

Conventional LMI Product Profile: Wholesale

Matrices

**FANNIE MAE (DU) STANDARD AND HIGH BALANCE ELIGIBILITY MATRIX**

FANNIE MAE FIXED RATE STANDARD AND HIGH BALANCE ELIGIBILITY					
Occupancy	Type	Property Type	Min. Credit Score	LTV	CLTV
Primary	Purchase	1 Unit	620	97%*	97%*
		2 Units	620	85%	85%
		3-4 Units	620	75%	75%

\* 95.01% - 97% LTV - High Balance loans are not eligible.

**FREDDIE MAC (LP) STANDARD AND SUPER CONFORMING ELIGIBILITY MATRIX**

FREDDIE MAC (LP) FIXED RATE AND SUPER CONFORMING						
Occupancy	Type	Property Type	Min. Credit Score	LTV	Max LTV with Sub Financing	CLTV
Primary	Purchase	1 Unit	620	95%	90%	95%
		2-4 Units	620	80%	75%	80%

**MANUFACTURED HOUSING ELIGIBILITY MATRIX – FANNIE MAE & FREDDIE MAC**

Manufactured Home Eligibility Requirements							
Occupancy	Transaction Type	Property Type	AUS	Term	Min. Credit Score	LTV	CLTV
Primary	Purchase	1 Unit	DU/LPA	Fixed	660	95%	95%

High Balance and Super Conforming loan balances are not eligible for manufactured housing

**CO-OP ELIGIBILITY MATRIX – FANNIE MAE & FREDDIE MAC**

Cooperative (Co-op) Share Eligibility Requirements						
Occupancy	Transaction Type	Property Type	Term	Min. Credit Score	LTV	CLTV <sup>1</sup>
Primary	Purchase	1 Unit	Fixed	620	95%	95%

1. Subordinate Financing not permitted

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## Section 1: Program Summary

### 1.1 Program Summary

**Program Summary**

NewRez’s Conventional LMI product is designed for creditworthy borrowers who are First Time Homebuyers purchasing a primary residence located within designated counties and state and meet certain income limits based on FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income as determined by FFIEC Geocoding System [FFIEC Geocoding System](#). The designated areas can be found in the [NewRez LMI Geographic Locations](#).

This Program Guide serves as a comprehensive summary of NewRez’s Underwriting requirements for the LMI product. Refer to applicable agency’s Selling Guide (FNMA or FHLMC) for any information not specified in this Product Profile.

### 1.2 Underwriting

**Income:** Borrowers monthly qualifying income may not exceed 80% of the FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income as determined by the location of the subject property being financed. FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income for the subject property’s location may be found by entering the property address in the [FFIEC Geocoding System](#) and selecting the “Census Demographic Data” button. 80% of the 2018 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income must be utilized.

Example: Maximum Median Income \$91,500 as determined by FFIEC. Maximum allowable income for qualifying  $\$91,500 \times 80\% = \$73,200$

Census	Income	Population	Housing
Tract Income Level			Upper
Underserved or Distressed Tract			No
2017 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income	\$91,500		
2017 Estimated Tract Median Family Income		\$128,283	
2010 Tract Median Family Income		\$122,162	
Tract Median Family Income %		140.20	
Tract Population		10193	
Tract Minority %		18.84	
Tract Minority Population		1920	
Owner-Occupied Units		3004	
1- to 4- Family Units		3506	

**Underwriting**

**Automated Underwriting:**  
Loans underwritten by Desktop Underwriter (DU) may follow the DU Underwriting Findings Report, except as outlined in this product profile. Loans underwritten by Loan Product Advisor (LPA) may follow LP Feedback Certificate, except as outlined in this product profile.

Regardless of underwriting method, additional information may be requested at the discretion of the underwriter.

**DU Findings:**  
An Approve/Eligible finding is required; if DU issues a warning for excessive DU runs, a written explanation must be provided by the originator.

**LPA Determination:**  
A Risk Classification of Accept is required

**Manual Underwriting:**  
Manual underwriting is not permitted. All loans must be approved through DU/LP.

With the exception of the overlays listed in this manual, agency guidelines should be followed.

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1.3 Ineligible Programs																		
Ineligible Programs	<ul style="list-style-type: none"> <li>• 1031 Reverse Exchange</li> <li>• Any type of refinance</li> <li>• FNMA Homestyle</li> <li>• FNMA MH Advantage</li> <li>• Land trusts are not eligible</li> <li>• Leaseholds secured by Indian/Tribal lands</li> <li>• Mortgage Credit Certificates (MCC)</li> <li>• Temporary Buydowns</li> <li>• Transactions where the loan originator is acting in another real estate related role with the following exceptions:               <ul style="list-style-type: none"> <li>○ Loan officers who are appropriately licensed in the state of CA or FL who are acting as the buyer's agent. A copy of the FL Disclosure of Conflict of Interest or CA Dual Capacity Disclosure is required to be provided by the broker.</li> </ul> </li> </ul>																	
Section 2: Transaction Details																		
2.1 Loan Limits																		
Loan Limits	<a href="https://www.fanniemae.com/singlefamily/loan-limits">https://www.fanniemae.com/singlefamily/loan-limits</a> <a href="http://www.freddiemac.com/singlefamily/news/2018/1127_loan_limits.html">http://www.freddiemac.com/singlefamily/news/2018/1127_loan_limits.html</a>																	
2.2 Eligible Terms and Programs																		
Eligible Terms & Programs	<table border="1"> <thead> <tr> <th colspan="2">Loan Programs</th> </tr> <tr> <th>Term</th> <th>Product Name</th> </tr> </thead> <tbody> <tr> <td rowspan="13">30 Year Fixed</td> <td>2000 FNMA 30 Yr Fixed - LMI</td> </tr> <tr> <td>2000 FNMA 30 Yr Fixed High Balance - LMI</td> </tr> <tr> <td>3000 FHLMC 30 Yr Fixed - LMI</td> </tr> <tr> <td>3000 FHLMC 30 Yr Fixed Super Conforming - LMI</td> </tr> <tr> <td>2000 FNMA 30 Yr Fixed LPMI - LMI</td> </tr> <tr> <td>2000 FNMA 30 Yr Fixed LPMI High Balance - LMI</td> </tr> <tr> <td>3000 FHLMC 30 Yr Fixed LPMI - LMI</td> </tr> <tr> <td>3000 FHLMC 30 Yr Fixed LPMI Super Conforming - LMI</td> </tr> <tr> <td>CONF Fixed 30 Yr - LMI</td> </tr> <tr> <td>CONF Fixed 30 Yr (LPMI) - LMI</td> </tr> <tr> <td>CONF LP Fixed 30 Yr (LPMI) - LMI</td> </tr> <tr> <td>CONF LP Fixed 30 Yr - LMI</td> </tr> </tbody> </table>	Loan Programs		Term	Product Name	30 Year Fixed	2000 FNMA 30 Yr Fixed - LMI	2000 FNMA 30 Yr Fixed High Balance - LMI	3000 FHLMC 30 Yr Fixed - LMI	3000 FHLMC 30 Yr Fixed Super Conforming - LMI	2000 FNMA 30 Yr Fixed LPMI - LMI	2000 FNMA 30 Yr Fixed LPMI High Balance - LMI	3000 FHLMC 30 Yr Fixed LPMI - LMI	3000 FHLMC 30 Yr Fixed LPMI Super Conforming - LMI	CONF Fixed 30 Yr - LMI	CONF Fixed 30 Yr (LPMI) - LMI	CONF LP Fixed 30 Yr (LPMI) - LMI	CONF LP Fixed 30 Yr - LMI
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	2.3 Eligible Transactions																	
Eligible Transactions	Purchase																	
2.4 Principal Curtailments/Reductions																		
Principal Curtailments-Reductions	Permitted; follow agency guidance																	
2.5 Subordinate Financing																		
Subordinate Financing	<p>Subordinate liens are permitted within the max CLTV tolerances noted in the Conventional matrix. A copy of the subordinating Note, Mortgage/Deed and Subordination Agreement is also required.</p> <p>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. The qualifying payment is the payment evidenced on the credit report or for new draws the periodic payment required under the terms of the plan and the amount of credit to be drawn at or before consummation of the covered transaction.</p> <p><b>Fannie Mae DU:</b> Eligible Subordinate Financing is allowed per the LTV/CLTV tables</p>																	

