The use of a Power of Attorney must be approved by New Penn's Underwriting and Legal teams. A power of attorney is only permitted to be utilized for Purchase and Rate-Term Refinances. **A Power of Attorney is not eligible for a cash-out transaction**. Generally, a Power of Attorney may be used for closing in the following scenarios: • **Incapacitated Borrower** - the borrower is incapacitated and therefore unable to sign documents due to disability, legal incapability, or he/she lacks the physical ability; ○ Incapacitated borrowers must occupy the property as their primary residence; the underwriter must validate occupancy and review for red flags within the loan file; ○ Example: verify the signer of the POA is not acting as a straw buyer or purchasing an investment property utilizing the incapacitated borrower's credit. • **Military Personnel** - the borrower is currently deployed or stationed overseas and is unable to sign documents or attend closing; • **Hardship Circumstance** - the borrower is unable to attend closing because he/she is out of the state or country for an extended period of time, bedridden, in the hospital with a serious illness, or the borrower is incarcerated. ○ POA will not be permitted for borrowers that are on vacation • **Government Contractor** – the borrower is employed by the government and currently working overseas ○ A letter from the borrower's employer is required to verify overseas travel • **Business Reasons–** permitted on Purchase and Rate/Term Refinance transactions when the co-borrower/spouse has Power of Attorney for the unavailable borrower

	There are 2 acceptable types of power of attorney. The following persons may sign security instruments on a borrower's behalf:
	• **Specific -** this type of POA is specific to the mortgage transaction; therefore the POA must specify the legal description, property address, and transaction type within the body of the document. It must be recorded at closing;
	• **General Military** - this type of POA is generally used in situations where a borrower or his/her spouse may be deployed or is on active duty.
	
	All loan files wishing to utilize a power of attorney must meet the following requirements:
	• POA's may only be used to execute the final loan documents
	  ○ The Borrower who executed the POA signed the initial Form 1003
	• A Letter of Explanation from the borrower advising why the loan is closing with a POA
	• Completed and Signed POA Form
	• The following persons are not permitted to sign as a Power of Attorney:
	  ○ The lender
	  ○ Any affiliate of the lender;
	  ○ Any employee of the lender or any other affiliate of the lender;
	  ○ The loan originator;
	  ○ The employer of the loan originator;
	  ○ Any employee of the employer of the loan originator;
	  ○ The title insurance company providing the title insurance policy or any affiliate of such title insurance company (including, but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate; or
	  ○ Any real estate agent that has a financial interest in the transaction or any person affiliated with such real estate agent.

3.6 Trusts	

Trusts	Living Trust / Inter Vivos Revocable Trust Only
	• All trust requests must be approved in writing by the NPF Compliance Group with the following documentation;
	  ○ Title Commitment
	    ▪ The title insurance policy may not list any exceptions with respect to the trustee(s) holding title to the security property or to the trust.
	    ▪ Title to the security property is vested solely in the trustee(s) of the inter vivos revocable trust, jointly in the trustee(s) of the inter vivos revocable trust and in the name(s) of the individual borrower(s), or in the trustee(s) of more than one inter vivos revocable trust
	  ○ Any Existing Trust Certification
	  ○ Entire Trust Agreement (The trust must be signed, notarized, and dated by all applicable parties)
	  ○ All Amendments to the Trust
	  ○ Death Certificates , if applicable
	  ○ Divorce Decrees, Marriage Certificates and Proof of name change, etc.
	• Prior to submission, confirm the trust meets the following requirements:
	  ○ The borrower or borrowers must be creator(s) of the trust. The creators of the trust are usually called the Grantor, Settlor or Trustor
	  ○ The borrower(s) must be the trustee(s) of the trust (or there must be an approved institutional trustee)
	  ○ The trust must be revocable
	  ○ The borrower(s) must be the primary beneficiaries of the trust
	  ○ The trustee(s) must have the authority to borrow money and pledge the trust property as security
	  ○ The trust must have been created during the lifetime of the borrower(s); it may not have been created by a will

	• In the event NPF Compliance Group feels the trust documentation provided is ambiguous or has concerns interpreting the documentation, an Attorney Opinion Letter from the borrower's attorney will be required • In the event a trust certification is not available for a state, Form A must be utilized • A Final Trust Certification, created by the NPF Compliance Group, must be executed at closing California Exception • For Trust Properties in California a trust certification completed by the borrower or the borrower's attorney is acceptable in lieu of the full trust documents. The title commitment is still required • Should any portion of the trust certificate be found inaccurate or in disagreement with the title report, *this exception cannot be applied* and the complete trust documents must be provided • This exception to trust documentation is ONLY for properties located in California. The following types of trusts are ineligible: • Any Non-Intervivos Trust Estates • Blind trusts, • Life Estates, and • Land Trusts
3.7 Non-Arm's Length Transactions	
Non-Arm's Length Transactions	A non-arm's length transaction is one where the parties to the transaction are related such as family members, employer/employee, or principal/agent. An at-interest transaction involves persons who are not closely tied or related to the borrower but may have a greater vested interest in the transaction. Such relationships with the Borrower may be (but are not limited to): • Family Members – (Permitted on Owner Occupied purchases only) • Mortgage loan officer • Originating lender (owner, employees or family members) • Real Estate Broker (including listing and selling agents) • Employer • Closing Agent • Appraiser • Builder/Developer • Trading properties with the Seller • Foreclosure bailouts The following types of non-arm's length transactions are permitted. • Non-arm's length transactions are allowed for the purchase of existing property. • For the purchase of newly constructed properties, if the borrower has a relationship or business affiliation (any ownership interest, or employment) with the builder, developer, or seller of the property, only primary residence is allowed. Mortgage loans on newly constructed homes secured by a second home or investment property where there is a non-arm's length relationship are prohibited • When tenant is buying from landlord/seller, a Verification of Rent (VOR) from a third-party management company is acceptable. If there is no third-party management company, provide the most recent 12 months cancelled rent checks or 12 months bank statements. Situations where the borrower has a dual role in the transaction, namely as borrower and as another party in the same transaction are prohibited. These include, but are not limited to, situations where the borrower is also: • The builder • The loan officer on the transaction • The listing agent

	• Both the listing and selling agent • Exception: Borrower is allowed to be the selling agent in the transaction where borrower is the purchaser so long as borrower is not also the listing agent.
3.8 Non-Occupant Co-Borrowers	
Non-Occupant Co-Borrowers	Non-occupant co-borrowers are credit applicants who do not occupy the subject property as a principal residence. Non-Occupant Co-Borrowers must meet the following requirements: • 5% reduction in maximum LTV. • Do not occupy the subject property as a principal residence • Must be an immediate relative; proof of relationship is required • Must sign the mortgage or deed of trust • Must not have an interest in the property sales transaction, such as the property seller, builder, or real estate broker • Maximum DTI 45% based on all borrower's income • Occupying borrower must be employed and contribute to qualifying income • Cash Out & Debt Consolidation loans not permitted
3.9 Ineligible Borrowers	
Ineligible Borrowers	• Borrowers who are citizens and not employed in the U.S. AND do not claim the income earned outside of the US on their tax returns (regardless of citizenship or immigration status); • Borrowers whose qualifying income is not likely to continue for at least 3 years (e.g., a bonus or an inheritance) • Borrowers with any income or ownership in a business that is federally illegal, regardless if the income is not being considered for qualifying • Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction; • Foreign Nationals • Land Trusts • Properties vested in an LLC or Corporation (title must be taken as an individual)
Section 4: Collateral	
4.1 Eligible Properties	
Eligible Properties	Eligible Property Types include: • One-unit condominiums ○ Low/Mid/High-Rise Condos and Site Condos (Refer to Section 4.2 Condos)
4.2 Non- Warrantable Condos	

Non-Warrantable Condos	All loans secured by condos must be reviewed by the NPF Project Review team prior to approval. A full project review is required. All requests for condominium review should be emailed to projectreview@newpennfinancial.com. Unless otherwise noted, all Fannie Mae project requirements must be met.
	
	The following are required:
	  • Minimum 500 square feet
	  • Must have a separate bedroom and fully functioning kitchen with a stove (hotplates and microwaves only not permitted)
	  • No more than 2 non-warrantable features are permitted for a property with the exception of Florida New Construction which is limited only to the allowances permitted below for Florida New Construction. All non-warrantable features are subject to NPF's approval
	• **Commercial Space:** Maximum 50% and must be typical for the market and compatible with the use of the subject project. A separate HOA is required unless the residential unit owners have controlling voting rights.
	• **Single Entity Ownership:**
	  ○ Maximum 49%.
	  ○ Non-gut conversions may have a single entity ownership up to 65%.
	    ▪ Vacated units are not permitted to be re-leased (must be listed for sale)

<table>
<tr><td></td><td>

Existing leases do not get extended
No bulk sales over 10%

Delinquent HOA Dues: 25% maximum 60 days or more delinquent
Recreational Leases: Permitted for amenities such as clubhouse, pool, recreational facilities used by unit owners only or collective HOAs (not open to the public). Mandatory golf memberships, beach clubs and dining memberships are not considered acceptable amenities.
Investor Concentration: Maximum 75% when the subject transaction is an investment property
Non-Incidental Income: May not make up more than 35% of total HOA budgeted income
HOA Replacement Reserve:

less than 10% but greater than 7.5% if current reserve balance exceeds 10% of operating expenses
less than 7.5% but greater than 5% if current reserve balance exceeds 20% of operating expenses
less than 5% if current reserve balance exceeds 50% of operating expenses
project balance sheet must be provided within 120 days of note

Completion: The subject property building, and prior legal phases must be substantially complete. Substantially complete includes the common elements as being complete
Pre-Sale:

Primary Residence:

30% of the units must be sold or under contract to primary residents or second home owners on the subject phase; or
50% of the units must be sold or under contract to primary residents or second home owners on the subject building

Second Home or Investment Property:

30% of the units must be sold or under contract to primary residents or second home owners on the subject phase

Florida New Construction:

Full project review must be complete and meet Fannie Mae standard project requirements (PERS not required)
75% maximum LTV for primary residence
70% maximum LTV for second home
Investor properties not permitted
Additional non-warrantable features described in this profile are not permitted
No additional non-warrantable features may be combined

Litigation: Will be considered on case-by-case basis. Litigation involving structurally related matters will not be considered.

</td></tr>
<tr><td colspan="2">4.3 Leasehold Properties</td></tr>
<tr><td>Leasehold-Properties</td><td>Leasehold condominiums are not permitted</td></tr>
<tr><td colspan="2">4.4 Ineligible Property Types</td></tr>
<tr><td>Ineligible Property Types</td><td>

Acreage greater than 20 acres (appraisal must include total acreage)
Commercial Enterprises (e.g. Bed and Breakfast, Boarding House, Hotel)
Co-ops
Geodesic Domes, Berms, Earth homes
Income producing properties with acreage
Leaseholds
Log homes
Manufactured/Mobile, Modular, or Factory Built Homes
Projects with insufficient Hazard and/or Flood Insurance – Borrower supplemented and/or co-insurance is not permitted

</td></tr>
</table>

	• Properties appraised with a property condition of C5 or worse • Properties held in a business name • Properties located adjacent to or containing environmental hazards • Properties Purchased Through Auctions • Properties subject to oil and/or gas leases • Properties vested in an LLC or Corporation (title must be taken as an individual) • Properties with less than 500 square feet of living area • Timeshares • Unimproved Land and property currently in litigation • Unique properties • Zoning violations including residential properties zoned commercial
4.5 Appraisals	

Appraisals	• Appraisals must be ordered through a New Penn approved AMC
	  ○ Appraisers listed on the New Penn Financial Ineligible Appraiser List are not eligible to complete appraisals for loans done through New Penn Financial.
	• Investment properties must contain a rent comparable schedule
	• Collateral Desktop Analysis (CDA) with accompanying MLS sheets from Clear Capital is required to support the value of the appraisal.
	  ○ If the CDA returns a value that is "Indeterminate" or lower than the appraised value and exceeds a 10% tolerance then one of the following requirements must be met:
	    ▪ A field review
	      • If the field review value is ≤ 5% below the appraised value, the appraised value is acceptable for LTV calculations.
	      • If the field review value is > 5% below the appraised value, a second appraisal will be required.
	    ▪ 2nd full appraisal may be provided in lieu of a field review. The lower of the two values will be used as the appraised value.
	• For properties purchased by the seller of the property within ninety (90) days of the fully executed purchase contract the following requirements apply:
	  ○ Second full appraisal is required.
	  ○ Property seller on the purchase contract is the owner of record.
	  ○ Increases in value should be documented with commentary from the appraiser and recent paired sales.
	  ○ The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in lieu.
	• When two appraisals are required the following is required:
	  ○ Appraisals must be completed by two independent companies.
	  ○ The LTV will be determined by the lower of the two appraised values as long as the lower appraised appraisal supports the value conclusion.
	  ○ Any inconsistencies between the two appraisal reports must be addressed and reconciled.
	  ○ If the two (2) appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon
	  ○ A CDA is not required
	
	Number of Appraisals Required:
	Loan Amount ≤ \$1,500,000 — 1 Full Appraisal
	Loan Amount > \$1,500,000 — 2 Full Appraisals
	
	Additional Requirements:
	• Transferred appraisals accepted with the following:
	  ○ Appraisal is subject to Collateral Desktop Analysis process as noted above

	• The re-use of an appraisal is not permitted • Recertification of value is not permitted. If appraisal is over 120 days old, a new full appraisal is required. • If an appraisal notes a Declining Market as outlined in Section 4.10 require a second full appraisal is required when one appraisal is otherwise acceptable
4.6 Declining/Soft Markets	
Declining/Soft Markets	If any appraisal associated with the subject property is defined by the appraiser as declining, a 5% reduction to the maximum LTV is required. A market will be deemed "declining" if: • Appraiser indicates in Neighborhood Section that market is declining • Appraiser indicates anywhere in comments that market is declining • Any Appraisal Review indicates that the market is declining
4.7 Property Flips/Rapid Appreciation	

Property Flips/Rapid Appreciation	• Purchases:
	  ○ Appreciation greater than 10% in the past 90 days requires 2 full appraisals regardless of loan amount; the pay-off of seller financing is not permitted. The cost of the second appraisal must be paid for by the lender.
	  ○ Appreciation greater than 20% in the past 91-180 days requires 2 full appraisals regardless of loan amount; the pay-off of seller financing is not permitted. The cost of the second appraisal must be paid for by the lender.
	
