Jumbo Series F Product Profile: Retail, Call Center, Shelter and Wholesale

Matrices

Jumbo Loans (QM)

Primary Residence Fixed Rate & ARMs

Transaction Type	Units	Term	Fico	Maximum LTV/CLTV/ HCLTV	Maximum Loan Amount [1]	DTI	Reserve Requirement[9]
Purchase or Rate and Term Refinance	1	Fixed Only	720	90%[4]	$1,500,000	≤ 38%	12
						38.01-43%	18
						FTHB 38%	15
		ARMs Only	760	85% [4,8]	$1,000,000	36%	12
		Fixed & ARMs	720	80%	$1,500,000	43%	9
			720	75%	$2,000,000	43%	12
			720	70%	$2,500,000 [2]	43%	24
			700	70%	$1,000,000	43%	6
	2	Fixed & ARMs	700	65%	$1,000,000	43%	6
			720	60%	$1,500,000	43%	9

Transaction Type	Units	Term	Fico	Maximum LTV/CLTV/ HCLTV	Maximum Loan Amount [1]	Maximum Cash Out	DTI	Reserve Requirement[9]
Cash Out Refinance [3]	1	Fixed & ARMs	720	70%	$1,000,000	$250,000	43%	6
			700	65%	$1,000,000	$250,000	43%	6
			720	65%	$1,500,000	$500,000	43%	9
			720	60%	$2,000,000	$500,000	43%	12
			720	50%	$2,500,000 [2]	$750,000	43%	24
	2	Fixed & ARMs	700	60%	$1,000,000	$250,000	43%	6

Second Home Fixed Rate & ARMs

Transaction Type	Units	Term	Fico	Maximum LTV/CLTV/ HCLTV	Maximum Loan Amount	DTI	Reserve Requirement [9]
Purchase	1	Fixed & ARMS	720	80% [5]	$1,000,000	43%	12
Purchase or Rate and Term Refinance	1	Fixed & ARMS	720	75%	$1,000,000		12
				70%	$1,500,000		18
				65%	$2,000,000		24
				50%	$2,500,000 [2]		36

Transaction Type	Units	Term	Fico	Maximum LTV/CLTV/ HCLTV	Maximum Loan Amount [1]	Maximum Cash Out	DTI	Reserve Requirement[9]
Cash Out Refinance [6]	1	Fixed & ARMS	740	60%	$1,500,000	$250,000	43%	18
				55%	$1,500,000	$500,000		18
				50%	$2,000,000	$750,000		24

Investment Fixed Rate [7]

Transaction Type	Units	Term	Fico	Maximum LTV/CLTV/ HCLTV	Maximum Loan Amount	DTI	Reserve Requirement[9]
Purchase	1-4	Fixed Only	740	70%	$1,000,000	43%	18
Rate and Term Refinance	1-4	Fixed Only	740	70%	$1,000,000		18

Transaction Type	Units	Term	Fico	Maximum LTV/CLTV/ HCLTV	Maximum Loan Amount	Maximum Cash Out	DTI	Reserve Requirement[9]
Cash Out Refinance	1-4	Fixed Only	740	60%	$1,000,000	$250,000	43%	18

[1] First time homebuyers - maximum loan amount $1,000,000. Loan amounts up to $1,500,000 in CA, NJ, NY and CT.

[2] Loan amounts > $2,000,000 are available on 20, 25 and 30 year fixed rate product only.

[3] Texas 50 (a)(6) refinance only allowed on 20, 25 and 30 year fixed rate product only.

[4] The following requirements apply

- MI not required
- Secondary financing not permitted.
- Non-permanent resident aliens not eligible.
- Gift funds not permitted.
- Agency High Balance loan amounts not eligible.
- Escrow accounts required unless prohibited by applicable laws.
- Refer to Section 2.22 for full requirements
- Fixed Rate: LTVs > 80% limited to 20, 25 or 30 year term

[5] Second home purchase transactions greater than 75% LTV/CLTV/HCLTV are limited to 20, 25 and 30 year fixed rate product only.

[6] The following requirements apply for Second Home Cash Out refinance transactions:

- No rental income for the subject property permitted to show on Schedule E of the borrower's tax returns.
- 20, 25 and 30 year fixed rate product only.

[7] The following requirements apply to Investment property purchase, rate and term, and cash out refinance transactions:

- Florida condominiums - maximum 50% LTV/CLTV/HCLTV
- Gift funds not permitted.
- Transaction must be arm's length.
- First time homebuyers not eligible.
- 20, 25 and 30 year fixed rate product only.

8 The following requirements apply to ARM transactions with LTVs greater than 80%:

- First time homebuyers not eligible.

9 The following reserve requirements apply:

- ARM products require 3 months reserves in addition to what is required in matrix.
- Additional 1-4 unit financed properties require 6 months PITIA for each property in addition to what is required in matrix.
- First time homebuyers require a minimum of 12 months reserves for LTVs < 80%

10 The following requirements apply to loans with LTVs > 80%

- MI not required
- Secondary financing not permitted.
- Non-permanent resident aliens not eligible.
- Gift funds not permitted.
- Agency High Balance loan amounts not eligible.
- Escrow accounts required unless prohibited by applicable laws.
- LTV/CLTV > 80% limited to 20, 25 or 30 year term
- Maximum DTI 36%

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Section 1: Program Summary

1.1 Program Summary

Program Summary	Jumbo Series F is designed for borrowers with pristine credit, significant reserves and disposable income. Due to the strong credit characteristics associated with this type of borrower, the Series F Product provides for more flexible financing solutions. Unless otherwise noted in this product profile the more restrictive of the Fannie Mae Selling Guide or Appendix Q should be followed.

1.2 Underwriting

Underwriting	All loans must be manually underwritten and fully documented but are also required to be run through DU and must receive an Approve/Ineligible or Approve/Eligible response. The AUS decision is used from an informational standpoint and is not to be considered an eligibility or decision tool. No documentation waivers based on AUS recommendations will be permitted. The DU findings are required to be updated and imaged throughout the process by the NewRez underwriter and loan level data is required to match the loan file at clear to close/purchase.

1.3 Ability to Repay and Qualified Mortgage Rule

Ability to Repay and Qualified Mortgage Rule	No mortgage loan may be originated under NewRez's Jumbo Series F program unless the loan qualifies as a "Qualified Mortgage" eligible for safe harbor protection under the CFPB's "Qualified Mortgage Rule" (12 CFR Part 1026.43). QM Designation must be provided in the loan file. For the Jumbo F QM program; • QM designation is QM Safe Harbor or • QM designation is Exempt for investment property transactions when the transaction is exclusively for business purposes. ○ Investment property transactions require an attestation from the borrower stating the property is used 100% of the time for business purposes in order for the designation to be Exempt. If the borrower does not use the property 100% of the time for business purposes, the QM designation would be QM Safe Harbor. ○ Cash-out refinances of investment properties must contain an attestation regarding the proceeds from the cash-out refinance. If 100% of the proceeds are not used for business purposes, the loan is subject to QM and the designation would be QM Safe Harbor.

Section 2: Program Eligibility

2.1 Minimum Loan Amounts

Minimum Loan Amounts	• Conforming $484,351 for 1-unit properties • Conforming limits + $1 for 2-4 unit properties • Agency High Balance Loans with a documented price benefit to the borrower are eligible up to an 80% LTV/CLTV/HCLTV. Greater than 80% LTV/CLTV/HCLTV are not permitted.

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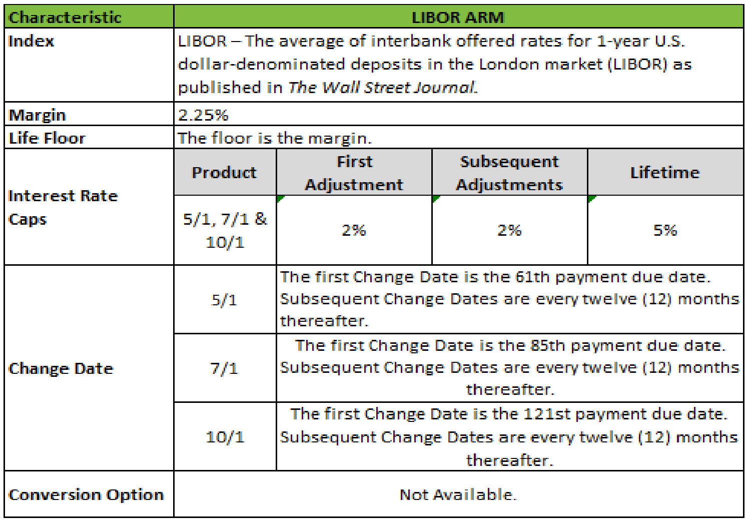
2.2 Eligible Terms and Programs

Eligible Terms & Programs

Term	Product Name
10-year fixed	NewRez Jumbo Series F 10 Yr Fixed
15-year fixed	NewRez Jumbo Series F 15 Yr Fixed
20-year fixed	NewRez Jumbo Series F 20 Yr Fixed
25-year fixed	NewRez Jumbo Series F 25 Yr Fixed
30-year fixed	NewRez Jumbo Series F 30 Yr Fixed
5/1 ARM	NewRez Jumbo Series F 5/1 ARM
7/1 ARM	NewRez Jumbo Series F 7/1 ARM
10/1 ARM	NewRez Jumbo Series F 10/1 ARM

2.3 ARM Adjustments

ARM Adjustments



Characteristic	LIBOR ARM			
Index	LIBOR – The average of interbank offered rates for 1-year U.S. dollar-denominated deposits in the London market (LIBOR) as published in *The Wall Street Journal*.			
Margin	2.25%			
Life Floor	The floor is the margin.			
Interest Rate Caps	**Product**	**First Adjustment**	**Subsequent Adjustments**	**Lifetime**
	5/1, 7/1 & 10/1	2%	2%	5%
Change Date	5/1	The first Change Date is the 61th payment due date. Subsequent Change Dates are every twelve (12) months thereafter.		
	7/1	The first Change Date is the 85th payment due date. Subsequent Change Dates are every twelve (12) months thereafter.		
	10/1	The first Change Date is the 121st payment due date. Subsequent Change Dates are every twelve (12) months thereafter.		
Conversion Option	Not Available.			