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	<p><b>Freddie Mac LP:</b> Loans with eligible secondary financing require a 5% LTV reduction from the maximum LTVs listed in the matrix.</p> <p>Subordinate Financing not permitted on Co-ops</p>
<b>2.6 Manufactured Homes</b>	
<p>Manufactured Homes</p>	<p>A Manufactured Home is a dwelling unit built on a permanent chassis and attached to a permanent foundation system. Refer to applicable agency’s Selling Guide (FNMA or FHLMC) for any information not specified in this Product Profile.</p> <p>The manufactured home must be built in compliance with:</p> <ul style="list-style-type: none"> <li>• the Federal Manufactured Home Construction and Safety Standards that were established June 15, 1976, as amended and in force at the time the home is manufactured; and</li> <li>• Additional requirements that appear in HUD regulations at 24 C.F.R. Part 3280.</li> </ul> <p>Compliance with these standards will be evidenced by the presence of both a HUD Data Plate and the HUD Certification Label. If the original or alternative documentation cannot be obtained for both the Data Plate/Compliance Certificate and the HUD Certification Label, the loan is not eligible for delivery to Fannie Mae.</p> <p>The HUD Data Plate/Compliance Certificate is a paper document located on the interior of the subject property that contains, among other things, the manufacturer’s name and trade/model number. In addition to the data required by Fannie Mae, the Data Plate includes pertinent information about the unit, including a list of factory-installed equipment. The HUD Certification Label, sometimes referred to as a HUD “seal” or “tag,” is a metal plate located on the exterior of each section of the home. The Manufactured Home Appraisal Report (Form 1004C) must show evidence of both the HUD Data Plate/Compliance Certificate and the HUD Certification Label.</p> <p>As an alternative to the original HUD Certification Label, the lender may be able to obtain a verification letter with the same information contained on the HUD Certification Label from the Institute for Building Technology and Safety (IBTS). A duplicate HUD Data Plate/Compliance Certificate may be available from IBTS or by contacting the In-Plant Primary Inspection Agency (IPIA) or the manufacturer. (A list of IPIA offices is posted on HUD’s website.)</p> <ul style="list-style-type: none"> <li>• The unit must not have been previously installed or occupied at any other site or location, except from the manufacturer or the dealer’s lot as a new unit.</li> <li>• The manufactured home must be a one-unit dwelling unit that is legally classified as real property and taxed and titled as such. Homes that have not yet been taxed and titled as real property are not permitted</li> <li>• The towing hitch, wheels, and axles must be removed. The dwelling must assume the characteristics of site-built housing.</li> <li>• The borrower must own the land on which the manufactured home is situated in fee simple</li> <li>• Unit must be double wide, at least 12 feet wide and have a minimum of 600 square feet of gross living area.</li> <li>• The manufactured home must be attached to a permanent foundation system in accordance with the manufacturer’s requirements for anchoring, support, stability, and maintenance.</li> <li>• The foundation system must be appropriate for the soil conditions for the site and meet local and state codes</li> </ul>

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	<ul style="list-style-type: none"> <li>• The manufactured home must be permanently connected to a septic tank or sewage system, and to other utilities in accordance with local and state requirements</li> <li>• If the property is not situated on a publicly dedicated and maintained street, then it must be situated on a street that is community owned and maintained, or privately owned and maintained.</li> <li>• There must be adequate vehicular access and there must be an adequate and legally enforceable agreement for vehicular access and maintenance.</li> <li>• Manufactured homes that have been structural modified or have an addition are ineligible</li> </ul>
<p><b>Section3: Borrower Eligibility</b></p>	
<p><b>3.1 Borrower Eligibility</b></p>	
<p>Borrower Eligibility</p>	<ul style="list-style-type: none"> <li>• There can be no more than 4 borrowers per loan.</li> <li>• All borrowers must have valid and verifiable Social Security Numbers, as well as a valid driver’s license, state-issued ID or passport. Other forms of taxpayer identification are not allowed.</li> <li>• The primary borrower(s) must be First Time Homebuyer(s)</li> <li>• Income for qualifying borrower(s) must not exceed 80% of the FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income as determined by FFIEC Geocoding System <a href="#">FFIEC Geocoding System</a></li> </ul>
<p><b>3.2 Occupancy</b></p>	
<p>Occupancy</p>	<p>Eligible occupancy types include:</p> <ul style="list-style-type: none"> <li>• Primary residences for 1-4 unit properties</li> </ul>
<p><b>3.3 Non-Occupant Co-Borrowers</b></p>	
<p>Non-Occupant Co-Borrowers</p>	<ul style="list-style-type: none"> <li>• Non-Occupant Co-Borrower loans maybe run through either DU or LP.</li> <li>• NewRez applies the following overlays to Non-Occupant Co-Borrower loans:             <ul style="list-style-type: none"> <li>○ The non-occupant co-borrower may not be an interested party to the sales transaction, such as the property seller, builder, or real estate broker.</li> </ul> </li> <li>• Non-occupant co-borrowers are not required to be on title.</li> </ul>
<p><b>3.4 Power of Attorney</b></p>	
<p>Power of Attorney</p>	<p>The use of a Power of Attorney must be approved by NewRez’s Underwriting and Legal teams. Generally, a Power of Attorney may be used for closing in the following scenarios:</p> <ul style="list-style-type: none"> <li>• <b>Incapacitated Borrower</b> - the borrower is incapacitated and therefore unable to sign documents due to disability, legal incapability, or he/she lacks the physical ability;             <ul style="list-style-type: none"> <li>○ Incapacitated borrowers must occupy the property as their primary residence; the underwriter must validate occupancy and review for red flags within the loan file;</li> <li>○ 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.</li> </ul> </li> <li>• <b>Military Personnel</b> - the borrower is currently deployed or stationed overseas and is unable to sign documents or attend closing;</li> <li>• <b>Hardship Circumstance</b> - 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.             <ul style="list-style-type: none"> <li>○ POA will not be permitted for borrowers that are on vacation</li> </ul> </li> <li>• <b>Government Contractor</b> – the borrower is employed by the government and currently working overseas             <ul style="list-style-type: none"> <li>○ A letter from the borrower’s employer is required to verify overseas travel</li> </ul> </li> <li>• <b>Business Reasons</b> – permitted on Purchase when the spouse has Power of Attorney for the unavailable borrower</li> </ul> <p>There are two (2) acceptable types of power of attorney. The following persons may sign security instruments on a borrower’s behalf:</p>

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	<ul style="list-style-type: none"> <li>• <b>Specific</b> - 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;</li> <li>• <b>General Military</b> - this type of POA is generally used in situations where a borrower or his/her spouse may be deployed or is on active duty.</li> </ul> <p>All loan files wishing to utilize a power of attorney require the following:</p> <ul style="list-style-type: none"> <li>• A Letter of Explanation from the borrower advising why the loan is closing with a POA</li> <li>• Completed and Signed POA Form</li> </ul>
<b>3.5 Living Trust (Inter Vivos Revocable Trust)</b>	
Living Trust (Inter Vivos Revocable Trust)	<p>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 NewRez legal prior to Loan Approval.</p> <p>To determine whether or not the Trust meets all the criteria required by State and investor standards, one of the following will be required:</p> <ul style="list-style-type: none"> <li>• A copy of the trust document must be included in the file</li> <li>• Exception: California, where a current (less than 1 year old) trust certification completed by the borrower may provide in lieu of the full trust document. If this certification is incomplete or contrary to title results, the full trust documentation may still be required.</li> </ul>
<b>3.6 Non-Arm's Length Transactions</b>	
Non-Arm's Length Transactions (At-Interest Transactions)	<p>Follow agency guidelines with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Regardless of loan program, short sale transactions and flips are not permitted</li> <li>• Transactions where the loan originator is acting in another real-estate related role are prohibited.</li> </ul>
<b>3.7 Ineligible Borrowers</b>	
Ineligible Borrowers	<ul style="list-style-type: none"> <li>• Borrowers without a valid SSN (ITINs are not accepted)</li> <li>• Borrowers with Deferred Action for Childhood (DACA) approval (EAD Category C33)</li> <li>• Borrowers with Diplomatic Immunity</li> <li>• Employees/Principals/Owners NewRez Third Party Originators; related parties (family members) are eligible so long as they are not employed, in any capacity, by the submitting broker/correspondent</li> <li>• Individuals on the LPD/GSA exclusionary lists</li> </ul>
<b>3.8 Maximum # of Financed Properties</b>	
Maximum # of Financed Properties	<p>The primary borrower(s) must be First Time Homebuyer(s) and may not own any additional real estate. When a non-occupant co-borrower is a borrower on the loan additional real estate owned by the co-borrower is permitted in accordance with Fannie Mae or Freddie Mac requirements</p>
<b>3.9 Multiple Mortgages to the Same Borrower</b>	
Multiple Mortgages to the Same Borrower	<p>NewRez will finance no more than one (1) property for any one borrower</p>
<b>Section 4: Collateral</b>	
<b>4.1 Eligible Properties</b>	
Eligible Properties	<ul style="list-style-type: none"> <li>• All properties must be located in an eligible census tract appearing on the NewRez LMI Geographic Eligibility List</li> <li>• Attached/Detached SFRs</li> <li>• Attached/Detached PUDs</li> <li>• Low/Mid/High-Rise Condos and site Condos</li> <li>• 2-4 Unit Properties</li> <li>• Co-op</li> </ul>