	The 90-180 time period is determined by subtracting the date the seller became the legal owner of the property from the date the purchaser signed the purchase contract. If the seller and purchaser signed the purchase agreement on two separate days the latter of the two dates is to be used.
	
	• No Cash-Out Refinance: Appreciation greater than 20% in the past 90 days requires 2 full appraisals regardless of loan amount; the pay-off of seller financing is not permitted.
	• Cash-out Refinances: Appreciation greater than 20% in the past 12 months requires 2 full appraisals regardless of loan amount
	
	When two appraisals are required regardless of the transaction type the lesser of the two values will be used for qualification purposes.
	
	There can be no pattern of previous flipping as evidenced by multiple transfers in the last 12 months, unless the property seller is a GSE, bank, or licensed mortgage company, then no seasoning is required.

4.8 Properties Previously Listed for Sale	

Properties Previously Listed for Sale	• Primary Residence
	  ○ The listing must have been expired or withdrawn prior to application
	  ○ The borrower must confirm in writing that they intend to occupy the subject as a primary residence and the reason for listing
	• Second Homes and Investment Properties
	  ○ A minimum of 6 months prior to the application date

4.9 Disaster Areas	
Disaster Areas	Refer to the list of affected counties published by FEMA at the following link: https://www.fema.gov/disasters. For loans secured by properties appraised prior to the Federal/State declaration, the following post-disaster guidelines apply for 120 days after the declaration date: • An interior and exterior inspection of the subject property is required.

	○ The original appraiser should perform the inspection and provide a certification stating: ▪ Subject property is free from damage and is in the same condition as previously appraised; ▪ Marketability and value remain the same. ○ If the original appraiser is not available: ▪ The inspection may be completed by any of the following: • Property / building inspection company; • Licensed general contractor; • Building or safety inspector from local municipality; or • Licensed structural engineer. ▪ The inspector must be given a copy of the original appraisal report ▪ The inspector must provide certification, on his/her letterhead, stating: • Original appraisal has been reviewed; • Interior inspection has been completed; and • To the best of his/her knowledge: ○ Subject is free from significant damage; ○ All repairs, if needed, have been completed. • Borrower must sign a certification of acceptable property condition. For loans secured by properties appraised after the Federal/State declaration, the following post-disaster guidelines apply: 1. Appraiser must note any damage and its effect on marketability and value. 2. Electronic evaluations are not acceptable.
4.10 Dampness	
Dampness	If the appraisal report notes evidence of dampness, the appraiser must clearly define the effect on value and marketability of the subject property, as well as comment regarding the probable cause of the dampness problem and if typically incurable in the surrounding neighborhood. Prior to closing satisfactory evidence that the condition was corrected or a professionally prepared report indicating that the condition does not pose any threat of structural damage must be provided.
4.11 Electrical Systems	
Electrical Systems	An electrical certification from a licensed electrician is required whenever the appraisal states a fair or poor rating concerning the adequacy or condition of the system. Any inadequacies must be corrected prior to closing.
4.12 Foundation Settlement	
Foundation Settlement	If the appraisal report notes evidence of excessive foundation settlement, the appraiser must clearly define the effect on value and marketability of the subject property. Settlement problems which denote structural deficiencies and/or significant negative impact on value and marketability must be corrected prior to closing. A structural engineer's report is required prior to making a loan decision.
4.13 Heating Systems	
Heating Systems	A central heat source with ductwork or baseboard in all rooms is required on all properties except those in geographic regions where heating is not required. If the subject property does not have central heat, the appraiser must provide similar comparable properties and an addendum indicating: • The heat source is typical for the area • The heat source is permanently attached • The heat source is adequate for the dwelling • The heat source is externally vented
4.14 Sewage Disposal System	
Sewage Disposal System	Sewage disposal systems may require certification if the appraiser or purchase contract indicates the necessity. The report should be provided by a city, county, state (or governing body) official or qualified entity stating:

	• The sewage disposal system complies with applicable local and/or state health standards, is in proper working order, and can be expected to function satisfactorily; or • Local and/or state health standards do not apply for the sewage disposal system; however, it is found to be in proper working order and adequate for the subject property. For systems one year old or less, the certification may be no more than one year old on the date of loan closing. For systems more than one year old, the certification may be no more than 120 days old on the date of loan closing.
4.15 Water Supply	
Water Supply	A water supply certification is required if the appraiser or purchase contract indicates the necessity. The report should be provided by a city, county, state (or governing body) official or a qualified entity stating: • The water supply system is in proper working order and pumping an adequate supply of water for the subject property; and • The water supply is potable and complies with local and/or state health authority standards (in the absence of a local health authority, a reputable chemical testing agency must certify that the water is fit for human consumption). • The water certification(s) for existing properties may be no more than 120 days old on the date of loan closing. • A property supplied by water that is hauled in is an unacceptable water source and renders the property ineligible
4.16 Hazardous Conditions	
Hazardous Conditions	When the appraiser has knowledge of any hazardous condition (whether it exists in or on the subject property or on any site within the vicinity of the property) - such as the presence of hazardous wastes, toxic substances, asbestos-containing materials, urea-formaldehyde insulation, radon gas, etc. – it must be noted on the appraisal report and any influence that the hazard has on the property's value and marketability (if it is measurable through an analysis of comparable market data as of the effective date of the appraisal) must be commented on. Appropriate adjustments in the overall analysis of the property's value must be made.
4.17 Pest Infestation	
Pest Infestation	If the appraisal report or sales contract notes evidence of termites or other insect infestation, a pest inspection report certifying treatment of the infestation prior to closing is required. Any significant structural damage due to pest infestation must be corrected prior to closing.
4.18 Plumbing/Plumbing Certification	
Plumbing/Plumbing Certification	A plumbing certification from a licensed plumber is required whenever the appraisal states a fair or poor rating concerning the adequacy or condition of the system. Any inadequacies must be corrected prior to closing.
4.19 Private Roads	
Private Roads (Community-Owned or Privately Maintained Streets)	If the property is located on a community-owned or privately-owned and maintained street, an adequate, legally enforceable agreement or covenant for maintenance of the street is required. The agreement or covenant should include the following provisions and be recorded in the land records of the appropriate jurisdiction: • responsibility for payment of repairs, including each party's representative share; • default remedies in the event a party to the agreement or covenant fails to comply with his or her obligations; and • The effective term of the agreement or covenant, which in most cases should be perpetual and binding on any future owners. **Note**: If the property is located within a state that has statutory provisions that define the responsibilities of property owners for the maintenance and repair of a private street, no separate agreement or covenant is required.
4.20 Geographic Restrictions	
Geographic Restrictions	• At this time, New Penn Financial cannot finance or purchase loans secured by properties located in Alaska and Hawaii.

	• New York and Connecticut are eligible for loan balances $1 above conforming and high balance limits.
Section 5: Income & Employment	
5.1 Employment	
Employment	Employment must be reviewed for stability and continuity, with at least a two year history in the same job or jobs in the same or related field. Other circumstances may also be acceptable as outlined in this section. In all instances the source of the borrower's income must align with their overall employment history and profile.
Gaps in Employment	
Gaps in Employment	The Borrower must explain, <u>in writing</u>, any gaps in employment that span one or more months.
Recent Graduates and Military Personnel	
Recent Graduates and Military Personnel	If the borrower indicates they were in school or the military in their two most recent year's employment history, evidence of the claim must be provided (such as college transcripts and/or military discharge papers).
Frequent Job Changes	
Frequent Job Changes	A Borrower who changes jobs frequently to advance within the same line of work should receive favorable treatment if this advancement can be verified. Frequent job changes without advancement or in different fields of work should be reviewed carefully to ensure consistent or increasing income levels and the likelihood of continued stable employment.
Borrowers who are Re-entering the Workforce	
Borrowers who are re-entering the workforce	Borrowers who are returning to work after an extended absence (defined as six months) must be at their current job for a minimum of six months in order to consider that income for qualification purposes. A two-year employment history from prior to the borrower's absence must be documented using traditional VOE's or copies of W-2s or paystubs.
5.2 Verification of Employment	
Verification of Employment	VOEs are required for all loans. VOEs must meet the following criteria: **Wage Earner Verification** A verification of employment dated within 10 business days of the note date is required for all non-self-employed borrowers. The verification of employment must include the phone number contacted to complete the verbal, which must be documented as associated with the business. In addition, the verification should be completed through the Human Resource Department of the employer, the owner of the company or direct supervisor for small businesses. As part of the verification, the employer must be asked about borrower's probability of continued employment. If an employer refuses to answer the question, this must be documented on the VOE. Electronic verifications of employment completed through Work Number for Everyone or TALX are acceptable as well. If the VOE is obtained from The Work Number, the 10-day timeframe is measured from the date of the request to the vendor, not the date the information was updated in the vendor's database. However, the information must have been updated within the past 35 days. This policy applies to all income types with the exception of passive and self-employed income (see below for self-employment verification requirements). If the borrower has seasonal employment, the borrower must be employed at the time of closing to be eligible. **Self Employed Borrower Verification** For Self-Employed borrowers, independently obtain and document a phone number and address for the business. The lender must document the existence of the borrower's business within 30 calendar days of the note. This can be accomplished through:

	• A third party, such as a CPA, regulatory agency, or the applicable licensing bureau, AND • By verifying a phone listing and address for the borrower's business using a telephone book, the internet, or directory assistance. If the contact is made verbally, the lender must document the source of the information obtained and the name and title of the lender's employee who obtained the information. **Written Verifications of Employment** Income and employment for non-self-employed Borrowers may be obtained via direct written verification from the Borrower's employer. The verification must be signed by a member of the company's human resource department or one of the business owners/officers. At a minimum, the verification must include: • Borrower's name • Position • Dates of employment • Base salary • YTD Earnings • A WVOE cannot be used in lieu of paystubs and W-2s
5.3 Income	

Income	All income documentation must be dated within 90 days of the date the Note is signed. Full Income Documentation is required, which includes:
	• Paystubs and W-2s or Personal tax returns, signed and dated, plus business tax returns when the borrower has 25% or more ownership interest in the business (See Section 5.4 Self-Employed Borrowers for additional documentation requirements)
	• A 4506-T, signed at application and closing, is required for all transactions. IRS Tax Transcripts are required for the most recent two years.
	• A Verbal Verification of Employment is required for all borrowers (See Section 5.2)
	
	Paystubs and W-2s
	When the pay stubs and W-2s are provided for wage earner income and employment verification, the documentation must meet the following criteria:
	• Paystub(s) must
	  ○ show the most recent 30 days YTD earnings;
	  ○ must be typed or computer generated and verify:
	    ▪ Borrower's full name and address
	    ▪ Borrower's Social Security number
	    ▪ Employer's name and address
	    ▪ Year to date earnings and Borrower's rate of pay
	  ○ Must include sufficient information to appropriately calculate income; otherwise, additional documentation must be obtained.
	  ○ Whether or not pay stubs reflect garnishments (child support, IRS, etc.)
	  ○ if there are any loan deductions
	• Two years' W-2s must be typed or computer generated
	
	Tax Returns
	Tax returns, when required, must be signed and dated by the Borrower(s) and contain all schedules and attachments; tax returns should cover the most recent two-year period.
	• Tax transcripts may be used to satisfy the signature requirement for unsigned tax returns but may not be used in lieu of the required tax returns.
	