2.4 Assumable

Assumable	ARM loans only are assumable

2.5 Convertible

Convertible	Not permitted

2.6 Eligible Transactions

Eligible Transactions

- Purchase
- Rate & Term (Limited Cash-out) Refinance
- Cash-out Refinance

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 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 loan file unless a Certificate of Occupancy is not required by the applicable local government in which case the original appraisal report must indicate a certificate of

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	occupancy is not issued in the applicable location or in writing by the applicable local government. If the subject property is not complete per the plans and specifications at the time of the appraiser's inspection an Appraisal Update and/or Completion Report (442) must be obtained prior to loan approval. 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 as defined in section 2.11 • All refinance transactions must pass the NewRez 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 permitted. Refer to Section 6.3 Derogatory Credit for full details. • 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: Payoff of the current mortgage and any purchase money seconds to include principal balance plus accrued interest, and any required prepayment penalty, only. 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. (Other costs such as late fees and past-due amounts may not be paid with the new loan proceeds). If the first mortgage is a HELOC, evidence is required showing it to be a purchase money HELOC or that it is a seasoned HELOC for a minimum of 12 months and total draws do not exceed $2000 in the most recent 12 months. • Payoff of subordinate financing is permissible provided the subordinate lien meets the loan seasoning requirements (must be seasoned a minimum of 12 months and, if a home equity line of credit, must not have draws totaling over $2000 in the last 12 months.); • Refinances where the borrower receives incidental cash-back (amounts limited to 1% of the new loan amount. Properties inherited less than twelve (12) months prior to application date can be considered for a Rate and Term refinance transaction if the following requirements are met: ○ Must have clear title or copy of probate evidencing borrower was awarded the property ○ A copy of the will or probate document must be provided, along with the buy-out agreement signed by all beneficiaries ○ Borrower retains sole ownership of the property after the pay out of the other beneficiaries ○ Cash back to borrower not to exceed 1% of loan amount LTV/CLTV/HCLTV Calculation • Subject owned ≥ 12 months: The LTV/CLTV/HCLTV is based on current appraised value. The 12-month time frame is from prior Note date to new Note date. • Subject owned < 12 months: The LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the current appraised value. Documented improvements must be supported with receipts. The 12-month time frame is from prior Note date to new Note date.

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	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).
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. Additional Requirements: • Borrower must have owned the property for a minimum of 6 months from the Note date. If the property is owned free and clear and the 6-month seasoning is not met, refer to the Delayed Financing section. • Inherited properties require 12 months ownership. • Borrower must have 12-month minimum ownership at the time of loan application in order to base LTV on current appraised value; otherwise the lesser of purchase price or current appraised value will be used. • A letter of explanation is required on all cash-out refinances • Cash-back proceeds may be used to pay existing debts; all revolving debt must be paid off and closed in order to be excluded from qualifying ratios • Second Home Cash Out Refinances must comply with the below requirements: ○ No rental income for the subject property permitted to show on Schedule E of the borrower's tax returns. ○ 20, 25 and 30-year fixed rate product only.
2.11 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 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor. • The borrower on the new refinance was added to title 24 months or more prior to the disbursement date of the new refinance transaction. • The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply: ○ Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer ○ The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan ○ 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).
2.12 Inherited Property	
Inherited Property	Inherited or awarded properties are permitted under both cash out and rate and term programs 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 12 months prior to loan application, the

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	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 12-month minimum ownership at the time of loan application.
2.13 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 except for primary residences in Texas which must be considered a Texas 50(a)(6); 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) • Funds used to purchase the property are fully documented and sourced and must be the borrower's own funds (no borrowed funds, gift funds, business funds) • Funds drawn from a HELOC on another property owned by the borrower, funds borrowed against a margin account, or funds from a 401k loan are acceptable if the following requirements are met: ○ The borrowed funds are fully documented ○ The borrowed funds are reflected on the Closing Disclosure as a payoff on the new refinance transaction • Investment properties are not permitted for Delayed Financing • Funds used to purchase the property are fully documented and sourced and must be the borrower's own funds (no borrowed funds, gift funds, business funds or shared funds). If funds used to purchase the property were secured by a pledged asset or retirement account, it is not considered the borrower's own funds and would not be eligible. HUD-1/Closing Disclosure from the original purchase reflecting no financing obtained for the purchase of the property. • Preliminary title must reflect the borrower as owner and show no liens.
2.14 Subordinate Financing	
	The following requirements apply to the terms of the subordinate financing: • Institutional Financing only. Seller or private party subordinate financing not permitted • Maximum CLTV/HCLTV does not exceed the maximum LTV permitted by the program matrix • Secondary financing is not permitted on LTVs > 80% • 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. The qualifying payment is the payment evidenced on the credit report or for new draws the

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Subordinate Financing	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. • Secondary financing must be reviewed to ensure that there are no terms that restrict prepayment. Terms that restrict prepayment are not permitted as acceptable secondary 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. • Negative amortization is not allowed. The scheduled payments must be sufficient to cover at least the interest due. • Subordinate financing must have terms with interest at market rate If the debt is a home equity line of credit: • The CLTV ratio is calculated by adding the amount drawn on the HELOC (not the credit limit unless the full amount has been drawn) to the first mortgage amount, plus any other subordinate financing, and dividing that sum by the value of the mortgaged premises. • The HCLTV ratio is calculated by adding the full HELOC credit limit to the first mortgage amount, plus any other subordinate financing, and dividing the sum by the 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 If the subordinate financing is from the borrower’s employer: • Employer must have an Employee Financing Assistance Program. • The financing terms may provide for the employer to require full repayment of the debt if the borrower’s employment is terminated (either voluntarily or involuntarily) before the maturity date of the subordinate financing. • Financing may be structured in any of the following ways: ○ Fully amortizing level monthly payments ○ Deferred payments over the entire term ○ Forgiveness of debt over time ○ Balloon payment of no less than five (5) years, or the borrower must have sufficient liquidity to pay off the subordinate lien In all instances, the following items are required: • A copy of the signed 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.
2.15 Land Contracts (Installment Land Contract or Contract/Bond for Deed)	
Land Contracts	When the proceeds of a loan are used to pay off the outstanding balance on an installment land contract that was executed within 12 months preceding the date of the loan application, the transaction will be considered a purchase transaction. When the installment land contract was executed 12 months or more before the date of the loan application, the transaction will be considered a rate and term refinance.

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	The following requirements apply: • Purchase or Rate and Term Refinance of a Primary Residence Only • Land sale contracts must be recorded or notarized; a copy of the of contract and notice of payoff(s) are required; must not be a foreclosure bail-out or distress sale • The seller under a land sale contract must deed to the purchaser at or prior to closing • The Closing Disclosure Settlement Statement at closing must indicate that all liens on title have been paid in full. • The estate or interest insured in the title insurance policy is Fee Simple • The title insurance policy ensures full title protection to the lender • The title insurance policy states that title to the security property is vested in the purchaser under the land sale contract. • The title insurance policy must not list any exceptions arising from the land sale contract. • Twelve (12) full months of payment history must be verified with 12 months cancelled checks or equivalent financial documentation (bank statements, wire transfers, etc.) ○ If the land contract was executed less than 12 months prior to the date of the loan application, the Borrowers previous housing payment history (covering 12 months) must also be verified in addition to all payments made on the land contract.
2.16 Construction to Permanent Financing	
Construction to Permanent Financing	• 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 is determined based on the length of time the borrower has owned the lot. The time frame is defined as the date the lot was purchased to the Note date of the subject transaction. ○ For lots owned twelve (12) months or more, the appraised value can be used to calculate the LTV/CLTV/HCLTV. ○ For lots owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the current appraised value of the property or the total acquisition costs (documented construction costs plus documented purchase price of lot) • Underwriting reserves the right to ask for additional documentation for use in the completion of the cost analysis when warranted • In all cases, a new note and mortgage for the refinance of the 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 • A Certificate of Occupancy from the applicable government authority must be retained in the file, unless a Certificate of Occupancy is not required by the applicable local government in which case the original appraisal report must indicate a certificate of occupancy is not issued in the applicable location or in writing by the applicable local government. If the subject property is not complete per the plans and specifications at the time of the appraiser's inspection an Appraisal Update and/or Completion Report (442) must be obtained prior to loan approval. One of these items is required on all new construction, regardless of whether the transaction is a construction-to-permanent loan
2.17 Payoff Demands	
Payoff Demands	Payoff demand statements are required to ensure the current lien is paid in full prior to closing. The expiration date of the statement must be reviewed. A loan may not move to closing if the payoff will expire prior to funding. If the statement contains an expiration date, the underwriter

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	must verify the date is after the funding date. If the statement does not contain an expiration date, the underwriter must verify a per diem amount is listed. The per diem should be applied to the payoff amount to cover proceeds through the funding date; it can be used for an unlimited number of days; unless otherwise specified in the payoff letter. A payoff demand statement is considered expired when: • The document instructs the associate to void after a specified date; or • The interest accrued amount on the statement signals the borrower will be past-due when the new loan funds; ○ The borrower must make a mortgage payment prior to closing to avoid a late payment on the credit; and • The borrower must provide evidence the payment has been made and the updated payoff demand must reflect that a payment has been made.
2.18 Maximum # of Financed Properties	
Maximum # of Financed Properties	Borrower may own up to four financed properties. • All financed 1-4 unit residential properties included in property count require an additional 6 months of reserves for each property. • 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage. • Ownership of commercial or multi-family (5 or more units) properties are not included in the financed property limitation. Greater than 80% LTV – refer to Section 2.22 for additional restrictions. Loan files must include full PITIA (principal, interest, taxes, insurance, applicable association dues and/or assessments) for all REO listed on the 1003.
2.19 Multiple Mortgages to the Same Borrower	
Multiple Mortgages to the Same Borrower	NewRez Exposure not to exceed $2.5M, maximum of 4 financed properties by NewRez inclusive of the subject property; maximum of 1 financed unit in a single condo project.
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: • 1031 Reverse Exchanges • Any loan that meets an agency, state or Federal definition of a high cost loan • Balloons • Blanket loans, covering multiple properties • Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction. • Bridge loans • Convertible ARMs • Cross-collateralization • Deed-Restricted Properties (exceptions will be considered on a case-by-case basis)

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	• 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.) • Graduated Payments • Higher Priced Covered Transactions (HPCT QM-Rebuttable Presumption) • Higher-Priced Mortgage Loans (HPML) • Interest Only Loan Programs • Interest Only Products • Land trusts in the state of Illinois are not eligible • 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 NewRez'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. • Loans with pre-payment penalties • Model Home Lease-Backs • Mortgage Credit Certificates (MCC) • Non-Standard to Standard Refinance Transactions (ATR Exempt) • 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. • Temporary Buydowns
2.21 Texas 50(a)(6) Program Summary	
Texas 50(a)(6) Program Summary	This Program Guide serves as a comprehensive summary of NewRez's Jumbo Series F Texas 50(a)(6) requirements and allowances. All other parameters of the Jumbo Series F product profile must be met in addition to the specific Texas 50(a)(6) requirements outlined in this section 2.21 • Texas 50(a)(6) loans are eligible for licensed and certified originators only. • 20, 25 and 30-year fixed rate only • Maximum LTV/CLTV 80% • The owner of the homestead and their spouse must execute the Deed of Trust • A non-borrowing spouse, regardless of ownership interest, must sign the appropriate Notice of Right to Cancel" form
Texas 50(a)(6) Underwriting	
TX 50(a)(6) Underwriting	All loans must be run through Fannie Mae Desktop Underwriter (DU) or Freddie Mac Loan Product Advisor (LPA). Findings must be Approve/Ineligible or Accept/Ineligible. A manual follow-up must then be completed. Even though loans may receive an Eligible recommendation from DU/LPA, the loan may not be eligible for delivery according to the Texas Constitution or Selling Guide as DU/LPA does not contain specific eligibility rules needed to determine eligibility in accordance with this law.