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	<ul style="list-style-type: none"> <li>○ Must appear on the <a href="#">NewRez LMI Geographic Locations</a> and</li> <li>○ Limited to the 5 boroughs of New York, Nassau, Rockland, Suffolk and Westchester counties in New York</li> <li>○ Bergen, Essex and Hudson County New Jersey</li> <li>○ 1-unit only</li> <li>○ Co-op loans must be underwritten by NewRez’s Project Review Department</li> <li>● Modular Homes (these are not considered to be manufactured and are eligible under the guidelines for 1-unit properties)</li> <li>● <a href="#">Hobby Farms</a> as defined below</li> </ul> <p><b>Mixed Use Properties:</b> For mixed use properties, originators may follow agency guidelines with the exception that the square footage of commercial part of the property cannot exceed 25% of the total square footage</p> <p><b>Deed Restricted Properties:</b> All deed restricted properties must be reviewed and approved prior to loan approval; all agency requirements must be met.</p> <p><b>Manufactured Homes: (Refer to Section 2.7 for additional requirements)</b></p> <ul style="list-style-type: none"> <li>● 1-unit single family detached</li> <li>● Doublewide only</li> <li>● Minimum 600 square feet of living space</li> <li>● Manufactured after June 15, 1976</li> <li>● The following manufactured home types are not permitted             <ul style="list-style-type: none"> <li>○ Condo</li> <li>○ Coop</li> <li>○ Mixed used</li> <li>○ Leasehold of any kind</li> <li>○ Deed restricted</li> <li>○ Properties not taxed and titled as real property</li> <li>○ Properties not permanently affixed to the foundation or have the towing hitch, wheels and axles</li> <li>○ Properties less than 12 feet wide</li> <li>○ Properties without HUD Data Please or HUD Certification label</li> <li>○ Newly constructed manufactured homes not yet attached to the land, not yet constructed or not yet titled and taxed as real property</li> <li>○ Hobby farms</li> </ul> </li> </ul>
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**4.2 Condos**

<p>Condos</p>	<p>Condominiums must meet the following requirements.</p> <ol style="list-style-type: none"> <li>1) Fannie Mae or Freddie Mac project eligibility standards             <ul style="list-style-type: none"> <li>● <a href="https://www.fanniemae.com/singlefamily/project-eligibility">https://www.fanniemae.com/singlefamily/project-eligibility</a></li> <li>● <a href="http://www.freddiemac.com/singlefamily/factsheets/sell/condo_projects.html">http://www.freddiemac.com/singlefamily/factsheets/sell/condo_projects.html</a></li> </ul> </li> <li>2) Project review is not required for the following. Project Review Department will review master insurance and waive the applicable project review conditions. No HOA certification is required.             <ul style="list-style-type: none"> <li>● Fannie Mae PERS approved projects</li> <li>● Detached condos. Project Review Department to verify subject unit is detached.                 <ul style="list-style-type: none"> <li>○ Special Feature Code 588 is required for condos approved as Fannie Mae.</li> </ul> </li> <li>● Two- to four-unit condo projects                 <ul style="list-style-type: none"> <li>○ Project Review Department to verify subject unit is a two- to four-unit.</li> </ul> </li> </ul> </li> <li>3) Projects requiring review: Findings must provide for the following review types:             <ul style="list-style-type: none"> <li>● DU/DO scored</li> </ul> </li> </ol>
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	<ul style="list-style-type: none"> <li>○ Limited Review</li> <li>○ CPM/Full Lender Review             <ul style="list-style-type: none"> <li>▪ Approval is valid for 90 days; after 90 days an updated Questionnaire and any other expired documentation must be provided</li> <li>▪ Required for new construction projects</li> </ul> </li> <li>● LPA scored             <ul style="list-style-type: none"> <li>○ Streamlined Review</li> <li>○ Established Condominium Projects</li> <li>○ New Condominium Projects</li> <li>○ Reciprocal Project Reviews</li> </ul> </li> </ul> <p><b>New or Recently Converted Condos, Subdivisions or PUDs</b></p> <ul style="list-style-type: none"> <li>● If there are no closed or settled sales inside the subject project, pending or under contract sales from the subject subdivision or project may be used as comparable sales as follows:             <ul style="list-style-type: none"> <li>○ DU scored:                 <ul style="list-style-type: none"> <li>▪ Subdivisions or projects with 5 or more units:                     <ul style="list-style-type: none"> <li>● Two of the comparable sales used must be pending (under contract) sales from the subject subdivision <b>and</b> three additional closed/settled comparable sales from outside the subject subdivision or project must also be used by the appraiser.</li> </ul> </li> <li>▪ Subdivisions or projects with 2-4 units:                     <ul style="list-style-type: none"> <li>● One of the comparable sales used must be a pending (under contract) sale from the subject subdivision or project (two if available); <b>and</b> three additional closed/settled comparable sales from outside the subject subdivision or project must also be used by the appraiser.</li> </ul> </li> </ul> </li> <li>○ LPA scored:                 <ul style="list-style-type: none"> <li>▪ One of the comparable sales used must be a pending (under contract) sale from the subject subdivision or project; <b>and</b> three additional closed/settled comparable sales from outside the subject subdivision or project must also be used by the appraiser.</li> <li>▪ In the event the subject subdivision or project is so new that a closed sale or a contract sale is not available, comparable sales from outside the subject subdivision or project may be used. However, the appraiser must comment on the marketability of the new subdivision or project and justify and support the use of the comparable sales from outside the new subdivision or project.</li> </ul> </li> </ul> </li> </ul> <p><b>Condos – Florida (Must be in <a href="#">NewRez LMI Geographic Locations</a>):</b></p> <ul style="list-style-type: none"> <li>● New and newly converted condos require PERS approval (Section B4-2.2-12)</li> <li>● PERS approval or a CPM/Lender Full Review may be used on established condo projects up to the matrix maximum LTVs (Section B4-2.2-12)</li> <li>● Limited review on Existing Condos- LTV max is 75% primary</li> </ul> <p><b>Ineligible Condo Characteristics</b></p> <ul style="list-style-type: none"> <li>● Non-Incidental Business income more than 10%, up to 15% under expanded guidelines eligible by Fannie/Freddie</li> <li>● Live-work projects that do not meet Fannie/Freddie</li> <li>● Litigation that does not meet Fannie/Freddie eligibility exception guidelines</li> <li>● Priority lien exceeds Fannie/Freddie guidelines</li> <li>● Single Entity greater than             <ul style="list-style-type: none"> <li>○ projects with 2 to 4 units – 1 unit</li> <li>○ projects with 5 to 20 units – 2 units</li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>○ projects with 21 or more units             <ul style="list-style-type: none"> <li>▪ 25% for LPA scored loans</li> <li>▪ 20% for DU scored loans</li> </ul> </li> <li>● Commercial space exceeds 35%             <ul style="list-style-type: none"> <li>○ Commercial parking facilities may be excluded from the calculation for DU scored loans only</li> </ul> </li> <li>● Manufactured housing condo projects</li> <li>● Newly converted non-gut rehabilitation projects that are not PERS approved</li> <li>● New or Newly Converted projects in Florida that are not PERS approved</li> <li>● Projects with upfront or periodic membership fees for use of recreational amenities</li> <li>● A project may not be operated or managed as a hotel, motel, or similar commercial entity as evidenced by meeting one or more of the following criteria:             <ul style="list-style-type: none"> <li>○ The HOA is licensed as a hotel, motel, resort, or hospitality entity.</li> <li>○ The HOA or projects legal documents restrict owners' ability to occupy the unit during any part of the year.</li> <li>○ The HOA or project's legal documents require owners to make their unit available for rental pooling (daily or otherwise).</li> <li>○ The HOA or the project's legal documents require unit owners to share profits from the rental of units with the HOA, management company, or resort, or hotel rental company.</li> <li>○ The following characteristics are red flags and may indicate the project is operating as a hotel or motel, which warrant further investigation.                 <ul style="list-style-type: none"> <li>▪ Names that include the word "Resort", "Club", "hotel" or "motel"</li> <li>▪ Hotel or motel conversions (or conversion of other similar transient properties)</li> <li>▪ Projects that include hotel type services and characteristics such as registration services, rentals of units on a daily basis, daily cleaning services, central telephone service, central key systems and restrictions on interior decorating</li> </ul> </li> </ul> </li> </ul> <p><b>Short-Term Rentals:</b>            A Short Term Rental (generally a rental period less than 30 days) doesn't disqualify a project from approval as long as the home owner's association has absolutely no involvement in the facilitation of renting of units on a short term basis.</p> <p>Typically, units that are being advertised for nightly or weekly rentals through any of the following sources are acceptable:</p> <ul style="list-style-type: none"> <li>▪ Rental Agency</li> <li>▪ Vacation Club</li> <li>▪ Third Party Management Company</li> <li>▪ VRBO</li> <li>▪ Individual Unit Owners</li> </ul>
<b>4.3 Coops</b>	
<p>Co-ops</p>	<p><b>(Must be in <a href="#">NewRez LMI Geographic Locations</a>):</b></p> <ul style="list-style-type: none"> <li>● Co-ops within the New York City Metro Area</li> <li>● New York: Kings, Nassau, Queens, Richmond, Suffolk and West Chester</li> <li>● Loan must close with one of the two approved Co-op closing attorneys             <ul style="list-style-type: none"> <li>○ Abrams Garfinkel Margolis Bergson LLP or</li> <li>○ Ferro, Kuba, Mangano, Skylar PC.</li> </ul> </li> <li>● 1-unit only</li> <li>● Primary purchase</li> <li>● Full project review required (limited reviews not permitted)</li> <li>● Subordinate Financing permitted with Maximum LTV 90%</li> <li>● Refer to eligibility matrix for maximum LTV and FICO requirements</li> </ul>