	4506-T
	A signed and dated 4506T is required for all applicants both prior to closing and at closing. New Penn will execute the 4506T for tax transcripts on all loans. The executed 4506T will not be sufficient to replace the requirement for signed tax returns that are required as per guidelines.

	IRS transcripts must be obtained for the two most recent years of income as documented in the file. Transcripts must be obtained for personal tax returns. W-2 only transcripts are not permitted. In instances where transcripts are not available for the most recent tax year, the file must contain results showing "No Record Found" and evidence of an extension (if after April 15) for the most recent year's taxes and tax transcripts for the two tax years prior to that.
5.4 Self-Employed Borrowers	

Self-Employed Borrowers	A borrower with a 25% or greater ownership interest in a business is considered self-employed. Self-Employed Borrowers are permitted with a minimum 2 year history;
	Documentation Requirements
	• Two years of personal and business tax returns for all businesses owned with all applicable tax schedules are required– Both years must be evaluated to derive a qualifying income; borrowers with declining income will be carefully scrutinized
	    o Includes, as applicable, K-1s, Form 1065, 1120s, Schedule E, etc.
	A current year-to-date (YTD) Profit and Loss (P&L) Statement (does not have to be audited) and Balance Sheet are required as indicated below. Year-to-date is defined as the period ending as of the most recent tax return through the most recent quarter ending one (1) month prior to the Note date. For tax returns on extension the entire unfiled year is also required.
	    o YTD Q1 P&L/Balance Sheet required for loans with note dates 5/1 to 7/31
	    o YTD Q2 P&L/Balance Sheet required for loans with note dates 8/1 to 10/31
	    o YTD Q3 P&L/Balance Sheet required for loans with note dates 11/1 to 1/31
	    o Full year P&L/Balance Sheet required for loans with note dates 2/1 to 4/30 AND filed returns have not been provided
	• A year-to-date (YTD) Profit and Loss (P&L) Statement and Balance Sheet is required for all businesses where income is used for qualifying and/or for businesses that show a loss. The P&L may be audited or unaudited

5.5 Income Trends	
Income Trends	After the monthly year-to-date income amount is calculated, it must be compared to the prior year's earnings using the borrower's W-2s or signed personal income tax returns to determine if the income trend is stable, increasing, declining but stabilized or declining. A level, upward or previously declining but stabilized trend in earnings must be established. Any self-employment loss, regardless of percentage owned or length of self-employment, should be factored into debt ratios.
5.6 Residual Income (Disposable Income)	
Residual Income	For loans with DTI > 43% residual income requirements must be met. Residual income equals Gross Qualifying Income less Monthly Debt (as included in the debt-to-income ratio).

Residual Income					
Family Size	1	2	3	4	5
Required Amount	$1,000	$1,680	$2,025	$2,280	$2,365
Over 5 Family Members	Add $150 for each additional member up to a family of seven				

5.7 Eligible Income Sources	
Annuity and Pension Income	
Annuity and Pension Income	Annuity and/or Pension income may be used as qualifying income if it is properly documented and is expected to continue for at least three years. Acceptable documentation includes: • Most recent award letter; or • Copy of signed federal income tax returns; or • Most recent 2 years 1099; and • Copy of the bank statement showing current receipt Refer to Nontaxable Income for allowances and requirements for grossing up income

Asset Based Income (Asset Amortization)	
Asset Based Income	Asset amortization is a calculation used to generate a monthly income stream from a borrower's personal assets. It can be combined with other income sources. There is no age restriction. The following requirements must be met: • Available for Primary Residence and Second Homes Only • Borrower and Co-Borrower must be individual or co-owners of all asset accounts with no other account holders listed on the documentation • 100% of eligible assets must be verified and will be amortized over the term of the loan (e.g., 360 months for a 30 year loan, 180 months for a 15 year loan) • All assets must be in a U.S. financial institution—No Foreign Assets • The sum of eligible assets as defined are net of any discounts and minus any funds used for closing and/or minimum reserves required for the program. • Other reported earnings from Capital Gains or Interest/Dividend may not be used if Asset based income is utilized **Eligible Assets** (must be readily available to borrower(s) with no penalties or limitations • Bank Deposits – Checking, Saving, Money Market accounts = 100% • Investment Account: May be comprised of publicly traded stocks, bonds and/or mutual funds = 90% (stock options not allowed) • Retirement Accounts ○ 401(K) plans or IRA, SEP or KEOUGH accounts = 80% ▪ IRA borrower must be at least 59 1/2 ○ Eligible only if distributions have not been set up • Any outstanding loan or margin accounts should be backed out of the investment accounts balance. • No privately held stock or non-regulated financial companies **Ineligible Assets** • Business funds • Non-liquid assets (automobiles, artwork, etc.) • Any life insurance • Any type of UTMA or custodial account for minors • Bitcoin or other digital currency **Asset Amortization Calculation** Down payment, closing costs and any necessary adjustments as outlined above must be subtracted from eligible asset sources to determine net available assets. Net available assets are divided by the term of the subject mortgage to calculate a qualifying asset based income. • Savings Account Balance $200,000 ($200,000 Usable toward calculation) • Stock Fund Balance $100,000 ($90,000 Usable toward calculation) • Mutual Fund Balance $20,000 ($18,000 Usable toward calculation) • Down Payment and Closing Costs = $50,000 • Net eligible assets = $308,000 – $50,000 = $258,000 • Term of mortgage = 360 months • **Asset Amortization Calculation = $258,000/360 = $716.66 monthly income**
Boarder Income	
Boarder Income	Income from boarders is not acceptable qualifying income with the exception of the following: • When a borrower with disabilities receives rental income from a live-in personal assistant, whether or not that individual is a relative of the borrower, the rental payments can be considered as acceptable stable income in an amount up to 30% of the total gross income used to qualify the borrower. Personal assistants typically are paid by Medicaid Waiver funds and include room and board, from which rental payments are made to the borrower. • Primary residence only

Borrowers Regularly Scheduled for <40 Hours	
Borrowers Regularly Scheduled for <40 hours	Borrowers scheduled for a work week of less than 40 hours may be permitted. A written VOE verifying the stability of the income as regular and on-going is required.
Bonus and Overtime Income	
Bonus, Incentive, and Overtime Income	Bonus or overtime income can be considered if it is consistent for a period covering 2 or more years. Periods of income less than two years may be acceptable, provided the lender can justify and document in writing the reason for using the income for qualifying purposes. A period of more than two years must be used in calculating the average overtime and/or bonus income if the income varies significantly from year to year. Qualifying income is calculated as an average over 24 months provided that the income is expected to continue. To establish bonus and overtime earnings, written verification from the employer must define the dollar amount paid to the Borrower during the past 24 months. Borrowers beginning employment with a new employer must have received bonus or overtime income from the new employer in order to utilize for qualifying unless such bonus or overtime income is guaranteed in writing as part of the borrower's employment agreement. Any guarantee must designate a specific dollar amount or percentage of income.
Capital Gains	
Capital Gains	Capital gains or losses generally occur only one time, however a borrower or borrowers with a documented history of capital gains may utilize capital gains for qualifying income. Capital gains utilized for income must meet the following: • Must be gains from similar assets for three (3) continuous years to be considered qualifying income. • If the trend results in a gain it may be added as income. • If the trend results in a loss, the loss must be deducted from total income. • Personal tax returns – three (3) years with a consistent history of gains from similar assets. • Document assets similar to the assets reported as capital gains to support the continuation of the capital gain income and should not be considered qualifying income.
Child Support, Alimony or Maintenance Income	

Child Support, Alimony or Maintenance Income	Child support, alimony or maintenance payments may be used as income if the file substantiates the receipt of funds on an ongoing basis.
	
	The following is required:
	• Copies of the final divorce decree, legal separation agreement, court order or voluntary payment agreement
	• Copies of court records, bank statements or canceled checks showing receipt of payments for a minimum of twelve months
	• Payments must reasonably be expected to continue for three years based upon all factors, including without limitation
	  ○ the terms of the divorce decree or separation agreement
	  ○ the age of the children and any stipulations for continuance in the divorce decree, separation agreement or court order for child support

Commission	
Commission	A commissioned consumer is one who receives more than 25 percent of his/her annual income from commissions. Commission income is considered stable monthly income if it has been received for two years and is likely to continue. NOTE: Commission income that has been earned for less than one year cannot be used as qualifying income. Consideration will be given to situations in which the consumer's compensation was changed from salary to commission within a similar position with the same employer and the change is documented in the loan file. Commission income must be documented as follows:

	• If the commission income represents < 25% of the borrowers total annual employment income, obtain the following document(s):
	  ○ most recent paystub and a fully completed Written Verification of Employment or
	  ○ most recent paystub and the last 2 year end paystubs
	• If the commission income represents > 25% of the borrowers total employment income, obtain the following document(s):
	  ○ most recent 2 years personal tax returns and either
	  ○ most recent paystub and a fully completed Written Verification of Employment; or
	  ○ most recent paystub and the last 2-year end paystubs.
	• For borrowers with commission income representing 25% or more of their total income, any unreimbursed business expenses must be subtracted from the qualifying income.
	• Borrowers who earn commission with a new employer must have received commission income from the new employer for a minimum of twelve months in order to utilize for qualifying unless such commission income is guaranteed in writing as part of the borrower's employment agreement. Any guarantee must designate a specific dollar amount or percentage of income.

Disability Income	
Disability Income	Long-term disability benefits may be used as qualifying income if a two year history of receipt has been documented. Benefits should be verified with: • a copy of the award letter ○ The award letter must indicate the benefit amount, length of time that the benefits are received and the conditions for receipt of benefits. • two years W-2s or 1099s and • Current evidence of receipt (current pay stub or evidence of direct deposit into the Borrower's bank account).
Dividend/Interest Income	
Dividend/Interest Income	Interest and Dividend income may be used as long as tax returns or account statements support a two-year receipt history and the borrower(s) have a diversified portfolio. This income must be averaged over the two years. Investment income may be used as stable monthly income if the file contains the following documentation: • Signed and dated federal tax returns or 1099s for the previous two years • Most recent account statement that shows year to date earnings in line with previous years. Dividends in particular may be paid out quarterly/semi-annually/or annually so if they are not in line, additional review or documentation may be needed to quantify. • The income cannot be from a privately held company • Sufficient assets remain after closing to continue to generate an acceptable level of earnings in view of the totality of the circumstances. To include interest or dividend income from cash or marketable securities in qualifying income, follow these guidelines: • Subtract any funds required for closing on the subject transaction prior to the calculation of interest or dividend income. • Average the year-to-date (YTD) interest and dividend income over the last two years with the borrowers' tax returns, unless the income is declining Interest and Dividend income may not be utilized when Asset Based Income (Asset Amortization) is being used as qualifying income
Employment Offers	
Employment Offers	Borrowers who have switched jobs within 30 days of application or will switch jobs prior to close, must provide a copy of the offer and a minimum of one paystub showing one week's pay from their new job. A written VOE will be required. When analyzing employment offers of future employment, the consumer's past employment history, qualifications for the position, as well as previous training and education must be taken

	into consideration. Borrowers scheduled to begin employment after the loan closes is permissible provided the following requirements are met:
	• A copy of the borrower's offer or contract for future employment must be provided and
	  ○ clearly identify the employer and the borrower
	  ○ be signed by the employer, and be accepted and signed by the borrower;
	  ○ clearly identify the terms of employment, including position, type and rate of pay, and start date;
	  ○ be non-contingent, guaranteed and non-revocable;
	  ○ the borrower must start the new employment within 60 days of the note date; and
	  ○ The borrower must have sufficient reserves to cover their housing payment and all other monthly obligations for the period prior to starting the new job in addition to all other applicable reserve requirements outlined in this product profile

Employment by a Relative/Family Business	

Employment by a Relative/Family Business	Income for a Borrower who is employed by a relative is permitted and must be documented with the following:
	• Most recent two years personal tax returns
	• Copy of current YTD pay stub
	• Most recent 2 years W-2s
	• Proof must be provided that the borrower is not an owner of the business
	  ○ a signed copy of the corporate tax returns detailing their ownership percentage; or
	  ○ a letter from the CPA or Legal Counsel confirming ownership amount
	  ○ In any instance where the Borrower owns more than 25% of the company, full self-employed documentation must be provided.