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Texas 50(a)(6) Determination

Texas 50(a)(6) Determination

New Loan Amount pays off existing lien and….	If existing lien is a non-50(a)(6); then the new lien is….	If existing lien is a 50(a)(6); then the new lien is….
Provides even $1 cash to the borrower	Texas (a)(6)	Texas (a)(6)
Pays off/down an existing TX (a)(6) lien with no cash to borrower	Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Pays off/down an existing TX (a)(6) lien with cash to borrower	Texas (a)(6)	Texas (a)(6)
The new lien is < existing UPB (no new funds)	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Funds, prepaids and/or closing costs	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Pays off/down a purchase money 2nd	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Pays off/down an existing Secured Home Improvement Loan (mechanic's lien)	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Provides funds to satisfy a court ordered Divorce Equity Buyout	Non-Texas (a)(6)	Texas (a)(6)

*Borrower may elect to have loan remain a Texas (a)(6)

Texas 50(a)(6) and (f)(2) Special Considerations

Texas 50(a)(6) Special Considerations

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:

Subject to the 2% Cap	Not Subject to the 2% Cap
Administrative Fees Appraisal – portion of appraisal fee paid to affiliate Assignment Fees Attorney File Review Fees Broker Fees Closing Fees Commitment Fees Courier Fee/Express Mail Fees Credit Life Insurance required by the Lender Valid discount points used to buy down the interest rate, (suggest written buy down request from the borrower) Doc Prep Fees (may be changed only by a Texas licensed attorney) Title Company Escrow Fees Escrow Waiver Fees Flood Certification Mortgage Insurance Origination Fees Pest Inspection Fees Processing Fees Property Tax Certification Fees Property Tax Service Fees Recording Fees Title Examination or Search Underwriting Fees Warehouse Fees	Appraisal – portion of appraisal fee paid to non-affiliate Title Endorsements Discount points (if legitimate and bona fide) Flood Insurance Hazard Insurance HOA maintenance fees Interest Property taxes Survey performed by state licensed or registered surveyor Fees based on the failure of the borrower to live up to contractual obligations (for example, force-placed insurance, returned check charges, debt collection costs, late fees, foreclosure costs) Optional charges paid by the owner of the property (or his/her spouse) at his/her sole discretion that are not required by the lender. (Lenders should exercise caution when relying on this exception.)

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	Texas (f)(2): No additional funds rolled into the loan (except closing costs and pre-paids)
Texas 50(a)(6) Attorney Review	
Texas 50(a)(6) Attorney Review	All Texas 50(a)(6) and (f)(2) loans must be reviewed and certified by an NewRez approved TX Attorney prior to loan closing. NewRez'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
Texas 50(a)(6) Max LTV	
Texas 50(a)(6) Max LTV	Unless otherwise limited by the Jumbo Series F product Maximum Cash out LTV limits, the maximum Loan To Value 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 (whether a 50(a)(6) or (f)(2)). 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) or TX (f)(2). 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 are also 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 NewRez 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) • 1 unit SFD, attached or detached PUD or condominium • 2-4 unit properties not eligible

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	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 NewRez 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 NewRez 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
2.22 Loans with LTVs Greater Than 80%	
Eligibility	
Eligibility	All other parameters of the Jumbo Series F product profile must be met in addition to the specific Greater than 80% LTV Option requirements outlined in this section 2.22. • One-unit primary residence only • Fixed rate term ○ Minimum 720 FICO ○ Maximum loan amount $1.5M ○ Purchase & Rate/Term refinance transactions only ○ Maximum DTI 43% (refer to eligibility matrix for reserve requirements) ○ FTHB permitted ○ No Subordinate Financing (Permitted with LTV of 80% and minimum FICO of 760 to 85% CLTV) ○ 20, 25 and 30-year terms only • Adjustable rate term ○ Minimum 760 FICO ○ No FTHB ○ Maximum 36% DTI ○ Purchase & Rate/Term refinance transactions only ○ No subordinate financing permitted
Ineligible Transactions	
Ineligible Transactions	• Cash out transactions • Second homes and investment properties • Agency High Balance loans • Texas 50(a)(6) • 2-4 unit properties
Underwriting Considerations	
Underwriting Considerations	• Gift funds not permitted • Borrower may own up to two financed properties • Non-occupant co-borrowers with blended ratios not eligible
Residual Income	
Residual Income Requirements	Applies to loans with LTV > 80% • Residual income calculation required as per below grid. Residual income equals Gross Qualifying Income less Monthly Debt (as included in the DTI).

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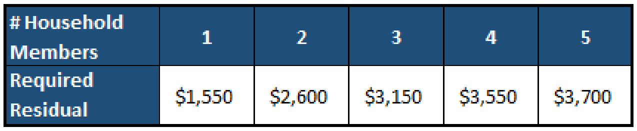

# Household Members	1	2	3	4	5
Required Residual	$1,550	$2,600	$3,150	$3,550	$3,700

Add $150 for each additional household member.

Reserves

Reserve Requirements

- Required Reserves: Refer to eligibility matrix
- ARM term loans require 3 additional months of reserves for all loan amounts
- Additional 1-4 Unit Financed Residential Properties Owned: Additional six (6) months reserves PITIA for each property. Max of two (2) properties may be owned. If excluded from the count of multiple financed properties, reserves are not required.

Section 3: Borrower Eligibility

3.1 Occupancy

Occupancy

Eligible occupancy types include:

- Primary residences for 1-2 unit properties
- Second home residences for 1-unit properties
  - Must be reasonable distance away from borrower's primary residence
  - Must be occupied by the borrower for some portion of the year
  - Must be suitable for year-round use
  - Must not be subject to a rental agreement and borrower must have exclusive control over the property
  - Rental income may not be received on the property
- Investment properties 1-4 units

3.2 Borrower Eligibility

Borrower Eligibility

Eligible Borrowers

Borrowers must be either U.S. Citizens or lawful permanent or non-permanent residents of the United States who 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. Details on Non-US Citizen borrowers can be found below.

All borrowers must have a valid Social Security Number
No more than 4 borrowers may be party to any transaction. All borrowers must have a valid Social Security number.

- U.S. Citizens
- Inter Vivos Revocable Trust

3.3 Non-US Citizen Borrowers

Non-US Citizen Borrowers

- Permanent Resident Aliens with evidence of lawful residency.
  - Must be employed in the U.S. for the most recent 24 months.
- Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions:
  - Primary residence only.
  - Maximum LTV/CLTV/HCLTV of 75%.
  - Borrower may not have any other financed properties in the U.S.
  - Unexpired H1B, H2B, E1, L1 and G Series Visas only. G Series Visas must have no diplomatic immunity.
  - Credit trade line requirements must be met – no exceptions.
  - Verified most recent 24-month employment history in the U.S. required.

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3.4 First Time Homebuyers	
First Time Homebuyers	• A First-Time Homebuyer is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one borrower, where at least one borrower has owned a home in the last three years, the first-time homebuyer requirements do not apply. • LTV 80% or less o Maximum loan amount is $1,000,000. o Transactions located in CA, NJ, NY or CT the maximum loan may go up to $1,500,000 if the following requirements are met: ▪ 720 minimum FICO ▪ Primary residence only ▪ No gift funds permitted ▪ Reserve requirements as specified in the eligibility matrix and Asset section • LTV > 80% o 740 minimum FICO o Maximum DTI 38% o Maximum loan amount $1,000,000; Maximum loan amount is $1,500,000 for transactions located in CA, NJ, NY or CT o Reserve requirements as specified in the eligibility matrix and Asset section o Gift funds not permitted o Fixed Rate Mortgage with terms of 20, 25 or 30 years only
3.5 Power of Attorney	
Power of Attorney	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: • **Incapacitated Borrower** - the borrower is incapacitated and therefore unable to sign documents due to disability, legal incapability, or he/she lacks the physical ability; o Incapacitated borrowers must occupy the property as their primary residence; the underwriter must validate occupancy and review for red flags within the loan file; o 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. o POA will not be permitted for borrowers that are on vacation or short-term business trips. • **Government Contractor** – the borrower is employed by the government and currently working overseas o A letter from the borrower's employer is required to verify overseas travel • **Business Travel –** permitted on Purchase and Rate/Term Refinance transactions when the co-borrower/spouse has Power of Attorney for the traveling borrower. o If Cash Out Refinance transaction, a second review is required by a Team Lead or higher There are 2 acceptable types of power of attorney. The following persons may sign security instruments on a borrower's behalf:

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	• **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: • POAs 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 • No interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may act under Power of Attorney. • A Power of Attorney may not be used on a Texas Equity loan. • A Power of Attorney may not be used on Cash-out transactions • Power of Attorney must be recorded with the security instrument in those states requiring recordation
3.6 Trusts	
Trusts	Living Trust / Inter-Vivos Revocable Trust Only • All trust requests must be approved in writing by the NewRez Compliance Group (newrezcompliance@newrez.com) with the following documentation: ○ Title Commitment ○ 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 NewRez 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 NewRez Compliance Group, must be executed at closing California Exception

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	• 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. Non-Inter-vivos Trust Estates Blind trusts, Life Estates, and Land Trusts are not eligible for financing.
3.7 Non-Arm’s Length Transactions	
Non-Arm’s Length Transactions	A non-arm’s length transaction exists whenever the borrower has a personal or business relationship with parties to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company or other interested party. The following non-arm’s length transactions are eligible for primary and second homes: • Family Sales or Transfers • Property seller acting as their own real estate agent • Relative of the property seller acting as the seller’s real estate agent • Relative of the borrower acting as the borrower’s real estate agent • Originator is related to the borrower • Borrower acting as their own real estate agent • Borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence of the employee loan program required. • Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord). **Investment properties must be arm’s length transactions.** Gifts from relatives that are interested parties to the transaction are not allowed unless it is a gift of equity. Real estate agents may apply their commission towards closing costs and/or pre-paid items if the amounts are within interested party contribution limitations. Refer to Section 7.7 Gifts for requirements.
3.8 At-Interest Transactions	
At-Interest Transactions	Transactions where: • Builder is acting as Realtor/Broker – permitted on primary residence only • Realtor/Broker is selling their own property – permitted on primary residence only • The originator is acting in another real-estate related role (Originators cannot have another real estate related position on any loan, regardless of the loan program
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 ownership in a business that is federally illegal, regardless if the income is not being considered for qualifying

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	• Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction; • Foreign Nationals • Guardianships • Land Trusts • Life Estates • LLCs, Corporation or Partnership (title must be taken as an individual) • Non-Occupant Co-Borrowers/Co-Mortgagors/Co-Signers/Guarantors • Non-Revocable Trusts
Section 4: Collateral	
4.1 Eligible Properties	
Eligible Properties	Eligible Property Types include: • 1-2 Unit Owner Occupied Properties (2 unit not eligible for LTV/CLTV > 80%) • 1 Unit Second Homes • 1-4 Unit Investment Properties • Modular Homes • Attached/Detached SFRs • Attached/Detached PUDs • Low/Mid/High-Rise Condos and Site Condos (Warrantable only) • Florida condominiums limited to 50% LTV/CLTV/HCLTV on investment transactions **Leaseholds, Deed/Resale Restrictions & Solar Panels** Leaseholds, properties with deed/resale restrictions or with leased solar panels must meet FNMA requirements. **Properties subject to Existing Oil/Gas leases** • Title endorsement providing coverage against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease. • Appraiser to comment or current survey to show no active drilling. • No new lease recorded after the home construction date. Re-recording of a lease after the construction date is permitted. • Must be connected to public water
4.2 Condos	

Condos	All loans secured by condos originated under the Jumbo Series F product must be reviewed by the NewRez Condo Review team prior to approval.
	