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	<ul style="list-style-type: none"> <li>• Note: Individual Co-op boards may impose more restrictive LTVs which will be determined in the review of the Co-op project</li> <li>• if the LTV/TLTV/HTLTV ratio is greater than 75 percent and the value is \$1,000,000 or greater, a field review report is required</li> <li>• On approved Co-ops, NewRez will allow up to 20% lender exposure</li> <li>• A Co-op approval is valid for 90 days; after 90 days a Questionnaire and any other expired documentation must be provided.</li> <li>• Subordinate Financing not permitted</li> </ul> <p><b>Ineligible Co-op Characteristics</b></p> <ul style="list-style-type: none"> <li>• Investment property co-op transactions</li> <li>• New Projects where the seller is offering sale or financing structures in excess of Fannie Mae/Freddie Mac eligibility policies for individual mortgage loans</li> <li>• Projects with upfront or periodic membership fees for use of recreational amenities</li> <li>• Projects operating as a hotel/motel.</li> <li>• Live-work projects that do not meet Fannie/Freddie</li> <li>• Litigation that does not meet Fannie/Freddie eligibility exception guidelines</li> <li>• Single Entity greater than             <ul style="list-style-type: none"> <li>○ projects with 2 to 4 units – 1 unit</li> <li>○ projects with 5 to 20 units – 2 units</li> <li>○ projects with 21 or more units                 <ul style="list-style-type: none"> <li>▪ 10% for LPA scored loans</li> <li>▪ 20% for DU scored loans</li> </ul> </li> </ul> </li> <li>• Multi-dwelling unit projects that permit an owner to hold title or stock ownership to more than one dwelling unit on a single deed</li> <li>• Commercial space exceeds             <ul style="list-style-type: none"> <li>○ 25% for LPA scored loans</li> <li>○ 35% for DU scored loans                 <ul style="list-style-type: none"> <li>▪ Commercial parking facilities may be excluded from the calculation for DU scored loans only</li> </ul> </li> </ul> </li> <li>• Manufactured housing projects</li> <li>• Newly converted non-gut rehabilitation projects that are not PERS approved</li> <li>• Limited Equity Co-ops</li> <li>• Developer retained ownership interest other than unsold units</li> <li>• Leasehold not permitted</li> <li>• Detached (Land Co-ops)</li> </ul>
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**4.4 Hobby Farms**