Foreign Income	
Foreign Income	Foreign income is not permitted
Foster Care Income	
Foster Care Income	Income derived from foster care payments may be considered if it is regular, recurring and reasonably be expected to continue for three years. A two-year history of past receipt is required. Income used to qualify must be averaged over a two year period. Projected income may not be used in the calculation.
Installment Sales and Land Contracts	
Installment Sales and Land Contracts	Not permissible
Military Income	
Military Income	Borrowers employed in military services typically receive compensation in addition to base pay, which may be used as qualifying income. Rations, base housing pay and flight pay may be considered, provided that the income is typical for the position held, and proof of probability of such pay continuing is verified in writing. • Non-taxable income will be "grossed up" by tax rate for the consumer's last year's income tax, unless the borrower was not required to file a federal tax return; in this instance use 25%. See Non-Taxable Income section for more details. • Generally, only base pay and rations are taxable. Borrowers called to active duty before loan closing must be qualified based on the Borrower's military income. The date that the in-service Borrower is scheduled to be released from active duty must be verified via a Leave and Earnings Statement (LES), VOE, or Officer's orders. If the separation date is within 12 months of the projected loan closing, the file must include one of the following: • Documentation that the service member has re-enlisted or extended his/her period of active duty beyond 12 months of the projected closing date. • Verification of civilian employment following release from active duty.

Mortgage Differential Income	
Mortgage Differential Income	An employer may subsidize an employee's mortgage payments by paying all or part of the interest differential between the employee's present and proposed loan payments. These payments may be considered as acceptable stable income if the Borrower's employer verifies its subsidy in writing, stating the amount and duration of the payments. The payments must continue for at least three years from the date of the loan application. The differential payments should be added to the Borrower's gross income when calculating the qualifying ratio. They cannot be used to offset directly the loan payment, even if the employer pays them to the lender rather than to the Borrower.
Note Receivable Income	
Note Receivable Income	In order to include notes receivable income to qualify a consumer, the following must be documented: • A copy of the note to establish the amount and length of payment ○ If the borrower is not the original payee on the note, the creditor must establish that the borrower is able to enforce the note. • Evidence that these payments have been consistently received for the last 12 months through deposit slips, deposit receipts, cancelled checks, bank or other account statements, or tax returns. • The note must indicate that the income will continue for at least three years
Non-Taxable Income	
Non-Taxable Income	Non-taxable income must be shown on the tax returns as non-taxable in order to be grossed up. This income will be "grossed up" by the amount of the tax rate for the consumer's last year's income tax, unless the borrower was not required to file a federal tax return, then use 25%. Non-taxable income may include but is not limited to: • Disability income. • Social Security income • Worker's compensation. • Aid to dependent children (ADC)/foster care. • Public assistance. • Federal Employees Compensation Act Benefits. • VA benefits (VA education benefits may not be used as qualifying income). • Military allotment (food and housing). • Municipal bond interest • Child support
Part-Time/Second Job	
Part-Time/Second Job Income	Part-time and second job income is considered as stable income if it has been received for the previous 24 months, uninterrupted, and has a strong probability for continued receipt for a minimum of three years at current or increasing levels. • Two years signed tax returns required • Copy of current YTD paystub • Two years W-2s
Relocating Life Partners (RLP)/Trailing Co-Borrowers	
Relocating Life Partners/Trailing CoBorrower/Spouse	Not permitted
Rental Income	
Rental Income	**Required Documentation:*** • Personal tax returns, including all schedules, for prior 2 years • Current lease for each rental property. Rent rolls are unacceptable. • Explanation for any gaps greater than 3 months over the previous 24 months *** Requirements for rental income from conversion of departing residence are outlined below**

<table>
<tr><td></td><td>
Income Calculation:

Tax returns should be utilized to calculate rental income unless the property does not appear on tax returns

Average of rental income from tax returns using net rental income + depreciation + interest + taxes + insurance + HOA divided by applicable months minus PITIA
If rental income is not available on the borrower's tax returns, a vacancy/maintenance expense factor of 25% should be deducted from the rental income verified by the current lease agreement for determining qualifying income. (Ex: Property owned less than 12 months or property out of service due to rehabilitation.)
An explanation is required if the rental income on the tax returns is greater than the rental income on the lease. The lesser of the rental income from the lease or Schedule E must be used to calculate net rental income unless satisfactory documentation is provided to support the higher income on the tax returns will be continuing.

Net rental income must be added to the borrower's total monthly income.
Net rental losses must be added to the borrower's total monthly obligations.

Rental Income From Departing Residence Converted to Rental:

If the borrower is converting their current primary residence to a rental property and using rental income to offset the payment the following requirements apply:

Borrower must have documented equity in departure residence of 25%.

Documented equity may be evidenced by an exterior or full appraisal dated within six (6) months of subject transaction, OR
Documented equity may be evidenced by the original sales price and the current unpaid principal balance.

Copy of current lease agreement is required.

A vacancy/maintenance expense factor of 25% should be deducted from the rental income verified by the current lease agreement for determining qualifying income.

Copy of security deposit and evidence of deposit to borrower's account is required.

</td></tr>
<tr><td colspan="2">Retirement Income (401K/IRA Distributions)</td></tr>
<tr><td>Retirement Income – 401K/IRA Distribution</td><td>
If Retirement Income is paid in the form of a distribution from a 401(k), IRA, or Keogh Retirement account, the following guidelines should be followed:

Provide most recent account statement for the asset being used for qualifying income to determine the three year continuance of the income.
Borrower(s) must have un-restricted access to funds without any penalties
If the assets are in the form of stocks, bonds, or mutual funds, 70% of the value must be used to determine the number of distributions remaining.

Document regular and continued receipt of the income as verified by:

Letters from organization providing the income (Distribution Schedule)
Copies of signed and dated federal income tax returns
Most recent 2 years 1099s or
Proof of current receipt

If the borrower has not yet retired but discloses plans to retire during the first three-years after loan closing, Underwriting review must include the amount of documented retirement benefits, Social Security payments, other payments anticipated to be received in order to verify continuation of income from their current employment and future earnings.
</td></tr>
<tr><td colspan="2">Royalty Income</td></tr>
<tr><td>Royalty Income</td><td>Royalty income must include the total amount of royalty payments received, and must document the borrower's receipt of royalty income for 12 months and the likelihood of continued receipt of such income for at least three years. The following documentation is</td></tr>
</table>

	required: • Royalty contract or agreement confirming the amount, frequency and duration of the royalty income • Most recent two years tax returns including Schedule E
Seasonal Income	
Seasonal Income	Seasonal income is considered uninterrupted, and may be used to qualify the borrower. The following are required: • Borrower has worked the same job for the past two years • Expects to be rehired the next season as documented by a written VOE • Two years of W-2s • Income averaged over the past 2 years
Social Security Income	
Social Security Income	Social Security income must be verified by a Social Security Administration benefit verification letter. Refer to Non-Taxable Income for allowances in grossing up social security income. Social Security Disability Income, Child's Benefit, or other income paid by Social Security must be evidenced by: • A copy of the Social Security award letter, and • Two year's tax returns, signed & dated • Benefits payable to/for dependents: ○ This income may be used for qualifying purposes only if it is expected to continue for a minimum of three (3) years.
Stock Options	
Stock Options	Stock options are not permitted as a source of qualifying income
Trust Income	
Trust Income	Income from trusts may be used if the trust is non-revocable and constant payments will continue for at least the first three years of the mortgage term as evidenced by trust income documentation. The following are required: • Copy of the trust agreement or the trustee's statement must be obtained to confirm the amount, frequency, and duration of payments; • Trust income to continue for at least 3 years from date of the mortgage application; and • History of receiving the trust income must be documented for a minimum of 3 months. Lump-sum distributions from the trust made prior to loan closing can be used for down payment or closing costs if the withdrawal does not affect the qualifying amount of continuing distributions to the borrower. The funds must be verified by a copy of the check or the trustee's letter that shows the distribution amount.
VA Survivors' Benefits/Dependent Care	
VA Survivors' Benefits/Dependent Care	This income may be considered if received for at least 12 months and is expected to continue for at least three years. A copy of the award letter outlining the duration and amount of payments must be provided by the Borrower.
5.8 Unacceptable Sources of Income	

Unacceptable Sources of Income	• Unemployment Income
	• Stock Options
	• Gambling winnings (except lottery payments continuing for a minimum of 5 years)
	• Educational benefits (such as grants and scholarships)
	• Refunds of federal, state or local taxes
	• Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations. Federal law restricts the following activities and therefore the income from these sources are not allowed for qualifying:
	  ○ Foreign shell banks
	  ○ Medical marijuana dispensaries

	○ Any business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law ○ Businesses engaged in any type of internet gambling • Expense account reimbursement • Bank Statements as Income Verification • Mortgage Credit Certificates • Homeownership Subsidies • Income Received from Roommates
Section 6: Credit	
6.1 Credit	
Credit	• A Tri-merge Credit Report is required for every Borrower who executes the Note. • The Credit Report should generally include verification of all credit references provided on the loan application and must certify the results of public record searches for each city where the Borrower has resided in the past two years. • Each Borrower must have a valid and usable score from at least two of the following three agencies: ○ Experian (FICO), ○ Trans Union (Empirica), and ○ Equifax (Beacon). ○ Only scores from these three agencies are acceptable.
Minimum Credit Standards	
Minimum Credit Standards	A valid and usable score is one that is generated based upon credit history and credit patterns that accurately reflect the Borrower's history. All borrowers are required to meet the credit standards and it should be generated based upon at least the following: • Three (3) trade lines from traditional credit sources (such as a bank or other financial institution) that reported for 12 months or more prior to the date of loan application (may be opened or closed). ○ One trade line must have a minimum 24-month rating and ○ one trade line must have a minimum $5,000 high credit limit. ○ The seasoning and high credit limit may be met with the same trade-line • Loans on which the Borrower is not obligated to make payments (such as loans in a deferment period), collection or charged off accounts, and "authorized user" accounts are not acceptable trade lines for establishing the minimum history. To ensure the validity of the score, each trade line should reflect all repositories that are reporting it. This will identify which trade lines were considered when generating each score. • Disputed accounts are reviewed to determine current balance and payment history (30-day or more delinquency). The following will determine whether or not the derogatory trade-line must be resolved and a new credit report run prior to loan submission (credit supplements are not permitted to document disputed accounts): ○ Zero balance and no derogatory information – no action required ○ Zero balance and derogatory information - remove and pull new credit report ○ A positive balance and no derogatory information– remove and pull new credit report when the disputed account has been open or active in the past 12 months ○ A positive balance and derogatory information– remove and pull new credit ○ Disputed medical collections do not need to be removed • To ensure validity, closely review the scores, the score codes and the Borrower's credit history. Score codes must be consistent with trade line information. For example, if the score code identifies delinquent accounts, the Credit Report must also contain delinquent trade lines. Scores that do not appear to represent an accurate picture of the Borrower's credit risk will not be considered usable.

	• Credit services such as rapid re-score, credit enhancement or similar services are not permitted either for purposes of increasing a score for qualification and/or pricing improvement
Determining the Borrower's Score	
Determining the Borrower's Score	• All borrowers must have the minimum credit score required to meet eligibility as per the eligibility matrix or other requirements outlined in this product profile. To determine the score for each Borrower on the loan: ○ The middle score when three scores are obtained, or ○ The lower score when two scores are obtained ○ If only one score is obtained, that is the representative score for the borrower • The representative score for the loan is the lowest representative score of the borrowers.
Payment Histories	
Payment History	Typically, payment histories may be requested and reviewed when the Credit Report indicates that delinquencies have been removed or when the majority of credit is from a non-institutional lender.
6.2 Housing History	
Housing History (Mortgage History or Rent History)	• A 0x30x12 housing history for the most recent 12 months is required; • all mortgages and rental histories showing on the credit report or documented by a written verification considered in the maximum 0X30X12 requirement. • First time homebuyers must have a 0X30X12 housing history unless previously lived rent-free. • Borrowers who own their property free and clear must be current on all property-related taxes and provide evidence of insurance, and association due payments to document the total monthly obligation that is required to be included in the DTI; • Borrowers who do not own their homes free and clear, have owned their current home for less than 12 months AND have no prior homeownership can use a combination of rental history and mortgage history to meet the housing history requirements. • Housing histories through private parties must be verified with cancelled checks, referencing the company or individual who completes the verification. Checks must be dated prior to the next due date. Standalone VOR's or VOM's from private parties are not permitted. • Borrowers who are refinancing a previously modified mortgage must have a 0X30X12 mortgage/housing history. Refer to Previously Modified Mortgages for additional details.
6.3 Derogatory Credit	
Derogatory Credit	The presence of significant derogatory credit events may increase the likelihood of a future default and may represent a higher level of default risk. Examples of significant derogatory credit events include bankruptcies, foreclosures, deeds-in-lieu of foreclosure, pre-foreclosure sales, short sales, and charge-offs of mortgage accounts. New Penn Financial will evaluate the time that has elapsed since the date of the last derogatory information, and confirm that the borrower has re-established an acceptable credit history. The waiting period commences on the completion, discharge, or dismissal date (as applicable) of the derogatory credit event and ends on the disbursement date of the new loan. Timeshare accounts are considered installment loans and are not subject to the waiting periods described below Select credit events that generate severe negative impact to a borrower's credit history are defined as serious derogatory credit, and these events must reach minimum seasoning requirements (waiting period) since completion as detailed below.