	• Fannie Mae CPM or PERS permitted
	• Full Review required, warranty to Fannie Mae guidelines
	• No review or warranty required for detached condominiums, including site condos
	• Limited review permitted for attached units (including 2-4 unit projects) in established condominium projects as long as the following requirements are met:
	  ○ Primary residence with maximum LTV/CLTV/HCLTV of 80%
	  ○ Second home with maximum LTV/CLTV/HCLTV of 75%
	  ○ Limited review requirements per Fannie Mae are met and property is eligible for limited review based on Fannie Mae requirements
	  ○ Projects located in Arizona, Florida, Nevada, Michigan and Texas are not eligible for limited review

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	• If project is currently FNMA approved, a HOA Certification is still required. • Florida condominiums limited to 50% LTV/CLVT/HCLTV on investment transactions All requests for condominium review should be emailed to projectreview@NewRez.com.
4.3 PUD (Planned Urban Development)	
PUDs	Planned Unit Developments (PUDs) must comply with the PUD project requirements of Fannie Mae or Freddie Mac. There are two distinct classifications for PUD projects – Type E established PUD projects and Type F new PUD projects. If the subject property is a detached unit, no analysis is required. If the subject is an attached PUD, the following review is required: • Type E Warranty applies to established PUD projects in which the owners' association has been turned over to the unit purchasers. This is the sole eligibility criterion for qualifying as a Type E project (manufactured homes not allowed). • Type F Warranty applies to new PUD projects that are still under the control of the developer. The project must meet the following eligibility criteria: o The project cannot have been created by the conversion of existing buildings into a PUD. o The project may not include any multi-dwelling units that represent the security for a single mortgage loan. o The project must not be composed of manufactured homes. o 70% of the total units in the project (or legal phase) must have been conveyed or be under contract to be sold to the purchasers in order for the lender to determine whether the presales will support the responsibilities of the homeowner's association for at least two years. o The units must be owned in fee simple or leasehold, and the unit purchasers must have the sole ownership interest in, and right to the use of, the project's facilities once control of the homeowner's association has been turned over to them. The homeowner's association should complete a questionnaire so that the originator can make the appropriate determination if the Type F requirements have been met.
4.4 Attached SFR with No Homeowner's Association	
Attached SFR with no HOA	Townhouses or single family attached properties use a method of construction of individual homes with common side walls and a common roof. Certain geographic areas have an architectural style that is not subject to a homeowner's association. An appraisal review is required for Attached SFR with No Homeowner's Association.
4.5 Multiple Dwellings on One Lot	
Multiple Dwellings on One Lot	Single family properties containing additional residential dwellings (guesthouse, carriage house, etc.) must comply with local zoning regulations. They must be typical and common within the subject property's neighborhood. Typically, the additional dwelling(s) are smaller than the main dwelling and will not be rented. The subject property should be appraised as a single-family residence. Any value for the additional dwellings should be supported by comparable sales. Properties with two or more detached single-family homes on a single lot are ineligible. Properties that have a mobile or manufactured home as an additional unit on the subject lot are not acceptable regardless of whether they are used as storage or occupied.
4.6 Maximum Acreage	
Maximum Acreage	Properties are limited to 40 acres. If property has acreage, appraiser must indicate total acreage. It is not acceptable to have property appraised with only 40 acres in order to meet eligibility. • Properties >10 and ≤40 acres must meet the following requirements:

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	○ Maximum 20 acres when LTV > 80%. ○ 20, 25, 30-year fixed rate only for transactions over 20 acres. ○ Transaction must be 10% below maximum LTV/CLTV/HCLTV for the specific scenario when the property is over 20 acres. ○ Max land value 35% ○ No income producing attributes
4.7 Acreage/Agricultural Use	
Acreage/ Agricultural Use	Acreage and land value must be typical and common for the subject's market. The appraisal report must provide data which indicates that like-size properties with similar land values are typical and common in the subject's market area. Properties with minor agricultural usage will be considered, provided the agricultural use does not exceed 20% of the total acreage. Any agricultural usage should not have a material impact on the borrower's overall income, totaling no more than 10% of qualifying income.
4.8 Rural Properties	
Rural Properties	A property indicated by the appraisal as rural, or containing any of the following characteristics, is usually considered a rural property: • Neighborhood is less than 25% built-up. • Area around the subject is zoned agricultural. • The photographs of the subject show a dirt road. • Comparable sales are more than five miles away from the subject. • Subject property is located in a community with a population of less than 25,000. • Distances to schools and/or amenities are greater than 25 miles. • Subject property and/or comparable sales have lot sizes greater than 10 acres. • Subject property and or comparable sales have outbuilding or large storage sheds. Rural properties must comply with the following criteria: • The lot size and acreage must be typical for the area and similar to the surrounding properties. • The subject property must be within reasonable commuting distance to a metropolitan area. • The subject property must be accessible by public roads and highways. • The present use must be the "highest and best use" for the subject property. • The condition, quality and use of outbuildings may be considered in determining the market value of the subject property when the appraiser clearly supports the adjustments with similar comparable information. • Property cannot be subject to any idle acreage tax benefit or other tax incentive program.
4.9 Leasehold Properties	
Leasehold Properties	Leasehold estates must meet FNMA requirements and are deemed as acceptable provided the following guidelines are met: • Leaseholds secured by Indian/Tribal lands are not permitted • The term of the leasehold estate runs for at least five years beyond the maturity date of the mortgage • All lease rents, other payments, or assessments that have become due must be paid • The borrower must not be in default under any provision of the lease nor may such a default have been claimed by the lessor.

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	• The least must provide that the leasehold can be assigned, transferred, mortgaged, and sublet an unlimited number of times by the lessee either without restriction or on payment of a reasonable fee and delivery or reasonable documentation to the lessor. The lessor may not require a credit review or impose other qualifying criteria on any assignee, transferee, mortgagee or sub lessee • The lease must provide for the borrower to retain voting rights in any association. • The lease must provide that the borrower will pay taxes, insurance, and homeowners association dues related to the land in addition to those he or she is paying on the improvements. • The lease must be valid, in good standing, and in full force and in effect in all respects. • The lease must not include any default provisions that could give rise to forfeiture or termination of the lease except for nonpayment of the lease rents. • The lease must include provisions to protect the mortgagee's interests in the event of a property condemnation. • The lease must provide lenders with the right to receive a minimum of 30 days' notice of any default by the borrower and the option to either cure the default or take over the borrower's rights under the lease. • The lease must provide lenders with ○ The right to receive a minimum of 30 days' notice of any default by the borrower, and ○ The options to either cure the default or take over the borrower's rights under the lease. **Redemption of Ground Rents** - A property that is currently a leasehold may have the ground rents redeemed subject to the following information: • The Preliminary Title report/ Title Commitment report must show a requirement that ground rents are to be redeemed at settlement and the property is recorded as Fee Simple. • The appraisal must be appraised as Fee Simple. • Ground rents must be fully redeemed prior to or at closing.
4.10 Ineligible Property Types	
Ineligible Property Types	• 2-4 unit second home properties • 3-4 unit owner occupied properties • Commercial Enterprises (e.g. Bed and Breakfast, Boarding House, Hotel) • Condotels • Co-ops • Geodesic Domes, Berms, Earth homes • Log homes • Manufactured/Mobile Homes • Mixed Use Properties • Model Home Leasebacks • Non-warrantable condos • 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 located in a Lava Zones 1 or 2 • Properties located on Indian/Native American tribal lands in areas where a valid security interest in the property cannot be obtained • Properties Purchased Through Auctions

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- Properties vested in an LLC or Corporation (title must be taken as an individual)
- Properties with a private transfer fee
- Properties with condition rating of C5/C6
- Properties with construction of Q6 or worse.
- Properties with Excessive Acreage (>40 acres)
- Properties with less than 750 square feet of living area
- Timeshares
- Unimproved Land and property currently in litigation
- Working farms, ranches or orchards
- Zoning violations including residential properties zoned commercial

4.11 Appraisals

Appraisals

Appraisals must be ordered through a NewRez approved AMC (see Forms Section for approved AMCs); appraisers listed on the NewRez Ineligible Appraiser List are not eligible to complete appraisals for loans done through NewRez.

Transaction Type	Loan Amount	LTV	Appraisal Requirements
Purchase	≤ $2,000,000	All LTVs	1 Full Appraisal
	> $2,000,000	All LTVs	2 Full Appraisals
Refinance	≤ $1,500,00	< 85% LTV	1 Full Appraisal
		≥ 85% LTV	2 Full Appraisals
	> $1,500,000	All LTVs	2 Full Appraisals

When two appraisals are required, the following applies:

- 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.
- A CDA is not required

Additional Requirements:

- No transferred appraisals permitted
- The re-use of an appraisal is not permitted
- Appraisal Update (Form 1004D) is allowed for appraisals that are over 120 days aged but less than 180 days aged from Note date.
    - The appraiser must inspect the exterior of the property and provide a photo.
    - Appraiser must review current market data to determine whether the property has declined in value since the date of the original appraisal. If the value has declined since the original appraisal, a new full appraisal is required.
    - The Appraisal Update (1004D) must be dated within 120 days of the Note date.
- Collateral Desktop Analysis (CDA) with accompanying MLS sheets from Clear Capital is required to support the value of the appraisal. Lender is responsible for ordering the CDA. 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 Clear Capital BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation of Three Reports is required. The Value Reconciliation will be used for the appraised value of the property.
    - A field review of 2nd full appraisal may be provided. 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

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	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.
4.12 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 At its discretion, NewRez may publish a Market Risk Rating Listing requiring additional valuation products (field review or 2nd full appraisal) on properties in certain geographic areas. As of the date of this publication, there are no geographical areas defined in the Market Risk Rating List. When two appraisals are required, the lesser of the two values will be used for qualification purposes.
4.13 Property Flips/Rapid Appreciation	
Property Flips/Rapid Appreciation	Properties purchased by the Seller within 90 days of the fully executed purchase contract must comply with the following (with the exception of when the Seller is a bank that received the property as a result of foreclosure od deed-in-lieu: • A second full appraisal is required. • Property seller on purchase contract is the owner of record. • Increase in value should be documented with commentary from the appraiser and recent paired sales. When two appraisals are required, 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, in which case no seasoning is required.
4.14 Properties Previously Listed for Sale	
Properties Listed for Sale	• Properties currently listed for sale are not eligible. • Properties listed for sale within 6 months of the application date are eligible if the following requirements have been met: ○ Rate and term refinance ○ Primary and second homes ○ Documentation showing cancellation of listing is required. ○ Acceptable written letter of explanation from the borrower detailing the reason for cancelling the listing. • Cash out refinances are not eligible if the property was listed for sale within the last 12 months of the application date.