<p>Hobby Farms</p>	<p>NewRez will accept properties that may have an additional use as a “hobby farm”. Examples of this would be a semi-rural or rural property, residential in nature, where some of the acreage is used to grow grapes, have a small orchard, or a small barn and riding rings, etc. The requirements for the property to be considered are:</p> <ul style="list-style-type: none"> <li>• Property must be residential in nature, and an owner occupied SFR only</li> <li>• Appraiser must state property’s highest and best use is as Residential and supply photos of the non-residential use</li> <li>• Property must be appraised as residential real estate, with commercial/agricultural value not included in the appraiser’s market value; appraiser must comment on any affect the commercial/agricultural use has on marketability and compatibility with the subject’s neighborhood; the market value of the property is primarily a function of its residential characteristics rather than of the business use</li> <li>• Agricultural use should generally not exceed 20% of the total acreage</li> </ul>
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	<ul style="list-style-type: none"> <li>Minimal outbuildings, such as small barns or stables, that are of relatively insignificant value in relation to the total appraised value, provided the outbuildings are typical of other residential properties in the subject area, and the appraiser can demonstrate (via comparable sales) that there is an active, viable market</li> <li>Significant outbuildings, such as silos, large barns, storage areas, or facilities for farm-type animals may indicate that property is agricultural in nature, and regardless of whether the appraiser assigns a value, would be ineligible for financing</li> <li>Income generated (gross, not net) should be minimal. (this is more telling than a loss, because any loss is probably a write-off of more than just the hobby itself) <i>Any loss must be considered in the DTI</i></li> <li>Commercial use should not result in any significant alterations</li> <li>The commercial/agricultural use must be allowed by zoning and the subject must conform to zoning.</li> </ul>
<p><b>4.5 Ineligible Properties</b></p>	
<p>Ineligible Properties</p>	<ul style="list-style-type: none"> <li>Condotels</li> <li>Manufactured Homes that are condo, leasehold or coop</li> <li>Geodesic Domes, Berms, Earth homes</li> <li>Properties / land held in a life estate</li> <li>Properties encumbered with private transfer fee covenants (title, sales contract or final CD should be evaluated to confirm)</li> <li>Properties which are subject to a right of redemption (permitted in retail)</li> <li>Properties appraised with a property condition of C5 or worse</li> <li>Second Homes</li> <li>Investment properties</li> </ul>
<p><b>4.6 Appraisals</b></p>	
<p>Appraisals</p>	<p>All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR).</p> <ul style="list-style-type: none"> <li>All loan files require a full appraisal or Appraisal Waiver (as permitted by the AUS)             <ul style="list-style-type: none"> <li>A field review is required on FNMA High Balance and FHLMC Super Conforming Loans when the appraised value is equal to or greater than \$1,000,000 and the LTV/CLTV is greater than 75%</li> </ul> </li> <li>Appraisal must be completed by a Certified appraiser from an NewRez approved AMC or be approved as an appraisal transfer from another lender</li> <li>Copy of the appraiser's licensee must be included in all funded loan files</li> </ul> <p><b>New or Recently Converted Condos, Subdivisions or PUDs</b></p> <ul style="list-style-type: none"> <li>If there are no closed or settled sales inside the subject project, pending or under contract sales from the subject subdivision or project may be used as comparable sales as follows:             <ul style="list-style-type: none"> <li>DU scored:                 <ul style="list-style-type: none"> <li>Subdivisions or projects with 5 or more units:                     <ul style="list-style-type: none"> <li>Two of the comparable sales used must be pending (under contract) sales from the subject subdivision <b>and</b> three additional closed/settled comparable sales from outside the subject subdivision or project must also be used by the appraiser.</li> </ul> </li> <li>Subdivisions or projects with 2-4 units:                     <ul style="list-style-type: none"> <li>One of the comparable sales used must be a pending (under contract) sale from the subject subdivision or project (two if available); <b>and</b> three additional closed/settled comparable sales from outside the subject subdivision or project must also be used by the appraiser.</li> </ul> </li> </ul> </li> <li>LPA scored:</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>▪ One of the comparable sales used must be a pending (under contract) sale from the subject subdivision or project; <b>and</b> three additional closed/settled comparable sales from outside the subject subdivision or project must also be used by the appraiser.</li> <li>▪ In the event the subject subdivision or project is so new that a closed sale or a contract sale is not available, comparable sales from outside the subject subdivision or project may be used. However, the appraiser must comment on the marketability of the new subdivision or project and justify and support the use of the comparable sales from outside the new subdivision or project.</li> </ul> <p><b>Appraisal Waiver/ACE:</b></p> <ul style="list-style-type: none"> <li>• <b>DU scored loans receiving Approve/Eligible with Appraisal Waiver</b> <ul style="list-style-type: none"> <li>○ One-unit properties, including condominiums</li> <li>○ Primary residence                             <ul style="list-style-type: none"> <li>▪ 80% LTV/CLTV</li> </ul> </li> <li>○ A property inspection fee waiver is not required</li> <li>○ If the Appraisal Waiver is offered an appraisal should not be ordered unless there is reason to believe the property’s current market value should be confirmed. For example, a property located in an area impacted by a recent disaster.</li> <li>○ If an appraisal is obtained the appraised value must be used regardless of receiving an Appraisal Waiver eligible message.</li> <li>○ Value of purchase price of the subject property must be less than \$1,000,000</li> </ul> </li> <li>• <b>LPA scored loans receiving Accept with ACE</b> <ul style="list-style-type: none"> <li>○ One-unit properties, including condominiums</li> <li>○ Primary residence</li> <li>○ Maximum 80% LTV/CLTV</li> <li>○ The following are ineligible:                             <ul style="list-style-type: none"> <li>▪ Manufactured homes, leaseholds and Coops</li> <li>▪ Construction Conversion</li> <li>▪ Properties subject to re-sale restrictions</li> </ul> </li> <li>○ If the Appraisal Waiver is offered an appraisal should not be ordered unless there is reason to believe the property’s current market value should be confirmed. For example, a property located in an area impacted by a recent disaster.</li> <li>○ The age of the appraisal waiver is good for 120 days. If the offer is more than 120 days old as of the note date, a resubmission to LPA is required to determine the ongoing appraisal waiver eligibility</li> <li>○ If an appraisal is obtained the appraised value must be used regardless of receiving an Appraisal Waiver eligible message.</li> </ul> </li> </ul> <p><b>Manufactured Homes</b></p> <ul style="list-style-type: none"> <li>• All loan files require a full appraisal on form 1004C and include:             <ul style="list-style-type: none"> <li>○ manufacturer's name,</li> <li>○ trade or model number,</li> <li>○ year of manufacture,</li> <li>○ serial number,</li> <li>○ Certification Label number(s) from either the HUD Data Plate or Certification Label(s),</li> <li>○ type of foundation and utility connections,</li> <li>○ detailed and supported cost approach,</li> <li>○ Opinion of the market value of the site, and property's conformity to the neighborhood.</li> </ul> </li> <li>• Appraisal must be completed by a Certified appraiser from an NewRez approved AMC</li> </ul>
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	<ul style="list-style-type: none"> <li>• Transferred appraisals are not permitted</li> <li>• Copy of the appraiser’s licensee must be included in all funded loan files</li> <li>• Appraisal must contain a detailed and supported cost approach</li> <li>• The appraiser must indicate a value conclusion based solely on the real property as completed consisting of the             <ul style="list-style-type: none"> <li>○ manufactured home,</li> <li>○ site improvements, and</li> <li>○ land on which the home is situated.</li> </ul> </li> <li>• The appraisal report must indicate whether or not the site is compatible with the neighborhood and must comment on the conformity of the manufactured home to other manufactured homes in the neighborhood.</li> <li>• The value conclusion cannot include any non-realty items including, but not limited to, insurance, warranties, and furniture.</li> </ul> <p><b>Co-ops</b></p> <ul style="list-style-type: none"> <li>• The report must be completed on Form 2090</li> <li>• Appraisers must consider and report, among other things, the following information:             <ul style="list-style-type: none"> <li>○ the number of shares attributable to the unit;</li> <li>○ the number of shares issued and outstanding for the co-op corporation;</li> <li>○ the name of the lienholder, the lien position, and the amount and repayment terms of all project blanket financing;</li> <li>○ the pro rata share of the blanket mortgage payments that are attributable to the unit, as determined by dividing the number of shares attributable to the unit by the total number of project shares;</li> <li>○ the pro rata share of each lien that is attributable to the unit;</li> <li>○ any tax abatements or exemptions that are attributable to the unit;</li> <li>○ the remaining term for any tax abatements or exemptions and provisions for escalation of real estate taxes, which is the dollar amount by which the taxes will increase and the year in which the increase will occur; and</li> <li>○ any monthly maintenance fees, including:                 <ul style="list-style-type: none"> <li>▪ utility charges, if they are part of these fees;</li> <li>▪ monthly special assessments;</li> <li>▪ ground rent;</li> <li>▪ other fees for the use of the facilities that are attributable to the unit; and</li> <li>▪ the fee type, amount, and term (if applicable) of those other fees.</li> </ul> </li> </ul> </li> <li>• Comparable Selection Requirements for Co-op Share Loans in Existing Projects             <ul style="list-style-type: none"> <li>○ two closed or settled sales from within the subject project, if available; and</li> <li>○ one closed or settled sale from a competing project.</li> <li>○ Note: Use of comparable sales located outside of the established subject neighborhood must be explained in the appraisal analysis.</li> </ul> </li> <li>• Comparable Selection Requirements for Co-op Share Loans in New (or Recently Converted) Projects             <ul style="list-style-type: none"> <li>○ one closed or settled sale from the subject project, if one is available; and</li> <li>○ two closed or settled sales from outside of the project.</li> <li>○ If closed or settled sales are not available in the subject project, appraisers must use sales from competing projects.</li> </ul> </li> </ul>
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**4.7 Disaster Areas**

Disaster Areas	Refer to the list of affected counties published by FEMA at the following link: <a href="https://www.fema.gov/disasters">https://www.fema.gov/disasters</a>
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NewRez will require recertification from the appraiser on all loans located in the affected Counties prior to closing. If the county is indicated as being in a declared disaster area, the policy must be adhered to

- The Disasters are referenced with both an incident start date and an incident ending date. The property is considered potentially impacted for 120 days from the incident END date;
- If a full appraisal was obtained on the property prior to the declared disaster, the inspection must verify the property is sound and habitable and in the same condition as when it was appraised. Any of the following options are acceptable to satisfy this requirement:
  - A 1004D Final Inspection or Appraisal Update signed by the original appraiser
  - FNMA 2075 – Desktop Underwriter Property Inspection Report
  - DAIR – Disaster Area Inspection Report
- Full appraisals obtained after the declaration need to indicate the property has not been impacted by the disaster;
- The NewRez branches will request the appropriate appraisal or inspection through the normal channels

**4.8 Geographic Restrictions**

Loans must be located in a City and State that appears on the [NewRez LMI Geographic Locations](#). The NewRez LMI Geographic Eligibility List is updated quarterly

Co-op loans are restricted to the following geographic locations subject to appearing on the [NewRez LMI Geographic Locations](#):

- New York: Kings, Nassau, Queens, Richmond, Suffolk and West Chester counties

**Section 5: Income**

**5.1 Income**

**Income:** Borrowers monthly qualifying income may not exceed 80% of the FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income as determined by the location of the subject property being financed. FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income for the subject property’s location may be found by entering the property address in the [FFIEC Geocoding System](#) and selecting the “Census Demographic Data” button. 80% of the 2018 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income must be utilized

Qualifying income is determined as all eligible earned income borrowers on a loan application receive. Income eligibility is determined based on the type of income and the requirements outlined in this product profile and Fannie Mae and Freddie Mac’s selling guides

Example: Maximum Median Income \$91,500 as determined by FFIEC. Maximum allowable income for qualifying  $\$91,500 \times 80\% = \$73,200$

Census	Income	Population	Housing
Tract Income Level			Upper
Underserved or Distressed Tract			No
2017 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income	\$91,500		
2017 Estimated Tract Median Family Income			\$128,283
2010 Tract Median Family Income			\$122,162
Tract Median Family Income %			140.20
Tract Population			10193
Tract Minority %			18.84
Tract Minority Population			1920
Owner-Occupied Units			3004
1- to 4- Family Units			3506

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Information is accurate as of the date of publishing and is subject to change without notice. The overlays outlined in this matrix apply to agency loans submitted to DU/LPA. In addition to applying these NewRez specific overlays, all loans submitted to DU must comply with the DU Findings and Fannie Mae requirements. All loans submitted to LPA comply with the LPA Findings and Freddie Mac requirements. This document should not be relied upon or treated as legal advice. **Guidelines subject to change without notice;** Printed copies may not be the most current version. For the most current version, always refer to the online version.