Letter of Explanation	
Letter of Explanation	A satisfactory written explanation signed by the Borrower(s) explaining the reason(s) for the credit event or other isolated lapse in their credit performance is required. The explanation must satisfactorily identify the reason(s) for the adverse credit and the timing of the event(s) must be consistent with other application information. Additional documentation supporting the Borrower's explanation(s) may be required.
Re-Establishment of Credit	
Re-Establishment of Credit	A Borrower with a significant derogatory credit event or other isolated lapse in their credit performance should evidence that he/she has re-established his/her credit history. Payment histories on accounts should reflect satisfactory payments following the credit event. Late payments on accounts following a credit event should be evaluated to determine a borrower's willingness to repay their obligations. Multiple delinquencies on accounts including collections, charge-offs, judgements or tax liens may require additional explanations, documentation or result in a borrower's ineligibility for the SmartCondo Program.
Lawsuits/Pending Litigation	
Lawsuits/Pending Litigation	If the application, title, or credit documents reveal that the Borrower is presently involved in a lawsuit or pending litigation, the following is required: • A statement from the Borrower's attorney ○ The statement must explain the circumstances of the lawsuit or litigation and discuss the Borrower's liability and insurance coverage. • A copy of the complaint and answer • The title company closing the loan must be informed of the lawsuit or litigation and provide affirmative coverage of New Penn Financial's first lien position. • Owner Occupied, Purchase or Rate/Term refinance only
Delinquent Credit Belonging to an Ex-Spouse	
Delinquent Credit Belonging to an Ex-Spouse	Delinquent credit that belongs to an ex-spouse may be excluded from the credit evaluation of the Borrower in the following circumstances: • The file contains a copy of the divorce decree or separation agreement which shows that the derogatory accounts belong solely to the ex-spouse; • The late payments can be verified to have occurred after the date of the divorce or separation ○ Debts that were delinquent prior to the court ordered divorce or separation are required to be included in the borrower's debt to income ratio
Judgments	
Judgments	• Judgments must be paid prior to or at closing. If judgment(s) are paid at closing, they must be reflected on the final closing disclosure and disbursed by the closing agent
Tax Liens	
Tax Liens	• Tax liens must be paid prior to or at closing. If tax lien(s) are paid at closing they must be reflected on the final closing disclosure and disbursed by the closing agent • Open tax obligations subject to re-payment plans are not permitted • If IRS or State Taxes are owed from a prior tax year(s) and are not a lien showing in credit or on title, they must be paid in full prior to or at closing
Collections and Charge-Offs	
Collections and Charge-Offs	• Collections and charge-offs meeting the following criteria must be paid in full prior to or at closing. If collection(s)/charge-offs are paid at closing, they must be reflected on the final closing disclosure and disbursed by the closing agent. ○ Collection/Charge-off is $\leq$ 24 months at the time of application AND has a balance of \$500 or more OR multiple collections/charge-offs have a balance of \$2000 or more • Medical collections are excluded regardless of amount

6.4 Derogatory Credit Seasoning (Waiting Periods)	
Bankruptcy, Short Sale or Deed in Lieu/Pre-Foreclosure	
Bankruptcy, Short Sale or Deed in Lieu/Pre-Foreclosure	4 Years from the discharge or dismissal date
Foreclosure / Notice of Default (NOD)	
Foreclosure / Notice of Default (NOD)	5 Years from the discharge or dismissal date A Foreclosure/NOD is considered: • Delinquent property taxes that have been reduced to a lien against the property • Foreclosure consummated • Foreclosed property redeemed
Foreclosed Property Previously included in a Bankruptcy	
Foreclosed Property Previously Included in a Bankruptcy	If a mortgage debt was discharged through a bankruptcy, the bankruptcy waiting periods may be applied if the lender obtains the appropriate documentation to verify that the mortgage obligation was discharged in the bankruptcy. If a mortgage was in foreclosure or had a notice of default filed prior to the bankruptcy filing date, the foreclosure seasoning should be met.
Consumer Credit Counseling Services	
Consumer Credit Counseling Services	Not permitted in the past 24 months
Co-Signed Loans	
Co-Signed Loans	Loans co-signed by our borrower that result in derogatory credit will be subject to the same seasoning and documentation requirements as the borrower's own debts as co-signers have a financial obligation to pay the debt if that person fails to do so.
Previously Modified Mortgages	
Previously Modified Mortgages	A modified mortgage is defined as a mortgage loan that makes a permanent change in one or more terms of a Borrowers' loan resulting in a change to the loan's monthly payment, interest rate, term, or outstanding principal. If the borrower is refinancing a loan with a prior modification/restructure then credit requirement is increased to 0x30 in the last 12 months for all mortgages. Modification must be complete on the subject loan to be refinanced and borrower is making on time scheduled payments prior to the loan application. (A reduction of a credit line due to value depreciation would not be considered a modification as defined above)
6.5 Qualifying Ratios	
Qualifying Ratios	• The maximum DTI is 45% • If the borrower's DTI is greater than 43% the following are required: ○ Residual income requirements per Section 5.6 must be met **Housing Payment Ratio:** The monthly housing expense is the sum of the following charges as they apply to any properties owned and financed by the borrower: • Monthly principal and interest payment as per the qualifying rate • 1/12th of the annual hazard insurance premium. • 1/12th of the annual real estate taxes. • 1/12th of the annual flood insurance premium, when applicable. • Monthly leasehold payments, when applicable. • Monthly homeowner association dues, condominium maintenance fees and monthly assessments (when applicable).

	• Monthly payment for other secured financing (when applicable). *Refer to HELOC requirements when determining payment amount **Total Debt Ratio** The qualifying debt-to-income ratio compares the Borrower's total monthly obligations with his/her qualified monthly gross earnings based on the rate of the loan for which the Borrower is applying. The Debt to Income ratio (DTI) is calculated based upon the sum of the following obligations, divided by the Borrower's stable monthly income: • Monthly housing expense as per qualifying rate. • Outstanding monthly obligations such as but not limited to: ○ Installment debt ○ Revolving debt payments ○ Alimony, child support or maintenance payments ○ Losses associated with other real-estate owned ○ Other obligations where a monthly payment is legally required **Qualifying Rate** • 5/1, 7/1 and 10/1 ARM - Qualify at the greater of the fully-indexed rate* or Note rate • ARM qualifying ratios are based on a fully amortizing principal and interest payment • Interest Only loans qualify at the greater of the fully-indexed rate* or Note rate based on the scheduled remaining loan term at the time of recast after the interest only period has expired. • Fixed Rate loans qualify at the note rate *Calculate the fully indexed rate by adding the appropriate margin to the current index. • Round the result to the nearest one-eighth of one percentage point (0.125%) • Depending on market conditions and individual loan pricing, the fully indexed rate may be higher or lower than the Note rate.
6.6 Liabilities	
Liabilities	Monthly payments on all existing debts are included in the Borrower's total liabilities or obligations as detailed below. In instances where the debt is being paid by another party, proof of payments made by said other parties must be documented with twelve (12) months canceled checks. The party making the payment(s) must be obligated under the Note. Payment history on debts paid by other parties are considered in the borrower(s) credit history and must meet applicable credit requirements as outlined in this profile where applicable.
30 Day Account	
30 Day Account	A 30-day charge account is defined as an account where the borrower must pay off the total outstanding balance each month. There are no alternative monthly payment options. For open 30-day charge accounts (for example, American Express), the borrower must have sufficient verified liquid assets to pay off the balance in addition to any reserves necessary to meet the reserve requirements for the loan program. If sufficient liquid assets are available, then exclude the reported monthly payment from the DTI. If sufficient liquid assets are not verified, obtain evidence the account has been paid in full and exclude the reported monthly payment from the DTI. Note: If the account provides a monthly payment option other than the total outstanding balance, the account is not considered a 30-day charge account and these requirements do not apply.

Alimony, Child Support, or Maintenance	
Alimony, Child Supports or Maintenance	• Monthly alimony, child support or separate maintenance obligations with ten or more payments remaining must be included as a liability • If there are fewer than ten documented payments remaining and the underwriter determines these payments will not impact the borrower's ability to pay the mortgage during the months immediately after loan closing, especially if the borrower will have limited or no cash assets after loan closing, payments may be excluded from the DTI.
Asset Secured Loans	
Asset Secured Loans	Loans secured against the borrower's financial assets will be considered in reviewing the borrower's overall capacity to repay. • Loans should be included in calculating the borrower's ratios as an installment debt. • The monthly payments may be excluded from the DTI calculation if there are fewer than ten (10) monthly payments remaining to repay the debt in full. However, if the monthly payment is substantial and inclusion would result in an excessive DTI, underwriting discretion will be used to ensure that exclusion of that debt is reasonable under the circumstances. • Payments for loans secured against retirement/401(k) assets being are not considered an obligation. The monthly payment can be excluded from the borrower's liabilities.
Balloon Payment Notes	
Balloon Payment Notes	Balloon Payment Notes scheduled to begin or come due within 12 months of the mortgage loan closing, must be included by the lender as an anticipated monthly obligation during the underwriting analysis.
Bridge Loans	
Bridge Loans	Include bridge loan payments in the borrower's DTI. If payments are not scheduled on a monthly basis, at a minimum, use monthly interest payments.
Business Debt in Borrower's Name	
Business Debt in Borrower's Name	Business debts for which the Borrower is personally liable are included in the debt calculation up to the amount of the personal recourse. These debts include business paid personal debt, unless proof of payment by the business is established. These debts may be excluded from the DTI calculation if a minimum of twelve (12) months of consecutive canceled checks from the business are provided. If the account is new, it must be included in the DTI calculation, except in the following instance(s): • The new account took the place of an identical account that had at least a 12 month history of being paid for by the business (as indicated above). For example, the borrower has an auto lease that was paid for by their business for 12 months, and they are obtaining a new lease on a new auto. Proof of the first month's payment on the new debt must be included in the file.
Contingent Liabilities	
Contingent Liabilities	A contingent liability exists when an individual is held responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment. A contingent liability must be considered when the consumer remains obligated on an outstanding FHA-insured, VA-insured, or conventional mortgage secured by a property that: • Has been sold or traded within the last 12 months without a release of liability, or • Is to be sold on assumption without a release of liability being obtained When a mortgage is assumed, contingent liabilities need not be considered if the originating lender of the mortgage being underwritten obtains, from the servicer of the assumed loan, a payment history showing that the mortgage has been current during the previous 12 months, or the value of the property, as established by an appraisal or the sales price on the Settlement Statement/Closing Disclosure from the sale of the property, results in a loan-to-value (LTV) ratio of 75 percent or less

Co-Signed Loans	
Co-Signed Debts	Debts that have been co-signed by the Borrower may be excluded from the Borrower's DTI ratio under the following scenarios, provided that the debt has been paid currently and as agreed for at least the previous twelve (12) months. • A debt secured by property that has been bought out by the former co-owner (for example, in connection with a divorce). The file must include evidence of transfer of title to the former co-owner. • Debts required to be paid by someone other than the Borrower pursuant to a court order. A copy of the court order transferring liability for payments to another party is required to be in the file. • Co-signed accounts paid by a third party, with twelve months of cancelled checks evidencing payment by the third party. If none of these requirements can be satisfied, then the liability must be indicated on the application and considered as a monthly debt payment for mortgage loan eligibility purposes.
Home Equity Lines of Credit	

Home Equity Lines of Credit (HELOC)	Monthly payments on all Home Equity Lines of Credit must be included in the DTI ratio. The payment reported on the credit bureau should be used, except in the following instances:
	• When there is no payment on the credit bureau and the loan will not be entering its repayment period within 3 years (36 months) of the subject loan closing, then payment for DTI purposes should be based on the greater of:
	    o $20
	    o The payment as verified by the creditor
	    o The full credit line amortized over 20 years based on the margin and index specified in the note
	• When the HELOC is scheduled to enter its repayment period within 3 years (36 months) of the subject loan closing, then payment for DTI purposes should be based on the greater of:
	    o The Current payment
	    o The Full credit line amortized over 20 years based on the margin and index specified in the note
	
	For new subordinate financing the qualification payment must be based off of the fully indexed, fully amortized term of the subordinate financing for the full amount drawn at or before consummation of the loan.