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4.15 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 90 days after the declaration date: 1. An interior and exterior inspection of the subject property is required. a. The original appraiser should perform the inspection and provide a certification stating: i. Subject property is free from damage and is in the same condition as previously appraised; ii. Marketability and value remain the same. b. If the original appraiser is not available: i. The inspection may be completed by any of the following: 1. Property / building inspection company; 2. Licensed general contractor; 3. Building or safety inspector from local municipality; or 4. Licensed structural engineer. ii. The inspector must be given a copy of the original appraisal report iii. The inspector must provide certification, on his/her letterhead, stating: 1. Original appraisal has been reviewed; 2. Interior inspection has been completed; and 3. To the best of his/her knowledge: a. Subject is free from significant damage; b. All repairs, if needed, have been completed. 2. 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.
4.16 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.
4.17 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.
4.18 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.

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4.19 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
4.20 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.
4.21 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. If new construction, the report may be one year old as of the date of loan closing.
4.22 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.
4.23 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.

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4.24 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.
4.25 Private Roads	
Private Roads	The property should front a publicly dedicated and maintained street, which meets community standards and is accepted in the market area. If the property fronts a street that is not typical of those found in the community, the appraiser must address the effect of that location on the marketability and the value of the subject property. The presence of sidewalks, curbs, and gutters, street lights, and alleys depends on local custom - if they are typical in the community, they should be present on the subject site. If the property is 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 ○ Any maintenance costs for which the borrower is responsible must be included in the Borrower’s housing ratios • Default remedies in the event a party to the agreement or covenant fails to comply with his or her obligations • The effective term of the agreement or covenant, which in most cases should be perpetual and binding on any future owners Additionally, the title company must affirmatively insure access to the subject property from a public street. 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.
Private Roads	If a legally enforceable, recorded use and maintenance agreement is not in place, the following information will be acceptable: • Statement from the borrower acknowledging the existence of the private road and his or her responsibility to maintain and repair the road when necessary. • Affirmative statement from the appraiser confirming the private road is common in the area and is supported by comparable properties exhibiting the same characteristics. Additionally, the appraiser must state the existence of the private road is not a detriment to marketability, accessibility, or the value of the property. • Comparable properties must be subject to the same access conditions. • Appraiser must comment on the condition of the road and indicate that the road is in good condition. • Municipality or the appraiser must confirm that the private road does not detrimentally affect the availability of public services for the property, particularly fire protection and police protection. • Legal ingress and egress must be available to the property, and no exceptions may be noted on the title report for these characteristics.

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4.26 Geographic Restrictions

Geographic Restrictions	At this time, NewRez cannot finance or purchase loans secured by properties located in Alaska or Hawaii.

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	A minimum of 2 years employment and income history is required to be documented. The Borrower must explain, in writing, any gaps in employment in excess of 30 days during the most recent 2 years and must be employed with their current employer for a minimum of 6 months. • Extended gaps of employment of 6 months or more require a documented 2 year work history prior to the absence.

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 VOEs or copies of W-2s or paystubs.

5.2 Verification of Employment

Verification of Employment	Verbal VOEs are required for all loans. VVOEs must meet the following criteria: **Wage Earner Verification** 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. 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 VVOE. Electronic verifications of employment completed through Work Number for Everyone or TALX are acceptable as well. If the VVOE 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.

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	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 and borrower paystubs. 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
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 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 income and employment verification, the documentation must meet the following criteria: • The borrower's most recent paystub(s) showing a minimum of 30 days YTD earnings. The paystub must include sufficient information to appropriately calculate income; otherwise, additional documentation must be obtained. • Two years' W-2s • Pay stubs and W-2s must be typed or computer generated. ○ 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 • Paystubs should be reviewed for any of the following: Whether or not pay stubs reflect

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garnishments (child support, IRS, etc.)

- if there are any loan deductions
- For all W-2s, confirm that the Employer's ID (EIN) is nine digits and that a Social Security tax of 6.2% and a Medicare tax of 1.45% are shown. Maximum income limits subject to Social Security tax can be found by visiting http://www.ssa.gov/planners/maxtax.htm
  - One of the two websites below should be referenced to determine if the borrower's W-2 is valid.
    - http://www.paycheckmanager.com/FreeCal/free_payroll_calculator.aspx
    - http://www.adp.com/tools-and-resources/calculators-and-tools/payroll-calculators/hourly-paycheck-calculator.aspx

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.

4506-T

A fully complete 4506-T must be **signed and dated** and will be required for all applicants both prior to closing and at closing. The 4506T form must be **processed** and transcripts obtained on all loans. Income as documented must be claimed on the tax returns in order to be used to qualify. The transcripts may be used in lieu of a signature on the tax returns (personal or business) that are required as per guidelines.

Tax Transcripts

- IRS transcripts for personal or business tax returns for two (2) years are required when tax returns are used to document borrower's income or any loss and must match the documentation in the loan file.
- W-2 transcripts for two (2) years are required to validate W-2 wages if tax transcripts for personal tax returns are not provided and the borrower does not have any other income source or loss. The following W-2 type earnings will require tax transcripts:
  - Borrower with commission-based income that is greater than 25% of borrower's total pay.
  - Borrower with 2106 expenses (unreimbursed business expenses).
  - Borrower employed by family.
  - Borrower with ownership in company.

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.

Tax Payer Identification Theft

If the 4506-T transcripts do not match the borrower's income and the borrower is a victim of taxpayer identification theft, the following conditions must be met in order to validate the borrower's income:

- Proof of identification theft, as evidenced by (1) one of the following:
  - Proof ID theft was reported to and received by the IRS (IRS form 14039).
  - Copy of notification from the IRS alerting the taxpayer to possible identification theft.
- In addition to (1) one of the documents above, all applicable documents below must be

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	provided o Tax Transcript showing fraudulent information. o Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower's 1040s. Validation of prior tax year's income (income for current year must be in line with prior years). IRS Rejection of 4506-T If the IRS rejects a 4506-T request, and the reason for the rejection is either "Unable to Process" or "Limitation," the following conditions must be met in order to validate the borrower's income: • Copy of the IRS rejection with a code of "Unable to Process" or "Limitation." • Record of Account for two (2) years obtained by the borrower from the IRS. Adjusted Gross Income and Taxable Income on the Record of Account should match the borrower's 1040s. OR • Tax return transcripts for two (2) years obtained by the borrower via mail from the IRS.
5.4 Self-Employed Borrowers	
Self-Employed Borrowers	A borrower is considered to be self-employed when one of the following occurs: • The borrower has a 25% or greater ownership interest in a business or • The borrower is reporting Schedule C income, even though they do not technically "own" a business entity (ex. real estate agents, recruiters, 1099 employees, etc.). These borrowers should be treated as sole proprietors. **Documentation Requirements** • Two years signed tax returns with all applicable tax schedules are required – both personal and business. Tax returns must be signed and dated on or before the closing date. Both years must be evaluated/averaged to derive income level. Stable to increasing income should be averaged for 2 years. If the most recent of the two-year income trend is downward, the most recent tax year's income must be used o Include, as applicable, K-1s, Form 1065, 1120s, Schedule E, etc. ▪ Copy of liquidity analysis must be included in the loan file if the income analysis includes income from boxes 1, 2 or 3 on the K-1 that is greater than distributions indicated on the K-1. ▪ If a liquidity analysis is required and the borrower is using business funds for down payment or closing costs, the liquidity analysis must consider the reduction of those assets. o Partnership/S Corp business tax returns are not required if the income reporting is positive and not being counted as qualifying income. • An unaudited year-to-date (YTD) Profit and Loss (P&L) Statement and Balance Sheet is required. Tax returns for the previous year are not a substitute for the balance sheet if the most recent quarter falls in the previous tax year. The requirement for a YTD P&L and YTD Balance Sheet may be waived if the borrower is a 1009 paid borrower is all of the below criteria are met: o Schedule C Total Expenses must be analyzed in relation to Gross Income and expenses are less than 5% of income; o No expenses are shown in Advertising, Contract Labor, Mortgage Interest, Rent/Lease or Wages; o Legal and Professional Services and Office Expense show zero or nominal expenses;

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Self-Employed Borrowers	○ There is no separate Business Name or entity; • YTD income in the form of a written VOE or pay history is provided by the employer issuing the 1099 and supports the prior year's income. • 4506-T must be executed to obtain business tax transcripts 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. **Identifying Self-Employed Income** • **Sole Proprietorship** – In a sole proprietorship, the Borrower is the "sole" or individual owner of the business. The business income is most likely reported on the Borrower's individual federal tax returns and is reflected as Schedule C earnings. • **Partnerships** – A partnership is formed when two or more people start a business together. The partners share profits (or losses) and control of the business. Partnerships generally fall into two main categories, General and Limited: ○ **General Partnerships - Each** partner is personally liable for all debts of the business. Personal liability to the partnership creditors will continue even after the partnership is dissolved. ○ **Limited Partnerships -** Generally, a limited partnership exists for investment and tax purposes. Limited partners generally take a loss on the investment, which will show as a loss under Schedule E on their personal tax returns. Determine if the limited partnership income is real or a tax shelter. • **Corporations** – A Corporation is a business owned by stockholders instead of individually. The percentage of the borrower's ownership must be confirmed; A borrower with a 25 percent or greater ownership interest in a business is considered self-employed. A Borrower who is self-employed as a corporate officer will receive a W-2 and will report income on his/her personal tax returns. All corporate income or losses are reported on the corporate tax returns (Form 1120 or 1120S with Schedule K-1). • **"S" Corporations** - "S" Corporations are generally small corporations that are taxed in the same manner as partnerships. They pass gains and losses through to their shareholders, which are then, taxed at the tax rates for individuals. "S" Corporation income is reported on either W-2 or Schedule E, or just on Schedule E (section 27). The profit of the corporation is distributed to each owner according to his/her share of ownership. The adjusted profit (i.e., the net income) is then divided by the Borrower's share of ownership and combined with W-2 income used for qualifying. • **1099 – Miscellaneous Income** – Payments to sole proprietors or contract employees will also be reported on a 1099 form and included in the Borrowers Schedule C.
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 decreasing income trends could affect the stability of the borrower's income and would require further analysis and a satisfactory explanation from the employer and/or the borrower. If the most recent of the two-year income trend is downward, the most recent tax year's income must be used. In certain cases, the average income may be used when the decline is related to a one-time capital expenditure and acceptable documentation is provided. If a