**Income Documentation: Income documentation requirements are outlined below. Refer to Fannie Mae or Freddie Mac Selling Guides for any areas not addressed.**

**Wage Earners:**

- Most recent paystub including all year-to-date earnings dated no earlier than 30 days prior to the initial loan application date and most recent one or two years' W-2 as required by DU/LPA (W-2 transcripts are permissible in lieu of W-2s); or
- Income validation obtained through DU Validation Service; or
- Written Verification of Employment obtained through a 3<sup>rd</sup> party vendor such as, but not limited to TALX (The Work Number) except when:
- The borrower works for an interested party to the transaction (Paystub and W-2s required)
- Note: For 3<sup>rd</sup> party verifications, information must be current as of 35 days from the date of the verification

**Self-Employed:**

- Follow AUS tax return requirements.
- In instances where DU/LPA allows for only 1-year tax returns on a self-employed borrower(s), the tax returns must be for the most recent tax year. A current year extension and the previous year's tax returns will not be accepted.
- Documentation or evaluation is not required when a borrower or co-borrower is qualified using only income that is **not** derived from self-employment and self-employment is a secondary and separate source of income (or loss).

**Amended Tax Returns-** When tax returns are utilized for documenting income: (All Employment/Income Types):

- Tax returns amended within 90 days prior to the application date or at any time during the loan process with NewRez are not permitted.
- Tax returns amended greater than 90 days prior to the application date are permitted however, both the original and amended return must be examined for consistency with the previous filings to determine whether the use of the amended return is warranted. The following documentation will be required:
- A letter of explanation from the borrower detailing the reason for re-filing;
- Evidence of re-filing via tax transcript of amended return;
- Payment of and evidence of the ability to pay any applicable tax

**Borrowers starting New Employment After Note Date:** Borrowers who are changing or starting new jobs are permitted to close prior to the start of employment according to Agency requirements.

Refer to FNMA's Employment Offers or Contracts, Option 1 and Option 2, with the following requirements:

- For Option 1, the employment start date as shown on the employment offer or contract must be within 90 days of the Note date.
- For Option 2, Special Feature Code 707 is required.

Refer to FHLMC's Income commencing after the Note Date, Option 1 and Option 2, with the following requirement:

- For Option 2, start date of the new employment or future salary increase must be no later than 90 days after the Note date.

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	<ul style="list-style-type: none"> <li>• Corporate Relocation— <u>See section 9.1</u> for additional documentation allowances or requirements</li> </ul> <p><b>4506T &amp; Tax Transcript Requirements</b></p> <ul style="list-style-type: none"> <li>• A fully complete 4506T form must be <b>signed and dated</b> by each borrower for all loans and must include the number of years of income required</li> <li>• The 4506T form must be <b>processed</b> and transcripts obtained in the following circumstances.</li> <li>• <b>Wage Earners:</b></li> <li>• Handwritten paystubs are used as verification of income (W-2 transcripts acceptable unless other sources of income utilized)</li> <li>• There is a relationship between the parties (W-2 transcripts acceptable unless other sources of income utilized):             <ul style="list-style-type: none"> <li>○ Borrower and Seller are related</li> <li>○ Borrower/Seller/Loan Originator are related</li> <li>○ Borrower is employed by the Third-Party Originator Company</li> </ul> </li> <li>• Any of the following are present (1040 transcripts required):             <ul style="list-style-type: none"> <li>○ Additional income for qualifying is derived from sources such as rental properties, dividend/interest or other income where tax returns is required; or</li> <li>○ Tax returns are used to document income; or</li> <li>○ At the underwriter’s discretion</li> </ul> </li> <li>• <b>Self-Employed:</b> <ul style="list-style-type: none"> <li>○ For self-employed borrowers personal tax transcripts are required. Business tax transcripts must be obtained if income from the business does not flow through to the borrower’s personal tax returns or business income appearing on personal transcripts is not consistent with the income on the business tax returns</li> </ul> </li> </ul> <p><b>Borrower Provided Transcripts</b></p> <p>In certain cases, such as identification theft, transcripts will not be available directly from the IRS, and the borrower will need to obtain. Additional documentation will be required along with the transcripts:</p> <ul style="list-style-type: none"> <li>• Follow the guidelines below when the IRS rejects an IRS Form 4506-T request as unable to process:             <ul style="list-style-type: none"> <li>○ Evidence the IRS rejected the IRS Form 4506-T request,</li> <li>○ A borrower-obtained Record of Account Transcript, in pdf format, for all applicable years missing from the www.irs.gov website, and</li> <li>○ A signed IRS Form 4506-T for the year(s) impacted by the IRS rejection.</li> </ul> </li> <li>• Follow the guidelines below when the IRS rejects an IRS Form 4506-T request for identity theft:             <ul style="list-style-type: none"> <li>○ Proof identification theft was reported to and received by the IRS (IRS Form 14039) or</li> <li>○ A copy of the notification from the IRS alerting the taxpayer to possible identification theft, and</li> <li>○ Borrower obtained transcript, in pdf format, for all applicable years missing</li> </ul> </li> <li>• In addition to the above, borrower provided transcripts may also be permitted with approval from an underwriting team lead or higher. Comments must be noted in Destiny for the reason borrower provided transcripts required.</li> </ul>
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**5.2 Verification of Employment**

Verification of Employment

**Wage Earner:**

A verbal 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.

**Self-Employed Borrower:**

For Self Employed borrowers, the existence of the borrower’s business must be validated within 120 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.

**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.
- Revolving debt may be paid off to qualify. The debt must be paid off at or prior to closing and the account does not have to be closed. Debts paid at closing must be reflected on the Hud-1.
- All credit inquiries within 90 days of the credit report are required to be addressed by the customer – see Credit Attestation Policy
- **Derogatory Credit**
  - Follow AUS findings as to any debt that should be paid, and for housing payment history
  - All judgments and liens must be paid at or before closing
  - For forgiveness of debt, modifications, bankruptcies, foreclosures, and short sales, follow agency guidelines, along with the following:
    - Extenuating circumstances are not permitted for LPA scored loans
    - Extenuating circumstances are permitted for DU scored loans. “Confirmed CR BK EC” must be entered in DU so DU will disregard the bankruptcy information on the credit report
- **Disputed Accounts**
  - When DU issues an Approve recommendation using the disputed trade-lines, no further documentation of the disputed trade-line(s) will be required and the following message will be issued:
 

*The following trade-line(s) were identified by DU as disputed by the borrower. Because DU issued an Approve recommendation when including the disputed information in the credit risk assessment, no further action is necessary.*
  - For all LPA scored loans and DU scored loans that do not receive an Approve recommendation (with the above DU message) using the disputed trade-line in the