Installment Debt	
Installment Debt	Installment Debt is the monthly obligation on accounts with fixed payments and terms (e.g., car loans, student loans, etc.). • The monthly payments may be excluded from the DTI calculation if there are fewer than ten (10) monthly payments remaining to repay the debt in full. • If there are fewer than ten documented payments remaining and the underwriter determines these payments will not impact the borrower's ability to pay the mortgage during the months immediately after loan closing, especially if the borrower will have limited or no cash assets after loan closing, payments may be excluded from the DTI • Installment loans may be paid off to qualify but may not be paid down to qualify.
Investment Gains and Losses	
Investment Gains and Losses	Average and include any net recurring loss on a cash investment or investment property as an expense in the DTI
Lease Payments	
Lease Payments	Lease obligations, regardless of the remaining lease term, are included in the DTI calculation
Revolving Debt	
Revolving Debt	Revolving debt is open ended debt of which the principal balance on an account may vary from month to month (e.g., department store credit cards). The minimum required payment as

	stated on the Credit Report or current statement should be used in calculating the DTI unless as noted below. If the credit report does not show a required minimum payment amount and there is no supplemental documentation to support a payment amount, the payment must be calculated as the greater of: • 5% of the outstanding balance; or • $10 Revolving debt may be paid off to qualify and the monthly payment excluded from the DTI. • Documentation must be provided to confirm the debt has been paid off • Debts may be paid off at closing and reflected on the final closing disclosure • Source of funds for payoff of a revolving debt must meet all applicable asset requirements as outlined in this profile
Student Loans	

Deferred Student Loans	All student loans, whether deferred, in forbearance, or in repayment (not deferred), must be included as a liability in the borrower's recurring monthly debt obligation when qualifying the borrower.
	• If a monthly payment is provided on the credit report, that amount may be used as the monthly payment for qualifying purposes.
	• If the credit report does not provide a monthly payment for the student loan, or if the credit report shows $0 as the monthly payment (which may be the case for deferred loans or loans in forbearance), the following must be utilized:
	  ○ 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or
	  ○ The fully amortizing payment using the documented loan repayment terms.
	If a student loan has been placed for collection and all seasoning requirements are met, a copy of the repayment agreement and proof of payment (showing 0x30x12) are required. This debt must be included in the borrower's DTI.

Timeshares	
Timeshares	Timeshares are to be treated as installment loans rather than mortgage debt, even if they are identified as mortgage debt on the credit report (or other documentation).
Unreimbursed Business Expenses	
Unreimbursed Business Expenses (URBE)	Unreimbursed business expenses must be deducted from qualifying income when calculating the debt to income ratio; a two-year average based on the borrower's tax returns should be utilized, unless debts are increasing, then the most recent tax year should be used.
6.7 Current Principal Residence Pending Sale	
Current Principal Residence Pending Sale	If the borrower's current principal residence is pending sale, but the transaction will not close with title transfer to the new owner prior to the new transaction, and the borrower is purchasing a new principal residence, the current PITIA and the proposed PITIA must be used in qualifying the borrower for the new mortgage loan. The property must be included in the list of Real Estate Owned and will require 2 months PITIA reserves in addition to the program requirements.
6.8 Borrowers Retaining their Current Residence	
Borrowers Retaining their Current Residence (Conversion of Primary Residence)	When a borrower is purchasing a new home and retaining his/her current residence, the underwriter should review the application and supporting documentation to determine if any red flags regarding occupancy are present and that the reserve/equity requirements are met. "Purchase / Keep" scenarios where the borrower is purchasing a new primary residence and retaining his/her current residence are subject to the following: • For all transactions, the borrower(s) must sign the Occupancy Affidavit Form prior to closing.

	• If the current primary residence is being converted to a second home, both the current and proposed mortgage payments must be used to qualify for the new loan; the current primary residence must meet the definition of a 2nd home as outlined in Section 3.1 Occupancy
	• If the current primary residence is being converted to an investment property, rental income may only be used and documented as outlined below:
	  ○ Relocations: The borrower is relocating with a new employer or being transferred by their current employer to an area not within reasonable and locally-recognized commuting distance
	    ▪ A properly executed lease of at least 12 month's duration following loan closing
	    ▪ Evidence of receipt and deposit of the security deposit and/or first month's rent
	  ○ Sufficient Equity: The borrower has a loan to value ratio of 75% or less as determined by:
	    ▪ a residential appraisal (1004, 1075 or 2055) that is no more than 6 months old from the time of application; or
	    ▪ the unpaid principal balance is less than or equal to 75% of the original documented purchase price.
	    ▪ A properly executed lease of at least 12 month's duration following loan closing
	    ▪ Evidence of receipt and deposit of the security deposit and/or first month's rent

Section 7: Assets	
7.1 Assets	

Assets	• Borrowers must have sufficient liquid assets for down payment, closing costs, and reserves. They must be sourced using the two most recent two (2) months statements or the most recent quarterly statement.
	• Full Asset Documentation is required for both funds to close and reserves in accordance unless specifically noted herein.
	• Verification of Deposit are not permitted to be used in lieu of bank/financial statements
	• If the latest financial institution records are more than 45 days earlier than the date of the loan application, the borrower must provide a more recent, supplemental or bank generated form that shows the account number, balance and date.
	• The records may be computer generated forms including online account or portfolio records downloaded from the Internet. Documents that are faxed to the lender or downloaded from the internet must clearly identify the name of the depository or investment institution and the source of the information – for example, by including that information in the internet or fax banner at the top of the document
	• Large disparities between the current balance and the opening balances may require additional verification or documentation.
	• Large or irregular deposits must be explained and documented. Large deposits are deposits greater than 50% of the loans qualifying income.
	  ○ Large deposits should be evaluated to ensure they are not a result of any new undisclosed debt(s)
	  ○ For refinance transactions documentation or explanation for large deposits is not required

7.2 Down payment, Closing Costs & Reserves	

Down payment, Closing Costs & Reserves	**Down payment**
	• On purchase transactions, the Borrower must make a minimum down payment with funds from his/her own resources. The amount of the minimum required down payment depends upon the occupancy of the subject property, documentation type and loan program.
	  ○ Primary Residence: a minimum of 5% of the lesser of the purchase price or the appraised value must be from the Borrower's own funds
	  ○ Second Home/Investment: all funds for down-payment must be the Borrower's own funds

	Reserves: Refer to Section 7.5 Cash Reserves for additional requirements Reserves are based on the monthly housing expense for a property. The required number of months of reserves is dependent on factors such as but not limited to the occupancy, loan purpose, type of property, and loan amount. The monthly housing expense for purposes of determining reserves includes the following: • Principal and interest (P&I); • Hazard, flood, and mortgage insurance premiums (as applicable); • Real estate taxes; • Ground rent; • Special assessments; • Any owners' association dues (including utility charges that are attributable to the common areas, but excluding any utility charges that apply to the individual unit); • Any monthly co-op corporation fee (less the pro rate share of the master utility charges for servicing individual units that is attributable to the borrower's unit); • Any subordinate financing payments on mortgages secured by the subject property. NOTE: Certain assets are discounted when used for reserves. Refer to the applicable asset type for additional information.
7.3 Acceptable Assets	
Checking & Savings	
Checking & Savings	• 100% of the funds held in a checking or savings account may be used for the down payment, closing costs, and financial reserves. • Any indications of borrowed funds must be investigated. They include recently opened accounts, recent large deposits, or account balances that are considerably greater than the average balance over the previous few months. • A written explanation of the source of funds from the borrower must be obtained and the funds must be verified. • Funds held jointly with a non-borrowing spouse are considered the Borrower's funds.
Business Assets	
Business Assets	If business funds are used for down payment, closing costs and/or reserves the following requirements must be met: • The borrower must be the sole proprietor or 100% owner of the business. • A maximum of 50% of the account balance may be used towards down payment, closing costs and reserves. • Large or irregular deposits must be explained and documented. Large deposits are deposits greater than 50% of the loans qualifying income. • The UW will review the tax returns of the business to determine any withdrawal of the funds will not have a negative impact on the business. Any significant withdrawal should be considered in relation to the overall strength of the borrower's company. • Funds deposited from the business into the borrower's personal account prior to loan application are considered personal funds. Funds should be sourced
Stocks, Stock Options, Bonds, and Mutual Funds	
Stocks, Stock Options, Bonds, and Mutual Funds	Stocks, government bonds, and mutual funds are acceptable sources of funds for the down payment, closing costs and reserves provided their value can be verified. Stock options may be an acceptable source of funds, but only for down payment and closing costs. Verify • The borrower ownership of the account or asset • The value of the asset at the time of sale or liquidation and • The borrower's actual receipt of funds realized from the sale or liquidation of the assets if the stocks, stock options, bonds and mutual funds will be used for the down payment or closing costs.

	Stocks and mutual funds When used for down payment or closing costs, NPF must determine the value of the asset at the time of sale or liquidation (net of any margin accounts) by obtaining either: • The most recent two months or most recent quarterly statement from the depository investment firm or • A copy of the stock certificate accompanied by documentation to evidence the stock price as of the application date • Receipt of funds must be verified to evidence the sale or liquidation with the following exception: o If the value of the asset is at least 20% more than the funds needed for the borrower's down-payment and closing costs, no documentation of liquidation is required • When used for reserves the current documented value of stocks and mutual funds may be used • Non vested restricted stock is ineligible. **Stock Options** • Vested stock options are an acceptable source of funds for down payment and closing costs if they are immediately available to the borrower. • The value of the vested stock options can be documented by o Referencing a statement that lists the number of options and the option price AND o Using the current stock price to determine the gain that would be realized from exercise of an option and the sale of the optioned stock • Vested stock options are not an acceptable source for reserves. • Non-vested stock options are not an acceptable source of funds for the down payment, closing costs or reserves. **Government Bonds** • The value of government bonds must be based on their purchase price unless the redemption value can be documented. • When used for reserves, the current value of bonds may be used
Trust Accounts	
Trust Accounts	Funds disbursed from a borrower's trust account are an acceptable source for the down payment, closing costs and reserves provided the borrower has immediate access to the funds. To document the trust funds: • Obtain written documentation of the value of the trust account from either the trust manager or the trustee; AND • Document the conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on the trust income used in qualifying the borrower for the mortgage
Retirement Accounts	
Retirement Accounts	• Vested funds from individual retirement accounts (IRA/Keogh accounts) and tax-favored retirement savings accounts (401(k) accounts) are acceptable sources of funds for down payment, closing costs, and reserves. • NPF must verify the ownership of the accounts and the borrower's actual receipt of the funds realized from the liquidation of the assets if needed to complete the transaction. • When funds from retirement accounts are used for reserves, NPF does not require the funds to be withdrawn from the account(s). However, NPF must exercise caution when considering retirement accounts as effective reserves because these accounts often feature significant penalties for early withdrawals, allow limited access, or have vesting requirements. • If the retirement assets are in the form of stocks, bonds, or mutual funds, 100% of the current value may be considered when using for reserves with the following exception:

	○ If the borrower is not at 59 ½ or older the value of the account should be reduced by 10% to account for an early withdrawal penalty. • If the retirement account only allows withdrawals in connection with the borrower's employment termination, retirement (unless the borrower is of retirement age), or death, NPF must not consider the vested funds as effective reserves.
Earnest Money Deposit	
Earnest Money Deposit	The deposit on the sales contract (earnest money) for the purchase of the security property is an acceptable source of funds for both the down payment and the closing costs. Verification of source of funds • If the deposit is being used as part of the borrowers minimum contribution requirement, the funds must be verified as being from an acceptable source • A request for Verification of Deposit may be used however, VOD's are not acceptable as a standalone documentation source, bank statements are always required • Financial institute records must be seasoned according to matrix requirements and must evidence that the average balance for this time was large enough to support the amount of the deposit. If a copy of the cancelled check is used to document the source of funds, the records must cover the period up to and including the date the check cleared the bank. • If it cannot be determined that these funds were withdrawn from the borrowers account, additional verification of the source and evidence that the funds have actually changed hands from the borrower to the seller, the realtor, the escrow agent or settlement attorney should be provided. • Large earnest money deposits or deposits that exceed the amount customary for the area should be closely evaluated. Receipt of the deposit must be verified by: • Copy of canceled check from acceptable source; • Copy of check not canceled with financial institute record(s) to evidence check cleared; • Evidence from the real estate broker (not the agent) that the funds were deposited into the broker's trust account (i.e., copy of broker's trust account statement); • Escrow agent/attorney's letter acknowledging receipt of funds.
Anticipated Sales Proceeds	
Anticipated Sales Proceeds	**Sales Proceeds from Real Estate Owned Pending Sale** • If the proceeds from the sale of a currently owned home are needed for the down payment and closing costs on the new house, the source of funds must be verified by obtaining a copy of the fully executed Closing Disclosure/Settlement Statement on the existing home before or simultaneously with the settlement of the new home, showing sufficient cash proceeds to consummate the purchase of the new home. **Corporate relocation plans** • When the borrower's employer assumes responsibility for paying off the existing mortgage in connection with a corporate relocation plan, obtain a copy of the executed buyout agreement to document the source of funds. A photocopy of a sales contract or a listing agreement is not considered an acceptable source of verification of proceeds from the sale.
Borrowed Funds Secured by an Asset	
Borrowed Funds Secured by an Asset	Borrowed funds secured by an asset are an acceptable source of funds for the down payment and closing costs since the borrowed funds represent a return of equity. Assets that may be used to secure funds include: • Automobile • Artwork • Collectibles • Real estate • Financial assets such as ○ Savings, Checking or CD accounts