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	satisfactory explanation cannot be provided, the income will be considered questionable and should not be used to qualify the borrower.
5.6 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 a copy of the award letter and a copy of the bank statement showing direct deposit of said income. Nontaxable pension and annuity income will be grossed up by the percentage 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, in this instance use 25%. The borrower's 1040s must be analyzed to confirm the income is non-taxable.
Automobile Allowance and Expense Account Payments	
Automobile Allowance and Expense Account Payments	Automobile allowances are considered acceptable income provided receipt of such income has been documented for the previous two years and the income is likely to continue. Only the amount by which the consumer's automobile allowance or expense account payments exceed actual expenditures may be considered income. To establish the amount to add to gross income, the consumer must provide the following: • IRS Form 2106, Employee Business Expenses, for the previous two years; and • Employer verification that the payments will continue; payments must be projected to continue a minimum of three years to be included in qualifying income. Qualifying income is the verified allowance minus all unreimbursed business expenses as reported by the Borrower in his/her personal tax returns on IRS schedule 2106. If the result is positive, the allowance may be added to qualifying income. If the result is negative, qualifying income must be reduced accordingly. If the consumer uses the standard per-mile rate in calculating automobile expenses, as opposed to the actual cost method, the portion that the IRS considers depreciation may be added back to income. Expenses that must be treated as recurring debt include: • The consumer's monthly car payment; and • Any loss resulting from the calculation of the difference between the actual expenditures and the expense account allowance.
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, Incentive, and Overtime Income	
Bonus, Incentive, and Overtime Income	Bonus, incentive, 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, bonus, and/or incentive 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 earnings, written verification from the employer must define the dollar

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	amount paid to the Borrower during the past 24 months. When this type of income is used for a down payment and is the only source of funds for the down payment, it may not be used as qualifying income. In addition, when the bonus is received infrequently throughout the year, the Borrower must have sufficient income reserves in savings to supplement his/her income until the next bonus is received. Borrowers beginning employment with a new employer must have received bonus, overtime or incentive income from the new employer in order to utilize for qualifying unless such bonus, overtime or incentive 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, 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 only if this information is volunteered by the Borrower and if the file substantiates the receipt of funds on an ongoing basis. Copies of the divorce decree/legal separation agreement or voluntary payment agreement along with copies of court records, bank statements or canceled checks showing payments for a minimum of (12) twelve months are required. In order to be used as income, these payments must reasonably be expected to continue for (3) three years based upon all factors, including without limitation the terms of the divorce decree or separation agreement. For child support, the age of the children and any stipulations for continuance in the divorce decree or separation agreement must be considered when determining if funds received are eligible as qualifying income. If the income is the borrower's primary income source and there is a defined expiration date (even if beyond three (3) years the income may not be acceptable for qualifying purposes.
Commission	
Commission	A commissioned consumer is one who receives 25 percent or more 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. Two years of signed federal tax returns are required to substantiate commission income. NOTE: Commission income that has been earned for less than one year cannot be used as qualifying income. In instances where commissions have been received for more than one year, but less than two, 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. Borrowers beginning employment with a new employer must have received commission income from the new employer 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. Commission income is established with all of the following: • Most recent pay stubs with year to date commission earnings broken out Un-reimbursed business expenses (form 2106) must be subtracted from income. • A verification of employment showing year to date commission earnings • Two (2) years' W-2s or 1099s, and two years tax returns, signed and dated with all schedules and attachments

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Disability Income	
Disability Income	Long-term disability benefits may be used as qualifying income if the file contains the following documentation: • Copy of the policy or benefits statement must be provided to determine current eligibility for disability payments, amount of payments, frequency of payments, and if there is an established termination date. ○ Termination date may not be within three (3) years of Note date; please note reaching a specific age may trigger a termination date depending on the policy.
Dividend/Interest Income	
Dividend/Interest	Interest and dividend income may be used as long as tax returns or account statements support a two-year receipt history. 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 • The income has been received for at least 24 months; • Year to date income is in line with previous earnings; • The investment is from a publicly traded company(s); • The Borrower has a diversified portfolio; • Verification of stock asset values no older than 30 days at closing; and • 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: • Verify that the borrower currently holds underlying cash deposits or securities • 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 ○ YTD earnings can be calculated by applying a realistic market interest rate to the account balances and averaging over the number of months the income has been received for the year ○ Do not include interest from pass-through tax entities (Partnerships and S Corporations), or from margined securities in the calculation of interest or dividend income Note: Interest and dividend income is typically found on Schedule B of the personal tax return, but may be on Schedule D and Form 6252 - Installment Sales.
Employment Offers/Recent Employment	
Employment Offers/Recent Employment	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 from their new job. A written VOE will be required. Projected or future income is not permitted.
Employment by a Relative/Family Business	
Employment by a Relative/Family Business	In instances where the borrower is **employed by a relative or participant** to our loan transaction the following documentation must be obtained: • Borrower's signed and completed personal federal income tax returns for the most recent two-year period, and • Verbal Verification of Employment

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	- YTD paystub documenting at least 30 days of income - W-2s for the most recent two years. - Proof must be provided that the borrower is not an owner of the business (signed personal or corporate tax returns). For Family Businesses, the borrower must provide a signed copy of the corporate tax returns detailing their ownership percentage. In any instance where the Borrower owns more than 25% of the company, full self-employed documentation must be provided. Current income reported on the pay stub may be used if it is consistent with W-2 earnings report on the tax returns. If the tax returns do not include W-2 earnings or income is substantially lower than the current pay stub, further investigation is needed to determine whether income is stable.
Foreign Income	
Foreign Income	Income from a non-US source may be considered only if such income is paid by a corporate entity and is not subject to tax in any jurisdiction outside of the US. Any and all income used to qualify a borrower must be verified through filed tax returns and validated through tax transcripts. All income must be converted to U.S. currency.
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 permitted
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. For Borrowers with a reservist or National Guard obligation, an assessment should be performed to determine the impact of activation on the Borrower’s income.
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

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	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 consumer is not the original payee on the note, the creditor must establish that the consumer 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 the first (3) three years of the mortgage term
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.
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.
Relocating Life Partners (RLP)/Trailing Co-Borrowers	
Relocating Life Partners (RLP)/Trailing Co-Borrowers	For primary residence purchase transactions, income from a Relocating Life Partner (RLP) is not permitted as qualifying income.
Rental Income	
Rental Income	Rent received for properties owned by the borrower are acceptable so long as the stability of rental income can be verified through a current lease/agreement to lease or rental history over the previous 24 months that is free of unexplained gaps greater than three months (such gaps could be explained by student, seasonal, or military renters, or property rehabilitation). Rental income used to qualify must be disclosed on the loan application.

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The following requirements must be met:

- Required Documentation:
    - Current 12-month rental lease
    - Personal tax returns for the past two years
- Lease agreements must be provided if rental income is used for qualifying purposes.
    - Current lease for each rental property, including commercial properties listed in Part 1 of Schedule E of the 1040s. Rent rolls are not allowed.
    - If the current lease amount is less than the rental income reported on the tax returns, justification for using the income from the tax returns must be provided and warrant the use of the higher income. If there is no justification, the lease amount less expenses will be considered for rental income/loss.
- Personal tax returns – Two (2) years
    - For properties listed on Schedule E, rental income should be calculated 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, net rental income should be calculated using gross rents X75% minus PITIA.

The rent for multiple unit property where the borrower will reside/resides in one or more units and charges rent to tenants of other units may be used for qualifying purposes. The full Housing Expense (PITIA) of the subject property is treated as debt. Usable Rental Income is treated as income. Rental Income is not to be treated as a direct off-set of the mortgage payment.

Rental Income from Departing Residence Converted to Investment Property:

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

Analyzing IRS Form 1040 Schedule E

- The IRS Form 1040 Schedule E is required to verify all rental income. Rental income should be calculated using net rental income + depreciation + mortgage interest + taxes + insurance + HOA divided by applicable number of months minus PITIA. Positive rental income is considered gross income for qualifying purposes, while negative income must be treated as a recurring liability.
- The lender must confirm that the borrower still owns each property listed, by comparing Schedule E with the real estate owned section of the Uniform Residential Loan Application (URLA).

- Using Current Leases to Analyze Rental Income Current lease for each rental property, including commercial properties listed in Part 1 of Schedule E of the 1040s. In order to calculate the income for properties not yet showing on borrower's tax returns, reduce the

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	gross rental amount by 25 percent for vacancies and maintenance, subtract PITIA, and apply the resulting amount to income, if positive, or recurring debts, if negative.
Retirement Income (401K/IRA Distributions)	
Retirement Income – 401K/IRA Distribution	The Borrower must provide verification of the assets of the plan and verification of receipt of monthly income. Assets in the plan must be sufficient to sustain income continuance for a minimum of three (3) years. • Distribution must have been set up at least 6 months prior to loan Note date if there is no prior history OR • Two (2) year history of receipt evidenced • Distributions cannot be set up or changed for the purpose of loan qualification. • Document regular and continued receipt of income as verified by any of the following: ○ Letters from the organizations providing the income ○ Copies of retirement award letters ○ Copies of federal income tax returns (signed and dated on or before closing) ○ Most recent IRS W-2 or 1099 form ○ Proof of current receipt with two (2) months most recent bank statements If any retirement income, such as employer pensions or 401(k)s, will cease within the first full three years of the mortgage loan, such income may not be used in qualifying. 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.
Royalty Income	
Royalty Income	Schedule E should be used to determine the supplemental income to use for royalties. The lender 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.
Seasonal Income	
Seasonal Income	Seasonal income is considered uninterrupted, and may be used to qualify the consumer, if the lender documents that the consumer: • Has worked the same job for the past two years • Expects to be rehired the next season
Social Security Income	
Social Security Income	Social Security benefits must be expected to continue for at least three years in order to be considered as income. Non-taxable Social Security may be grossed up by the tax rate from the consumer's last year's income tax, unless the borrower was not required to file a federal tax return, then a factor of 25% should be used. 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 and dated Benefits payable to/for dependents:

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	• This income may be used for qualifying purposes only if it is expected to continue for a minimum of three (3) years.
Stock Options and Restricted Stock	
Stock Options and Restricted Stock	• May only be used as qualifying income if the income has been consistently received for two (2) years and is identified on the paystubs, W-2s and tax returns as income and the vesting schedule indicates the income will continue for a minimum of three (3) years at a similar level as prior two (2) years. • A two (2) year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the 52-week low for the most recent twelve (12) months reporting at the time of closing. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule. • Additional awards must be similar to the qualifying income and awarded on a consistent basis. • Borrower must be currently employed by the employer issuing the RSUs/stock options for the RSUs/stock options to be considered in qualifying income. • Vested restricted stock and stock options cannot be used for reserves if using for income to qualify.
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 (3) three years of the mortgage term as evidenced by trust income documentation. A copy of the trust agreement or the trustee's statement confirming the amount, frequency and duration of the payments must be obtained to verify the income and continuance of the income. Evidence of receipt of trust income for the most recent 12 months is required. Trust account funds may be used for the required cash investment if the consumer provides adequate documentation that the withdrawal of funds will not negatively affect income. The consumer may use funds from the trust account for the required cash investment, but the trust income used to determine repayment ability cannot be affected negatively by its use.
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.
Unreimbursed Business Expenses	
Unreimbursed Business Expenses (URBE)	• Employee business expenses must be deducted from the adjusted gross income regardless of the income type. • Two (2) years tax returns are required. If 2017 tax returns reflect 2106 expenses and 2018 tax returns show no expenses (due to tax law change), a 12-month average of expenses must be based on 2017 tax return and deducted from qualifying income.
5.7 Unacceptable Sources of Income	
Unacceptable Sources of Income	• Asset depletion as income • Bank Statements as Income Verification • Boarder Income • Capital Gains • Deferred compensation