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	<p>risk assessment, the risk will then be assessed with the disputed trade-line excluded. The borrower must contact the creditor to have the status updated accordingly. An updated credit report is required and must reflect that the account is no longer being disputed. A new AUS submission is required and the findings must be reviewed accordingly. Manual underwriting is not permitted.</p> <ul style="list-style-type: none"> <li>○ For DU scored loans trade-lines reported as medical debt will continue to be excluded from the disputed trade-line identification. Investigation of disputed medical trade-lines is not required.</li> </ul>
<p><b>6.2 Qualifying Ratios</b></p>	
<p>Qualifying Ratios (Qualifying Interest Rate)</p>	<ul style="list-style-type: none"> <li>▪ Qualifying Interest Rate is the Note Rate</li> <li>• Transactions resulting in significant payment shock should always be considered by the underwriter. The borrower’s income must clearly support the borrower’s ability to make the higher monthly payment. It is always at the underwriter’s discretion to require additional verification of assets or a larger down payment as a compensating factor for a loan with high payment shock.</li> <li>• If a revolving account balance is to be paid off at or prior to closing, a monthly payment on the current outstanding balance does not need to be included in the borrower’s long term debt, i.e., not included in the debt-to-income (DTI) ratio. Such accounts do not need to be closed as a condition of excluding the payment from the DTI ratio.</li> </ul> <p><b>Housing Payment Ratio:</b> The monthly housing expense is the sum of the following charges as they apply to any properties owned and financed by the borrower:</p> <ul style="list-style-type: none"> <li>• Monthly principal and interest payment as per the qualifying rate</li> <li>• 1/12th of the annual hazard insurance premium and any other insurance required by loan program.</li> <li>• 1/12th of the annual real estate taxes.</li> <li>• 1/12th of the annual flood insurance premium, when applicable.</li> <li>• Monthly leasehold payments, when applicable.</li> <li>• Monthly homeowner association dues, condominium maintenance fees and monthly assessments (when applicable).</li> <li>• Monthly payment for other secured financing (when applicable).</li> </ul> <p><b>Total Debt Ratio</b></p> <ul style="list-style-type: none"> <li>• Monthly housing expense as per qualifying rate.</li> <li>• Outstanding monthly obligations such as:             <ul style="list-style-type: none"> <li>○ Installment debt</li> <li>○ Revolving debt payments</li> <li>○ Alimony, child support or maintenance payments</li> <li>○ Losses associated with other real-estate owned (Co-Borrowers Only)</li> <li>○ Other obligations where a monthly payment is legally required</li> </ul> </li> </ul>
<p><b>6.3 Student Loans</b></p>	
<p>Student Loans</p>	<p>For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the lender must use the following to determine the monthly payment to be used as the borrower’s recurring monthly debt obligation:</p> <p><u>LP Scored</u></p> <ul style="list-style-type: none"> <li>• For student loans in repayment, deferment or forbearance:             <ul style="list-style-type: none"> <li>○ If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other file documentation, or</li> <li>○ If the monthly payment amount reported on the credit report is zero, use 0.5% of the outstanding loan balance, as reported on the credit report</li> </ul> </li> <li>• Payment may be excluded if:</li> </ul>

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	<ul style="list-style-type: none"> <li>○ Borrower currently meets student loan forgiveness, cancellation or discharge requirements, and there is no indication circumstances would make the borrower ineligible in the future, and             <ul style="list-style-type: none"> <li>▪ Student loan has 10 or less monthly payments remaining</li> <li>OR</li> <li>▪ Full balance of the student loan will be forgiven, canceled or discharged at the end of the deferment or forbearance period</li> </ul> </li> <li>○ Borrower currently meets employment-contingent repayment requirements, and there is no indication circumstances would make the borrower ineligible in the future, and             <ul style="list-style-type: none"> <li>▪ Student loan has 10 or less monthly payments remaining</li> <li>OR</li> <li>▪ Full balance of the student loan will be paid at the end of the deferment or forbearance period</li> </ul> </li> </ul> <p><b>DU Scored:</b></p> <ul style="list-style-type: none"> <li>● If a monthly payment is provided on the credit report, the amount appearing on the credit report may be used</li> <li>● 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), one of the following must be used:             <ul style="list-style-type: none"> <li>○ 1% of the outstanding balance even if this amount is lower than the actual fully amortizing payment, or</li> <li>○ A fully amortizing payment using the documented loan repayment terms, or</li> <li>○ \$0 payment for student loans when documentation is obtained to evidence the actual monthly payment is \$0 provided the payment is associated with an income-driven repayment plan.</li> </ul> </li> </ul>
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## Section 7: Assets

### 7.1 Assets

Assets	Assets must be verified as noted by the AUS. Written Verifications of Deposit (VOD) are not acceptable. Only system generated Verifications of Deposit from the financial institution are acceptable.
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### 7.2 Cash Reserves

Cash Reserves	<p>Transactions should follow the agency guidelines in terms of cash reserves.</p> <p>Note: The agencies have specific cash reserve requirements for 2-4 unit properties; including a requirement of specific reserves for each property where the borrower has multiple financed properties.</p>
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### 7.3 Gifts

Gifts	<ul style="list-style-type: none"> <li>● Follow Agency Guidance             <ul style="list-style-type: none"> <li>○ Noted exception: borrowers must contribute a minimum of 5% of their own funds when the loan is secured by a manufactured home</li> </ul> </li> </ul>
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### 7.4 Seller/Interested Party Contributions

Seller/Interested Party Contributions	<p>LTV &gt; 90%: 3%</p> <p>LTV 75.01% - 90%: 6%</p> <p>LTV ≤ 75%: 9%</p>
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### 7.5 Down payment Assistance Programs

Down payment Assistance Programs	Down Payment Assistance programs are considered an Interested Party Contribution (IPC) and are permitted; DAPs must be approved by the NewRez Special UW Team prior to CTC.
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7.6 Ineligible Assets	
Ineligible Assets	<ul style="list-style-type: none"> <li>• Cryptocurrency, i.e. Bitcoin, cannot be used for down payment, closing costs or reserves</li> <li>• UTMA/Custodial Accounts for minors (cannot be used by account custodian)</li> </ul>
Section 8: Procedures	
8.1 Age of Documentation	
Age of Documentation	Follow Agency Guides
8.2 Electronic Signatures	
Electronic Signatures	<p>NewRez will accept electronic signatures on third party documents in accordance with Electronic Signatures in Global and National Commerce Act (ESIGN) and the Uniform Electronic Transactions Act (UETA), as applicable.</p> <p>The electronic signature and date must be clearly visible when viewed electronically and in a paper copy of the electronically signed document.</p> <p>Electronic signatures are not permitted for any final documents including but not limited to the note, mortgage, final 1003, etc.</p>
8.3 Escrows (Taxes and Insurance)	
Escrows	<p>Not Permitted unless property is located in CA or NM (see waiver eligibility grid below).</p> <p>Escrows may be waived when the borrower's LTV is less than 80% and</p> <ul style="list-style-type: none"> <li>• the borrower is not a first-time homebuyer <ul style="list-style-type: none"> <li>○ FTHBs will be considered on a case-by-case basis with a demonstrated ability to save (reserves) and strong residual income.</li> </ul> </li> <li>• the borrower does not exhibit recent signs of delinquency</li> </ul>
8.4 Escrow Waiver Grid	
Escrow Waiver Grid	<ul style="list-style-type: none"> <li>• All states excluding CA and NM: <math>\leq 80\%</math></li> <li>• California: <math>&lt; 90\%</math></li> <li>• New Mexico: <math>&lt; 80\%</math></li> </ul>
8.5 Escrow Holdbacks	
Escrow Holdbacks	<p>Follow Agency guidance</p> <p>Review the Escrow Holdback Policies and Procedures on the NewRez Intranet for details.</p>
8.6 Excluded Parties- LDP/GSA Searches	
Excluded Parties- LDP/GSA Searches	<p>Agency, FHA and VA loans require confirmation that companies or individuals involved in the origination or underwriting of a mortgage transaction are not on the Freddie Mac Exclusionary List, General Services Administration (GSA) excluded party list or the HUD Limited Denial Participation (LDP). Regardless of the reason for the party being excluded, any party to the transaction included on either list will result in the loan being ineligible for delivery.</p> <p>All name variations found throughout the loan file must be run when performing the searches. The search must be run on the following parties in the transaction:</p> <ul style="list-style-type: none"> <li>• Borrowers</li> <li>• Seller</li> <li>• Builder</li> <li>• Listing Agent &amp; Listing Company</li> <li>• Selling Agent &amp; Selling Company</li> <li>• Title Agent</li> <li>• Title Company</li> </ul>