	○ Stocks ○ Bonds ○ 401k When qualifying the borrower, the underwriter must consider the monthly payments for secured loans as a debt. If the secured loan doesn't require a monthly payment, calculate an equivalent amount and consider it a recurring debt. Loans secured against Retirement / 401(k) assets are not considered an obligation and can be excluded from the qualifying ratios. • Verification of the value of the asset must be provided • A copy of the note securing the financing must be provided • Evidence of the transfer of funds to the borrower must be provided • Evidence that the party providing the secured loan is not a party to the sale • Reduce the value of the remaining asset by the amount of the secured loan balance (financial assets only)
Credit Card Financing	
Credit Card Financing	In no case may credit card financing be used for down payment funds. Certain costs that may be paid early in the loan process may be paid via credit card. These costs include: • Appraisal • Lock in fee • Commitment fee • Credit report fee
Sale of Personal Assets	
Sale of Personal Assets	Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs and reserves provided the individual purchasing the asset is not a party to the property sale transaction or the mortgage financing transaction Documentation requirements required are: • Evidence the borrower owned the asset prior to sale • The value of the asset as determined by an independent and reputable source • A bill of sale or statement from the purchaser showing the transfer of ownership of the asset • Proof of the borrower's receipt of the sale proceeds from documents such as ○ Financial Institution Records ○ Copy of purchaser's cancelled check
1031 Exchange	
1031 Exchange	• Assets for the down payment from a "like-kind exchange," also known as a 1031 exchange, are eligible if properly documented and in compliance with Internal Revenue Code Section 1031. • Must be investment property • Copy of settlement statement from property being exchanged is required • Reverse 1031 exchanges are not permitted
Gift Funds	
Gift Funds	Gift Funds and Gifts of Equity are permissible sources of funds to be used towards a borrower's down payment and closing costs. • Borrower must have a minimum 5% of their own funds into the transaction unless the LTV/CLTV is 80% or less • Maximum LTV/CLTV for Gift of Equity transaction is 75% • Primary residence transactions only • Subordinate Financing is not permitted • **Gift funds cannot be used for reserves** • Must be from an immediate family member as follows: ○ Child, parent, or grandparent ▪ Child is defined as a son, stepson, daughter, or stepdaughter; ▪ A parent or grandparent includes a step-parent/grandparent or foster

	parent/grandparent ◦ Spouse or domestic partner (domestic partner must live with borrower) ◦ Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption ◦ Foster child ◦ Brother, stepbrother, sister, stepsister ◦ Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the borrower. ◦ Cousins and close family friends are not acceptable donors ◦ The donor may not be, or have any affiliation with, the builder, developer, the real estate agent, or any other interested party to the transaction. **Documentation Requirements** • Gifts must be evidenced by a letter signed by the donor, called a gift letter. The gift letter must ◦ Specify the dollar amount of the gift ◦ Specify the source of the gift ◦ Specify the date the funds were transferred ◦ Include the donors statement that no repayment is expected AND ◦ Indicate the donor's name, address, telephone number and relationship to the borrower • The lender must verify that sufficient funds to cover the gift are either in the donor's account or have been transferred prior to or at closing. Acceptable documentation includes any of the following: ◦ a copy of the donor's check and the borrower's deposit slip, ◦ a copy of the donor's withdrawal slip and the borrower's deposit slip, ◦ a copy of the donor's check to the closing agent, or ◦ proof of wire transfer from the donor's account to the borrower's Note: Source of funds for gifts must be consistent in all gift documentation. **Gifts of Equity** • A gift of equity refers to a gift provided by the seller of a property to the buyer. The gift represents a portion of the seller's equity in the property and is transferred to the buyer as a credit in the transaction. • A gift of equity is permitted for primary residences if: ◦ The sales price for the property is at market rate ◦ The acceptable donor and minimum borrower contribution requirements for gifts also applies to gifts of equity. **Gift of Equity-** A "gift of equity" refers to a gift provided by the seller of a property to the buyer. The gift represents a portion of the seller's equity in the property, and is transferred to the buyer as a credit in the transaction **Gift of Equity Requirements** • Maximum LTV/CLTV of 75% • Borrower must have 5% own funds into transaction • Signed gift letter meeting the same requirements noted above • Only permissible from immediate relative as described above • Closing Disclosure/settlement statement identifying gift of equity and amount If the requirements shown here are met, the gift of equity is not subject to the IPC requirements

7.4 Unacceptable Assets	
Unacceptable Assets	• Anticipated Savings • Bridge Loans • Cash-on-hand/Mattress Money • Digital Currency (ex. Bitcoin) • Donated funds in any form, such as cash or bonds donated by the seller, builder or selling agent outside of approved financing contributions in the Seller Concession • Donation from Equities • Employer Assistance • Funds from a Community Second Mortgage/Down Payment Assistance Program • Funds in a Custodial or "In Trust For" account • Gift funds which must be repaid in full or in part. • Gifts from seller-funded programs. • Individual Development Accounts (IDA's) • Net proceeds from a reverse 1031 exchange. • Personal, unsecured loans • Pooled Funds • Proceeds from a cash-out refinance cannot be used to meet reserve requirements • Rent Credits • Stocks held in an unlisted corporation • Sweat Equity (labor performed by the Borrower or goods or materials provided by the Borrower) • Trade Equity
7.5 Cash Reserves	

Cash Reserves	• Refer to eligibility matrix for base reserve requirements
	• Borrowers who own additional real estate must have:
	    ○ 2 months of reserves for each additional financed property owned including properties that are pending sale and will not be sold prior to the subject transaction closing.
	    ○ The PITIA is based on each individual properties respective PITIA.
	• Cash in hand from a cash-out refinance is not eligible to satisfy reserve requirements

7.6 Sales & Financing Concessions	

Sales & Financing Concessions	For purposes of determining the impact of costs paid by the seller of the subject property, or an interested third party, distinctions are made between financing concessions and sales concessions.
	
	Financing Concessions (Seller or Other Interested Party Paid Closing Costs)
	Financing concessions are considered to be funds originating from an interested party to pay closing costs on a purchase transaction. Allowable financing concessions include any of the following:
	• Permanent reductions in the interest rate on the mortgage loan;
	• Contributions related to the mortgage loan financing charges that traditionally would be paid by the Borrower, including but not limited to the payment of discount points, loan fees, commitment fees and/or origination fees, property taxes, and insurance escrows; or
	• Payment of the cost of other items traditionally paid by the Borrower, such as application fees, appraisal fees, transfer taxes, tax stamps, attorney fees, surveys, non-recurring closing costs and title insurance.
	
	Sales Concessions or Property Inducements
	• Sales Concessions are IPCs that take the form of non-realty items. They include:
	    ○ Cash
	    ○ Furniture
	    ○ Automobiles
	    ○ Decorator allowances

	○ Moving costs ○ Other giveaways ○ Financing concessions that exceed NPF limits The value of any sales concession must be deducted from the sales price or appraised value when calculating the LTV and CLTV ratios for underwriting and eligibility purposes. **Reviewing Concessions** • Interested Party Contributions (IPC's) are not permitted to be used to make the borrowers down payment, meet financial reserve requirements, or meet minimum borrower contribution requirements • Ensure that any and all IPC's are identified and taken into consideration • Provide the appraiser with all appropriate financing data and IPCs for the subject property granted by anyone associated with the transaction • Ensure that the property value is adequately supported • Ensure that the LTV/CLTV after any IPC's are taken into consideration remain within stated eligibility limits • Scrutinize all loan and sales contract documents (the sales contract, the GFE, the 1003, the appraisal report, the Settlement Statement/Closing Disclosure etc.) • Ensure that all elements of the Settlement Statement/Closing Disclosure were taken into consideration during the underwriting process • Ensure that fees and expenses are consistent between all documents. Analyze and resolve any discrepancies. **Ineligible Concessions** • Undisclosed IPCs ○ Examples of these types of contributions include but are not limited to: ▪ Moving expenses ▪ Payment of various fees on the borrowers behalf ▪ Silent second mortgages held by the property seller ▪ Other contributions that are given to the borrower outside of closing and are not disclosed on the Settlement Statement/Closing Disclosure • Temporary Interest Rate Buy-down • Payment Abatements ○ The payment of HOA fees is not considered abatement unless the payments extend for more than 12 months. The payment of HOA fees for 12 months or less is considered an interested party contribution.
7.7 Interested Party Contribution Limits	
IPC Limits	Interested party contributions (IPCs) are costs that are normally the responsibility of the property purchaser that are paid directly or indirectly by someone else who has a financial interest in or can influence the terms and the sale or transfer of, the subject property. Interested parties include, but are not limited to, the property seller, the builder/developer, the real estate agent or broker, or an affiliate who may benefit from the sale of the property and/or the sale of the property at the highest price possible. A lender or employer is not considered an interested party to a sales transaction unless it is the property seller or is affiliated with the property seller or another interested party to the transaction. **IPC Limits**

Occupancy	LTV/CLTV/HCLTV	Maximum IPC
Primary residence or Second Home	75.0% - 90%	6%
	75% or less	9%
Investment Property	All LTV/CLTV's	2%

Section 8: Program Details	
8.1 Age of Documentation	
Age of Documentation	Credit Report – Not to exceed 90 days old on the date the Note is signed Income – Oldest document not to exceed 90 days old on the date the Note is signed Assets – Oldest document not to exceed 90 days old on the date the Note is signed Appraisals: Not to exceed 120 days old on the date the Note is signed; appraisal updates are not permitted
8.2 Electronic Signatures	
Electronic Signatures	When signatures are required on initial disclosures and/or closing documents, New Penn Financial allows the use of electronic signatures in most cases. However, New Penn Financial always requires wet signatures on the following documents: • Note • Note Riders (if applicable) • Deed of Trust/Mortgage • Deed of Trust/Mortgage Riders (if applicable) • Notice of Right to Cancel • Any other transaction related documents that require a Notary acknowledgement or will be recorded; e.g. Patriot Act, Power of Attorney, State Specific Documents such as Texas 50(a)(6) loans When electronic signatures are used the appropriate, e-Consent documentation must be provided.
8.3 Escrow Holdbacks and Repair Requirements	
Escrow Holdbacks	Escrow holdbacks are allowed for weather related repairs on purchase transactions only. Renovations are limited to cosmetic only; it cannot affect the safety, soundness, or structural integrity of the property • Maximum $5,000 repair limit • Escrow withhold amount must be at least 1.5 times the cost of repairs ○ Example: $5,000 repairs x 1.5 = $7,500 total escrow withhold amount • Repairs must be completed within 60 days of the closing date • The subject property may be appraised ‘as is’ or ‘subject to repairs’; but the property condition must be in average condition or better.
8.4 Escrow Waivers	
Escrow Waivers	• Escrow waivers are permitted when the LTV is less than or equal to 80% or applicable state law permits. • Escrow waivers are not permitted if the transaction is a higher priced mortgage loan (HPML) and requires a minimum 5 year escrow period per Federal Regulations • Flood insurance escrow waiver is not permitted if the property is subject to flood insurance requirements. Exceptions will not be made
8.5 Exception Process	
Exception Process	Loans that do not fully comply with documented guidelines, policies, or procedures are known as “exceptions”. • Exceptions may be granted with the presence of strong compensating factors to mitigate any additional performance risks. • Exceptions must be submitted through the loan file’s underwriter to be reviewed and approved by an eligible designated member of the New Penn Financial leadership team. Exceptions may require special pricing, as determined on a case-by-case basis.
8.6 Excluded Parties Lists	
Excluded Parties Lists	All parties involved in each transaction are screened for inclusion on various lists, including without limitation: • Freddie Mac’s Exclusionary List; • GSA List of Excluded Parties • Office of Foreign Asset Control (OFAC); • Any prior-approved buyer’s internal exclusionary list

	If a match is determined, the loan may be ineligible. All name variations found throughout the loan file must be run when performing the searches. This requirement includes: • Borrowers • Seller • Builder • Third Party Originator (Broker/Correspondent) • Third Party Originator's Loan Officer • Listing Agent & Listing Company • Selling Agent & Selling Company • Title Agent • Title Company • Closing Attorney • Appraiser and Appraisal Company
8.7 Flood Insurance	

Flood Insurance	Flood insurance is required for any property located within any area designated by the Federal Emergency Management Agency (FEMA) as an Area of Special Flood Hazard. Such area is typically denoted as Flood Zone A or Zone V (coastal areas). Properties in Flood Zone A or V must be located in a community which participates in the FEMA program to be eligible for financing. Life of the loan coverage monitoring is required.
	