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	• Educational benefits (such as grants and scholarships) • Expense account reimbursement • Gambling winnings (except lottery payments continuing for 5 years) • Homeownership Subsidies • Illegal income or income not reported to the IRS • Income Received from Roommates • Mortgage Credit Certificates • Projected Income • Projected Income for a New Job that starts after Closing • Refunds of federal, state or local taxes • Retained earnings • Trailing Co-Borrower income
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. A valid and usable score is one that is generated based upon credit history and credit patterns that accurately reflect the Borrower’s history. It should be generated based upon at least the following: • Minimum of three (3) trade lines from traditional credit sources (such as a bank or other financial institution) ○ One (1) trade line must be open for twenty –four (24) months and active within the most recent six (6) months. ○ Two (2) remaining trade lines must be rated for twelve (12) months and may be opened or closed **OR** ○ Minimum two (2) trade lines are acceptable if the borrower has a satisfactory mortgage rating for at least twelve (12) months (opened or closed) within the last twenty-four (24) months and one (1) additional open 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. • Each borrower contributing income for qualifying must meet the minimum trade line requirements; however, borrowers not contributing income for qualifying purposes are not subject to minimum trade line requirements. • 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

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Credit	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. • Borrowers may not use a credit enhancement product in order to qualify for the Jumbo Products or to improve tiers from a pricing standpoint • Non-traditional credit is not allowed as an acceptable trade line **<u>Disputed Trade lines</u>** • All disputed trade lines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute • Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded. **<u>Credit Inquiries</u>** • If the credit report indicates recent inquiries within the most recent 120 days of the credit report, the seller must confirm the borrower did not obtain additional credit that is not reflected in the credit report or mortgage application. In these instances the borrower must explain the reason for the credit inquiry. • If additional credit was obtained, a verification of that debt must be provided and the borrower must be qualified with the monthly payment • Confirmation of no new debt may be in the form of a new credit report, pre-close credit report or gap credit report <u>Determining the Borrower's Score</u> • Determine the score for each Borrower on the loan. Select the middle score when three agency scores are provided and the lower score when only two agency scores are provided. This is the individual Borrower's score. Then, • To determine the representative Credit Score for the loan (each loan has only one representative Credit Score), the lowest representative Credit Score of all borrowers is used. **Payment Histories** 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 • If the borrower(s) has mortgage history in the most recent twenty-four (24) months, a VOM must be obtained reflecting 0x30 in the last twenty-four (24) months. Applies to all borrowers on the loan. Rental History • If the borrower(s) has a rental history in the most recent twelve (12) months, a VOR must be obtained reflecting 0x30 in the last twelve (12) months. Applies to all borrowers on the loan. • If the landlord is a party to the transaction or relative of the borrower, cancelled checks or

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	bank statements to verify satisfactory rent history is required; otherwise if not related or a party to the transaction a satisfactory VOR can be provided. Additional Requirements • If not contained within the credit report, the following documentation must be provided by a third party: ○ Mortgage – Verification can come directly from the lender/servicer, canceled checks and/or bank statements. Private party mortgage verifications must be accompanied by cancelled checks or bank statements to validate payments. ○ Rent – Rental history may be verified by a direct written verification (VOR) from a management company or 12 months canceled checks and/or bank statements. Private party rental verifications must be accompanied by cancelled checks or bank statements to validate payments. • Borrowers who do not own their homes free and clear and have less than 12 months total mortgage payment history, must meet FTHB guidelines; only one borrower must have an established mortgage history to be eligible as a standard (non-FTHB) homebuyer. See the First Time Homebuyers section for additional details. • Borrowers temporarily living rent-free are considered acceptable, provided the situation is temporary in nature and the sale of the borrower's previous home are termination of rental lease coincides with the date of their new rent-free residence. An acceptable letter of explanation should be included in the file.
6.3 Derogatory Credit	
Derogatory Credit	Select credit events that generate severe negative impact to a borrower's credit history are defined as serious derogatory credit. Examples of serious derogatory credit include bankruptcy, foreclosure, short sale, deed in lieu, short payoffs, etc. Multiple derogatory credit events are not allowed. All liens that affect title to the security property must be paid at closing and all past due accounts must be brought current prior to closing. Tax liens, judgments, charge-offs and past-due accounts must be satisfied or brought current prior to or at closing. Cash-out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts. Medical collections are allowed to remain outstanding as long as the balance is less than $10,000 in aggregate. Payment plans on prior year tax liens/liabilities are not allowed and must be paid in full. **Letter of Explanation** A satisfactory written explanation signed by the Borrower(s) explaining the reason(s) for adverse credit is required if determination is made that the adverse credit has a significant negative impact on the creditworthiness of the Borrower(s). 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. Documentation supporting the Borrower's explanation(s) may be required. A Borrower with an unfavorable credit history may be deemed acceptable if the occurrences of adverse credit use do not appear to be typical for the Borrower and are due to circumstances beyond the Borrower's control. Additionally, the instances should not be indicative of the Borrower's negligence or unwillingness to repay.
Bankruptcy	
Bankruptcy	• Seven (7) years since discharge / dismissal date. • Not eligible for LTV > 80%.

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Foreclosure / Notice of Default (NOD)	
Foreclosure / Notice of Default (NOD)	• Seven (7) years since discharge / dismissal date. • Not eligible for LTV > 80%.
Deed-in-Lieu of Foreclosure/Pre-Foreclosure Sale	
Deed in Lieu of Foreclosure or Pre-Foreclosure Sale	• Seven (7) years since discharge / dismissal date. • Not eligible for LTV > 80%.
Previous Short sale or Short Pay-off	
Previous Short Sale or Short Payoff	• Seven (7) years since discharge / dismissal date. • Not eligible for LTV > 80%.
Rolling Lates	
Rolling Lates	A "rolling late payment" occurs when the Borrower on a contractually delinquent loan makes a monthly payment that does not bring the loan current, and the delinquency status remains the same from one month to the next. For example, a loan is 30 days delinquent on May 1 (due for April and May). The Borrower makes only one payment in May (contractually satisfying the April payment). On June 1 the payment is still 30 days delinquent (due for May and June). The Credit Report reflects this as two 30-day late occurrences, and this is a "rolling 30". No rolling late payments are permitted. Each occurrence of a contractual delinquency is considered individually for purposes of loan eligibility and pricing.
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, documentation must be provided to determine there is no negative impact to a borrower's ability to repay. A statement from the Borrower's attorney may be required. 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 may also be needed. The title company closing the loan must be informed of the lawsuit or litigation and provide affirmative coverage of NewRez's first lien position. This exception to the otherwise-applicable requirement that the Borrower not be involved in a lawsuit or pending litigation may be made only on an Owner Occupied, Purchase or Rate/Term refinance.
Modified Mortgage	
Modified Mortgage	• Lender initiated modification will not be considered a derogatory credit event if the modification did not include debt forgiveness and was not due to a hardship as evidenced by supporting documentation. No seasoning requirement would apply. • If the modification was due to hardship or included debt forgiveness a seven (7) year wait period would apply. • Not eligible for LTV > 80%.
Delinquent Credit Belonging to an Ex-Spouse	
Credit Belonging to an Ex-Spouse	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 accounts belong solely to the ex-spouse; • For mortgage debt, a copy of the document transferring ownership of the property • If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owning on the mortgage property should be taken into account when reviewing the borrower's credit profile

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6.4 Qualifying Ratios

Qualifying Ratios

Maximum DTI 43% (Refer to eligibility matrix for any other restrictions)

- ○ **First time homebuyer maximum DTI 38%**

Mortgage Type	Qualifying Interest Rate
Fixed Rate Mortgage	Note Rate
5/1 ARMs	Greater of the Fully Indexed Rate or the Note Rate + 2%
7/1 and 10/1 ARMs	Greater of the Fully Indexed Rate or the Note Rate

- 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.

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).

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:
  - ○ 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

6.5 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 timely payments made by said other parties must be documented with twelve (12) months canceled checks however; in every case the party making the payment must be obligated under the Note. The debt should not have been delinquent at any time.

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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 are included in the DTI. If there are fewer than ten payments remaining and the underwriter determines these payments will not impact the borrower's ability to pay, payments may be excluded from the DTI with evidence of the remaining duration of support payments in the file. For divorces completed prior to January 1, 2019 only, alimony payments may be deducted from income rather than included as a liability.
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. Retirement Contributions and 401(k) loans being used to secure a loan are not considered an obligation and can be excluded from the debt to income ratio with documentation to show the borrower's 401k as collateral for the loan.
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.

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	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	Contingent liability must be considered when the consumer remains obligated on an outstanding FHA-insured, VA-guaranteed, or conventional mortgage secured by 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 HUD-1/Closing Disclosure Settlement Statement from the sale of the property, results in a loan-to-value (LTV) ratio of 75 percent or less. In addition, evidence must be provided the borrower no longer owns the property.
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 current and as agreed for at least the most recent twelve (12) months by the primary obligor. • 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. • A mortgage loan that has been assumed by a third party without a release of the Borrower's liability. A copy of the formal assumption agreement and evidence of transfer of ownership of the property should be in the file. • 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 the most recent 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: ○ $20 ○ The payment as verified by the creditor ○ The full credit line amortized over 20 years based on the margin and index specified in the note

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	- 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: ○ The Current payment ○ The Full credit line amortized over 20 years based on the margin and index specified in the note
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. 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. 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 of less than 5%, an estimated payment based on the greatest of 5% of the outstanding balance or $10 must be used as the Borrower's recurring monthly debt obligation for this account.
Student Loans	
Student Loans	Student loans (including those that are in repayment, deferred or in forbearance) must be included in the DTI calculation. The following should be used to determine the qualifying monthly payment: - If a monthly payment is provided on the credit report, that amount may be used in qualifying. - If the credit report does not provide a monthly payment or it shows $0 as the monthly payment, the payment may be one of the options below: ○ 1% of the outstanding balance or ○ A fully amortizing payment using the documented loan repayment terms
Tax Liability	
Tax Liability	If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient assets to pay the debt must be documented if the amount due is within ninety (90) days of loan application.
Timeshares	
Timeshares	For credit review purposes, timeshare obligations are usually considered installment loans. If the Borrower has a deed to the timeshare property, then the timeshare obligation must be considered a mortgage loan for review purposes.