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	<ul style="list-style-type: none"> <li>Closing Attorney</li> <li>Appraiser and Appraisal Company</li> </ul>												
<b>8.7 Interest Credit</b>													
Interest Credit	Loan must fund by the 5 <sup>th</sup> calendar day of the month												
<b>8.8 Mortgage Insurance</b>													
Mortgage Insurance	<p>Mortgage Insurance companies may have additional overlays other than those established by the agencies and NewRez. A valid MI certification must be obtained prior to CTC.</p> <p>Approved MI Companies: Essent, Genworth, MGIC, Radian, and United Guaranty</p> <ul style="list-style-type: none"> <li>Policies may be refundable or non-refundable and require zero initial premium (ZIP/ZOMP)</li> <li>Split-Premium, Annual (lender or borrower paid) and lender-paid monthly policies are not permitted.</li> <li>NewRez accepts only standard coverage amounts. Reduced, lower cost, and minimum MI as approved by DU/LP are not eligible.</li> </ul> <table border="1" data-bbox="711 737 1159 940"> <thead> <tr> <th colspan="2">Standard MI Coverage</th> </tr> <tr> <th>LTV Range</th> <th>Coverage %</th> </tr> </thead> <tbody> <tr> <td>80.01% - 85%</td> <td>6%</td> </tr> <tr> <td>85.01% - 90%</td> <td>12%</td> </tr> <tr> <td>90.01% - 95%</td> <td>25%</td> </tr> <tr> <td>95.01% - 97%</td> <td>35%</td> </tr> </tbody> </table>	Standard MI Coverage		LTV Range	Coverage %	80.01% - 85%	6%	85.01% - 90%	12%	90.01% - 95%	25%	95.01% - 97%	35%
Standard MI Coverage													
LTV Range	Coverage %												
80.01% - 85%	6%												
85.01% - 90%	12%												
90.01% - 95%	25%												
95.01% - 97%	35%												
<b>8.9 Process to Add or Remove Borrowers</b>													
Process to Add or Remove Borrowers	<p><b>Adding Borrowers</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul> <p><b>Removing Borrowers</b></p> <ul style="list-style-type: none"> <li>Removing a borrower from a loan is allowed only in the following scenarios             <ul style="list-style-type: none"> <li>No credit decision has been made on the loan and borrower expresses desire to withdraw their name from the application</li> <li>Loan has been approved with both borrowers as submitted and one borrower expresses desire to withdraw their name from the application.                 <ul style="list-style-type: none"> <li>In both of the above scenarios - Request in writing from borrower should be placed in the loan file supporting their desire to withdraw their name from the application.</li> <li>Detailed notes should also be placed in the loan file to eliminate any possible confusion with the file.</li> </ul> </li> </ul> </li> <li>Removing a borrower from a loan is NOT allowed in the following scenarios             <ul style="list-style-type: none"> <li>Loan is declined by underwriting                 <ul style="list-style-type: none"> <li>In this scenario the loan would need to be adverse and a new application would need to be taken with only the 1 borrower.</li> </ul> </li> </ul> </li> </ul> <p><b>Exceptions</b></p> <ul style="list-style-type: none"> <li>Any exceptions to the above rules or scenarios not explained above should be submitted to compliance for review (Compliance@ NewRez.com).</li> </ul>												
<b>8.10 Title Insurance</b>													
Title Insurance	The title policy must be in the lender's name and/or its assigns. Title must be vested in the borrower's name, in the name of an eligible inter vivos trust (if permitted per program guides), or, in the case of a purchase, be currently vested in the seller's name with a requirement for a deed to be recorded transferring title to our borrower's name at closing.												

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	The insured amount of the policy must be at least for the gross loan amount and the policy must be dated within 45 days of closing. A minimum of a twelve-month title chain must be provided on each policy. The chain of title will be reviewed for flips, unacceptable exceptions to clear title, unacceptable private transfer fees or any other adverse title impediment as part of the underwriting process.
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## Section 9: References

### 9.1 References

References	<ul style="list-style-type: none"> <li>• <a href="#">Fannie Mae Guidelines</a></li> <li>• <a href="#">Freddie Mac Guidelines</a></li> <li>• <a href="#">Limited Denial of Participation (LDP) List</a></li> <li>• <a href="#">General Services Administration (GSA) Exclusionary List</a></li> </ul>
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## Section 10: Version Control

1.3 Ineligible Programs	Updated to allow transactions where loan officers who are appropriately licensed in the state of CA or FL are acting as the buyer's agent.	March 28, 2019
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## Section 11: Appendix

Underwriting Topic	FNMA Selling Guide Locations	Freddie Mac All-Regs Location Use the Single Family Seller/Servicer Guide, Vol. 1
Appraisal- Age	<a href="#">Click Here</a>	Chapter 5600: Property Eligibility Chapter 5601: Property and Appraisal Requirements Chapter 5601.8 - Age of Appraisal Reports and Appraisal Updates
Assets- Retirement Accounts	<a href="#">Click Here</a>	Ch. 5501.3: Asset Eligibility and Documentation Requirements
Authorized Users	<a href="#">Click Here</a>	Chapter 5201.1 - Credit Assessment with Loan Product Advisor Chapter 5203.2 - Credit Scores
Condo – Project Eligibility	<a href="#">Click Here</a>	Chapter 5701: Condominiums
Condos - Florida	<a href="#">Click Here</a>	Chapter 5701: Condominiums Chapter 5701.3: Ineligible projects Chapter 5701.4: Streamlined reviews
Credit and Tradeline Requirements	<a href="#">Click Here</a>	Chapter 5200: Credit Assessment Chapter 5201.1: Credit Assessment with LPA Chapter 5203- Credit Reports and Credit Scores
Delayed Financing	<a href="#">Click Here</a>	Chapter 4000: Mortgage Eligibility Chapter 4301: Refinance Mortgages Chapter 4301.2 – General Requirements for all refinance mortgages Chapter 4301.4 – No cash-out refinance Mortgages Chapter 4301.5- Cash-out refinance Mortgages
Departure Residence	<a href="#">Click Here</a>	Chapter 5401.2: Monthly debt to income ratio
Derogatory Credit – Waiting Periods	<a href="#">Click Here</a>	Chapter 5200: Credit Assessment Chapter 5201.1: Credit Assessment with LPA Chapter 5203- Credit Reports and Credit Scores
Disputed Credit	<a href="#">Click Here</a>	Chapter 5200: Credit Assessment Chapter 520.11: Credit Assessment with LPA Chapter 5203- Credit Reports and Credit Scores
Flip Policy	<a href="#">Click Here</a>	No Flip Policy but use this for guidance: Archive of Single-Family Seller/Servicer Guide - Bulletins and Industry Letters Bulletins and Industry Letters for 2013 and Prior Years Bulletins and Industry Letters for 2012 and Prior Years 2009 Bulletins and Industry Letters Bulletin 2009-24: Credit and Property Eligibility

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		Attachment A: Best Practices for Loans involving Possible Property Flips
Gifts <i>Also see Minimum Borrower Contribution</i>	<a href="#">Click Here</a>	Ch. 5501.3: Asset Eligibility and Documentation Requirements
Gifts of Equity	<a href="#">Click Here</a>	Ch. 5501.3: Asset Eligibility and Documentation Requirements
Glossary	<a href="#">Click Here</a>	See: Glossary under Exhibits, Forms, Glossary and Directory
Income Sources (including non-taxable)	<a href="#">Click Here</a>	Chapter 5300: Stable Monthly Income and Asset Qualification Sources
Judgments, Garnishments, Collection Accounts	<a href="#">Click Here</a>	Chapter 5200: Credit Assessment Chapter 5201.1: Credit Assessment with LPA Chapter 5203- Credit Reports and Credit Scores
Maximum Number of Financed Properties	<a href="#">Click Here</a>	Chapter 4201.15: Second Home Mortgages Chapter 4201.16: Investment Property mortgages Chapter 5501.2: Reserves
Minimum Borrower Contribution	<a href="#">Click Here</a>	Chapter 5501.1: Funds required for the Mortgage transaction
Non-Arm's Length Transactions	<a href="#">Click Here</a>	Chapter 5600: Property Eligibility Chapter 5601.1: Property and Appraisal Requirements Chapter 5601.12 - Property Description and Analysis
Non-Occupant Co-Borrowers	<a href="#">Click Here</a>	Chapter 5103.1: Mortgages including a non-occupying Borrower Chapter 5401.1 & 5401.2: Monthly Housing and Monthly Debt to income ratio Chapter 5501.3 – Asset eligibility and documentation requirements
Non-Permanent Resident Aliens / Permanent Resident Aliens	<a href="#">Click Here</a>	Chapter 5103.2: Permanent and nonpermanent resident alien
Paying-off Debt to Qualify	<a href="#">Click Here</a>	Chapter 5401.2 - Monthly debt payment-to-income ratio
Rental Income	<a href="#">Click Here</a>	Chapter 5306.1 - Rental Income
Reserve Requirements	<a href="#">Click Here</a>	Chapter 5501.2 - Reserves
Self-Employed (less than 2 years)	<a href="#">Click Here</a>	Chapter 5304.1 - Stable Monthly Income

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