	Flood Certificate
	Determination whether a subject property is in a flood zone must be established by a Flood Certificate provided by the Federal Emergency Management Agency (FEMA). In addition, the appraisal report should accurately reflect the flood zone.
	
	Coverage and Deductibles
	If the subject property is located in a Special Flood Hazard Area, flood insurance is required. The amount of flood insurance must meet Fannie Mae requirements. The homeowner's association should provide a project blanket policy with coverage for the building in which the unit is located. Individual borrower flood insurance is not permitted to satisfy flood insurance requirements.
	
	Other requirements:
	• The flood insurance policy must contain New Penn Financial's Mortgagee Clause
	• Deductibles permitted up to the maximum deductible available under the National Flood Insurance Program (NFIP);
	• The Borrower name and the subject property must be on the flood insurance application or binder;
	• Evidence of coverage must be provided at closing; and
	• The insurance must be maintained throughout the duration of the loan. The flood insurance requirement may be waived if:
	  ○ The subject property improvements are not in the area of Special Flood Hazard, even though part of the land is in Flood Zone A or V; or
	  ○ The Borrower obtains a letter from FEMA stating that its maps have been amended such that the subject property is no longer in an area of Special Flood Hazard. The appraisal report should accurately reflect the flood zone.
	• Flood insurance must be escrowed. Exceptions are not permitted.

8.8 Hazard Insurance	
Hazard Insurance	The subject property must be protected (including when vacant) against loss or damage from fire and other perils within the standard extended coverage. The coverage amount should not be less than the insurable value of the improvements. If such insurable value cannot easily be

determined, then the coverage amount should be at least equal to the actual unpaid balance of the loan(s) secured by the property, or the insurer must indicate guaranteed replacement cost coverage. However, the terms of the coverage amount must fully compensate for any damage or loss on a replacement cost basis. In addition, homeowners insurance must meet the following requirements:

- Deductibles may not exceed 5% of the face amount of the insurance policy.
- The policy must contain the Borrower's name and the full address of the subject property
- The policy must be in effect at closing.
- The loan file must evidence the existence of homeowners insurance for the subject property. Acceptable proof would be front and back copy of canceled check, the Settlement Statement/Closing Disclosure showing payment and receipt for payment of the premium, the insurance binder or the insurance policy.
- In those states that require lenders to accept an insurance binder, the original policy must be received within 30 days after the date of the application.

Hazard insurance policies may include optional coverage(s) which are acceptable, but are not required. For example, a "homeowners" or "package" policy is acceptable as long as the Borrower is not obligated to renew any part of the coverage that exceeds the required coverage.

Required Coverage:
Most condominium projects have master or blanket policies that address the insurance requirements for each unit. Coverage requirements must meet Fannie Mae requirements. Each loan file must contain a copy of the blanket policy as well as a copy of the Evidence of Insurance that specifies the individual unit. Blanket policies may not permit:

- A blanket policy covering multiple unaffiliated condo associations or projects OR
- Self-insurance arrangements in which the HOA is self-insured or has banded together with unaffiliated associations to self-insure the general and limited common elements of various associations.

Special Endorsements
The requirements for endorsements are as follows:

- Inflation Guard Endorsement, when it can be obtained,
- Building Ordinance or Law Endorsement, if the enforcement of any building, zoning, or land- use law results in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs. (The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction.), and
- Steam Boiler and Machinery Coverage Endorsement, if the project has central heating or cooling. (This endorsement should provide for the insurer's minimum liability per accident to at least equal the lesser of $2 million or the insurable value of the building(s) housing the boiler or machinery.) In lieu of obtaining this as an endorsement to the commercial package policy, the project may purchase separate stand-alone boiler and machinery coverage.

A Special Condo Endorsement is required if the policy doesn't provide that:

- Any Insurance Trust Agreement is recognized and the right of subrogation against unit owners is waived.
- The insurance is not prejudiced by any acts or omissions of individual unit owners that are not under the control of the homeowners' association.
- The policy must be primary, even if a unit owner has other insurance that covers the same loss.

	Loss Payee <table><tr><th>COVERAGE TYPE</th><th>REQUIRED FOR NAME INSURED</th></tr><tr><td>Condo Projects</td><td>The policy must show the homeowners' association as the named insured. If the condo's legal documents permit it, the policy can specify an authorized representative of the homeowners' association, including its insurance trustee, as the named insured. The "loss payable" clause should show the homeowners' association or the insurance trustee as a trustee for each unit owner and the holder of each unit's mortgage loan.</td></tr><tr><td>PUD common areas</td><td>The policy must show the homeowners' association as the named insured.</td></tr></table>
8.9 Interest Credit	
Interest Credit	Permitted up to 5 calendar days into the month
8.10 Mortgagee Clause	
Mortgagee Clause	Shellpoint Mortgage Servicing ISAOA ATIMA PO Box 7050 Troy, MI 48007-7050
8.11 Mortgage Insurance	
Mortgage Insurance	Not Required
8.12 Prepayment Penalty	
Prepayment Penalty	Not permitted
8.13 Process to Add or Remove Borrowers	
Process to Add or Remove Borrowers	**Adding Borrowers** • Adding a borrower to a loan at any time during the loan process, unless the loan has received an adverse credit decision, is acceptable. When this occurs a new RESPA package will be sent out and cool off period will be 7 days. File should be submitted back to UW for review of additional borrower's information. **Removing Borrowers** • Removing a borrower from a loan is allowed only in the following scenarios ○ No credit decision has been made on the loan and borrower expresses desire to withdraw their name from the application ○ Loan has been approved with both borrowers as submitted and one borrower expresses desire to withdraw their name from the application. ▪ In both of the above scenarios - Request in writing from borrower should be placed in in the file supporting their desire to withdraw their name from the application. ▪ Detailed notes should also be placed in the loan file to eliminate any possible confusion with the file. • Removing a borrower from a loan is NOT allowed in the following scenarios ○ Loan is declined by underwriting ▪ In this scenario the loan would need to be adversed and a new application would need to be taken with only the 1 borrower. ○ Underwriting should not be issuing loan approvals with any type of condition that states 1 borrower needs to be removed. The loan should be declined and have a new application submitted with only the one borrower. **Exceptions** • Any exceptions to the above rules or scenarios not explained above should be submitted to New Penn Compliance for review

8.15 Title Insurance	
Title Insurance	Loans must be covered by an American Land Title Association mortgagee title insurance policy or other generally acceptable form of policy or insurance acceptable under the Fannie Mae Selling and Servicing Guides or Freddie Mac Sellers' and Servicers' Guide, issued by a title insurer generally acceptable under the Fannie Mae Selling and Servicing Guides or Freddie Mac Sellers' and Servicers' Guide insuring the Originator, its successors and assigns. The final policy must be paid in full, and valid, binding and in full force and effect with language evidencing the policy is transferable to the lender and its successors or assignees. An opinion of counsel will be accepted in lieu of title insurance in jurisdictions where this practice is considered to be usual and customary. In all instances the following criteria must be met: • Preliminary title report must be dated no more than 45 days prior to funding. Gap coverage or an updated title must be provided after such time. Gap coverage provided in written form will be good for an additional 60 days. • Preliminary title must indicate that the final title policy will be issued after funding. • Coverage to equal loan amount • The chain of title will be reviewed for flips as part of the underwriting process • Borrower name must be indicated on the title commitment • If borrower's marital status appears to be different than on Form 1003, the discrepancy must be addressed • Cross reference seller name to purchase agreement • Proposed insured must reflect lender's name **Title History Review** The following information outlines required documentation and/or acceptable sources to satisfactorily verify property ownership for at least 12 months. All files are to contain a 12-month title history from an acceptable source. Transfer date, price, and buyer and seller names on any title transfers that occurred within the previous 12 months. **Acceptable Sources for Title Transfer Verification** • Title commitments, preliminary title, full attorney's title opinion, short form title policy • Copies of recorded title transfer deed. • Third-party database sources such as Data Quick, SiteX TM, Appintell, History Pro. NOTE: The appraisal is not an acceptable source to support transfer information. Any requirements to obtain clear title and a clean title policy, such as Statements of Information or copies of Trust Agreements, must be cleared prior to closing. The preliminary policy or title commitment must indicate that the final title policy is to be issued after closing. **Acceptable Title Exceptions** (typically must not have an impact on the customary use, enjoyment, or appraised value or marketability of the subject property) • Customary public utility subsurface easements, the location of which is fixed and can be verified. The exercise of rights of easement must not have an impact on the customary use, enjoyment, or appraised value or marketability of the subject property. • Above-surface public utility easements that extend along one or more property lines for distribution purposes or along the rear property line for drainage, provided that they do not extend more than 12 feet from the subject property lines and do not interfere with any of the buildings or improvements or with the use of the subject property; restrictions, provided that their violation will not result in the forfeiture or reversion of title or a lien of

	any kind for damages, or have an adverse effect on the customary use, enjoyment, or appraised value or marketability of the subject property. • Mutual easement agreements that establish joint driveways or party walls constructed on the subject property and on an adjoining property, provided all future owners have unlimited and unrestricted use of them. • Encroachments of one (1) foot or less on adjoining property by eaves or other overhanging projections or by driveways provided there is at least a ten (10) foot clearance between the buildings on the subject property and the property line affected by the encroachments. • Encroachments on the subject property by improvements on adjoining property, provided that these encroachments extend one (1) foot or less over the property line of the subject property, have a total area of 50 square feet or less, do not touch any buildings, and do not interfere with the use of any improvements on the subject property or the use of the subject property not occupied by improvements. • Encroachments on adjoining properties by hedges or removable fences. • Liens for real estate or ad valorem taxes and assessments not yet due and payable. **Survey Requirements** If not insured against loss by title insurance, each loan file must contain a survey. Surveys must be certified, dated, and signed by the licensed civil engineer or registered surveyor performing the survey. The survey must conform to the Fannie Mae Selling and Servicing Guides or Freddie Mac Sellers' and Servicers' Guide. Surveys are always required on new constructions homes and are reviewed for: • Easements, encroachments and possible boundary violations • Dwelling location reflected on the survey • Unimproved land surveys are not acceptable • An elevation survey to confirm if the property is in a Flood Zone
Section 9: References	
9.1 Disclosures	
Disclosures	**Fair Lending Statement** New Penn Financial operates in strict compliance with the provisions of the Fair Housing Act and the Equal Credit Opportunity Act. The Fair Housing Act makes it unlawful to discriminate in housing related activities against any person because of race, color, religion, national origin, sex, handicap, or familial status. The Equal Credit Opportunity Act prohibits discrimination with respect to any aspect of a credit transaction on the basis of sex, race, color, religion, national origin, marital status, age (provided that the borrower has legal capacity to enter into a binding contract), receipt of public assistance, or because the borrower has in good faith exercised any right under the Consumer Credit Protection Act. New Penn Financial fully supports the letter and spirit of both of these laws and will not condone discrimination when it determines whether to purchase any particular loan. It should be noted, however, that all credit decisions with respect to all mortgage loans are made solely by the related originator, and New Penn Financial does not participate in such decisions. **Responsible Lending Statement** New Penn will not originate or purchase loans that are: (a) Mortgage Loans subject to 12 CFR Part 226.32 of Regulation Z, the regulation implementing the Home Ownership and Equity Protection Act of 1994, as amended, or (b) classified and/or defined, as a "high cost," "threshold," "predatory high risk home loan" or "covered" loan (or a similarly-classified loan using different terminology under a law imposing additional legal liability for mortgage loans having high interest rates, points and/or fees) under any other applicable federal, state or local law.
Section 10: Version Control	