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6.6 Current Principal Residence Pending Sale	
Current Principal Residence Pending Sale	If the current property residence is pending sale but the transaction will not be closed prior to the new transaction, the payment may be excluded if the following requirements have been met: • A copy of the executed sales contract is required for the property pending sale and confirmation that all contingencies have been cleared/satisfied. The pending sales transaction must be arm's length and; • The closing dated for the departure residence must be within thirty (30) days of the subject transaction Note date • Six (6) months liquid reserves must be verified for the PITIA of the departure residence. **Departure Residence Subject to Guaranteed Buy Out with Corporate Relocation** The following requirements must be met in order to exclude the payment for a borrower's primary residence that part of a Corporate Relocation: • Copy of the executed buy-out agreement verifying borrower has no financial responsibility toward the departing residence once the property has been transferred to the third party. • Guaranteed buy-out by the third party must occur within four (4) months of the fully executed guaranteed buy-out agreement. • Evidence of receipt of equity advance if funds will be used for down payment or closing costs. • Verification of an additional six (6) months PITIA of the departure residence.
6.7 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, it is often a source of concern for occupancy fraud and potential risk to the company. The underwriter must review the application and supporting documentation to determine if any red flags 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 • If the current primary residence is being converted to an investment property, rental income may only be used as described in the Rental Income section of this guide
Section 7: Assets	
7.1 Assets	
Assets	• Assets must be sourced using the two most recent consecutive month's financial institution records (covering a minimum of 60 days); if account information is reported quarterly the most recent quarter. • 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

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	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 • Assets for Income (AFI) is not permitted
7.2 Asset Documentation	
Asset Documentation	Assets must be sourced/seasoned and may be verified using: • Financial Institution Records must provide all of the following information: ○ Clearly identify the borrower as an account holder ○ Include the account number ○ Include the time period covered by the record ○ Include all deposits and withdrawal transactions ○ Include all purchase and sale transactions ○ Include the ending balance in U.S. Dollars ○ Retirement account statements must be the most recent statements and must identify the borrowers vested amount and terms 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; for W-2 employees large deposits are deposits greater than 25% of the loans qualifying income.
7.3 Down payment, Closing Costs & Reserves	
Down payment, Closing Costs, and 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. A minimum of 5% of the purchase price must be from the Borrower's own funds (Refer to 7.7 Gifts). **Reserves** Reserves are measured by the number of months of the qualifying payment amount for the subject mortgage (based on PITIA) that a borrower could pay using his or her financial assets. **Refer to Eligibility Matrix for minimum reserve requirements.** Minimum required reserves may vary depending on a number of factors, including: • The transaction • The occupancy status and amortization type of the subject property • The number of units in the subject property • The number of other financed properties the borrower currently owns AND • The status of the borrower's current principal residence (pending sale or converting to second home or investment property) PITIA is defined as: • Principal and Interest. • Hazard, flood, mortgage insurance premiums (as applicable). • Real estate taxes. • Ground lease. • Special assessments. • Association dues. • Any payments on subordinate mortgages loans secured by the subject property. NOTE: Certain assets are discounted when used for reserves. Refer to the applicable asset type for additional information.

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7.4 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. • Unverified funds are not acceptable for the down payment or closing costs unless they satisfy the requirements for borrowed funds • 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	Business Funds can be used for down payment closing costs, and reserves. In order to use business assets, the following are required: • Complete cash flow analysis using the most recent three (3) months business bank statements to determine no negative impact to the business. • Business bank statements must not reflect any NSFs or overdrafts. • Borrowers must be 100% owner of the business. • To use for reserves, the total amount of reserves must be two times or double the regular requirement for the subject property and any additional financed REO. ○ Cannot be used for reserves if the LTV is > 80%.
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, NewRez 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 monthly or quarterly statement from the depository investment firm or
	• A copy of the stock certificate accompanied by a newspaper stock list that is dated as of or near the date of the loan application
	Receipt of funds must be verified. When used for reserves the value of stocks and mutual funds must be discounted by 30%. 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
	  ○ Referencing a statement that lists the number of options and the option price AND
	  ○ Using the current stock price to determine the gain that would be realized from

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	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 value of bonds must be discounted by 30%.
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. • NewRez 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 (down-payment and/or closing costs). • When funds from retirement accounts are used for reserves, NewRez does not require the funds to be withdrawn from the account(s). However, NewRez 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. ○ 70% of the vested value after the reduction of any loans is required. If the borrower is less than 59 ½ years of age, 60% of the vested value after the reduction of any outstanding loans is required. At or above retirement age, the additional 10% penalty does not need to be applied. ○ Evidence of access to funds is required for employer-sponsored retirement accounts ○ Retirement accounts that do not allow for any type of withdrawal are ineligible for 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 borrower’s minimum contribution requirement, the funds must be verified as being from an acceptable source • A request for Verification of Deposit may be used however, VODs 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

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	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; • 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); or • Escrow agent/attorney's letter acknowledging receipt of funds. Other forms of verification may be acceptable, so long as the verification clearly indicates that the funds were in the Borrower's possession for at least 90 days prior to transfer.
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 HUD-1/ 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, but not reserves, 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 • Savings accounts • CDs • Stocks • Bonds • 401k When qualifying the borrower, the underwriter must consider the monthly payments for

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	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. Retirement Contributions and 401(k) loans being used to secure a loan are not considered an obligation and can be excluded from the debt to income ratio with documentation to show the borrower's 401k as collateral for the loan Documentation • 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
Cash Value of Life Insurance	
Cash Value of Life Insurance	Net proceeds from a loan against the cash value or from the surrender of a life insurance policy are an acceptable source of funds for the down payment, closing costs and reserves. Repayment or additional obligation considerations must be assessed to determine the impact on borrower qualification or reserves. If additional obligations are indicated, the obligation amount must be factored into the total debt to income ratio. To document receipt of funds from the insurance company a copy of the check from the insurer OR payout statement issued by the insurer must be retained in the loan file.
7.5 Unacceptable Assets	
Unacceptable Assets	• Anticipated Savings • Bridge Loans

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	• 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 • 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 (IDAs) • Net proceeds from a 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 • Withdrawing funds/taking a loan from a non-liquid/retirement account to meet the reserve requirements for the specific loan program
7.6 Cash Reserves	
Cash Reserves	• See product matrix for minimum reserve requirements; additional financed properties other than the subject property will require an additional 6 months PITIA per property • Business assets are not permitted for use as reserves • ARM term loans require an additional 3 months of reserves for all loan amounts
7.7 Gifts	
Gifts	Primary residence and second homes only. Borrower must have a minimum 5% of their own funds into the transaction Subordinate Financing is not permitted • Gift funds cannot be used for reserves • Not permitted on LTVs > 80%. **Acceptable Donors** A donor must be an immediate family member, future spouse or domestic partner. 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. • Gifts from relatives that are interested parties to the transaction are not allowed unless it is a gift of equity. Refer to Gift of Equity below. **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 date the funds were transferred ○ Include the donors statement that no repayment is expected AND

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  - 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 to the borrower’s account. 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

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 of 5% for gifts also applies to gifts of equity.

Gift of Equity- Documentation Requirements

- Signed gift letter
- Closing Disclosure settlement statement showing gift of equity
- If the requirements shown here are met, the gift of equity is not subject to the IPC requirements

7.8 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 and/or prepaid expenses on a purchase transaction. They may not be used toward down payment or reserves. 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

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Sales & Financing Concessions

  - Moving costs
  - Other giveaways
  - Financing concessions that exceed NewRez limits

The value of any sales concession must be deducted from the sales price and appraised value when calculating the LTV/CLTV/HCLTV 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 IPCs 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/HCLTV after any IPCs are taken into consideration remain within stated eligibility limits
- Scrutinize all loan and sales contract documents (the sales contract, the Loan Estimate, the 1003, the appraisal report, the Closing Disclosure, etc.)
- Ensure that all elements of the 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.

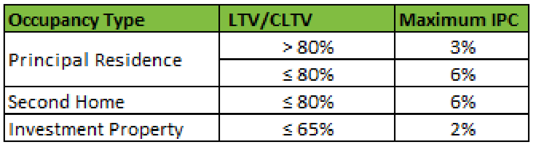
Ineligible Concessions

- Undisclosed IPCs
  - Examples of these types of contributions include but are not limited to:
    - Moving expenses
    - Payment of various fees on the borrower's 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 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.

7.9 Interested Party Contribution Limits

IPC Limits

Maximum third-party concessions, as a percentage of the purchase price, are:



Occupancy Type	LTV/CLTV	Maximum IPC
Principal Residence	> 80%	3%
	≤ 80%	6%
Second Home	≤ 80%	6%
Investment Property	≤ 65%	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 – Not to exceed 90 days old on the date the Note is signed*

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	Assets – 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 Update (Form 1004D) is allowed for appraisals that are over 120 days aged but less than 180 days aged from Note date. *Assets and Income may be up to 120 days old on the date the note is signed if the property is new construction.
8.2 Electronic Signatures	
Electronic Signatures	NewRez does not accept electronic signatures on any documents provided to the borrower by NewRez. Purchase contracts and other documents not prepared or provided by NewRez may contain electronic signatures.
8.3 Escrow Holdbacks and Repair Requirements	
Escrow Holdbacks	Escrow holdbacks are not permitted
8.4 Escrow Waivers	
Escrow Waivers	• Allowed up to 80% LTV unless prohibited by state law. • A pricing adjustment may apply. • Flood insurance must be escrowed. 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. Such exceptions require approval as outlined in this Loan Exceptions Approval Policy and may require special pricing, as determined on a case-by-case basis. Exception requests must be submitted through the loan file’s underwriter.
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 • Any appraiser appearing on Fannie Mae’s Appraisal Quality Monitoring list (AQM) 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 and Listing Company • Selling Agent and Selling Company • Title Agent • Title Company • Closing Attorney

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	- 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 be at least equal to the lesser of 100% of the insurable value of the facilities or the maximum coverage available under the appropriate National Flood Insurance Administration program. For condominium projects, the homeowner's association should provide a project blanket policy with coverage for the building in which the unit is located. Coverage must be the lesser of 100% of the replacement cost of the building in which the unit is located, including all the common elements and property, or the maximum coverage available under the National Flood Insurance Administration Program times the number of units in the building. Other requirements: • The flood insurance policy must contain NewRez's Mortgagee Clause • Flood insurance premiums must be escrowed. No exceptions will be made • 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.
8.8 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, homeowner's insurance must meet the

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Hazard Insurance	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 and be in effect at closing. • The loan file must evidence the existence of homeowner's insurance for the subject property. Acceptable proof would be front and back copy of canceled check, the 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. **Project Insurance Requirements: Required Coverage for PUDs and Condos** Most condominium projects have master or blanket policies that address the insurance requirements for each unit. 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. For policies covering the common elements in a PUD project and for policies covering condominium or co-op projects, the maximum deductible amount must be no greater than 5% of the face amount of the policy. For blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement value of the unit. Most units in PUD projects are insured as individual residences; therefore, their insurance requirements are similar to those for single-family residences. However, if a project covers individual units with a master policy, the master policy is acceptable. **Special Endorsements** The requirements for endorsements for PUD and condo projects 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

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<table>
<tr><td>Hazard Insurance</td><td>
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.

Special Endorsements for Condo Projects Only
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>
</td></tr>
<tr><th colspan="2">8.9 Interest Credit</th></tr>
<tr><td>Interest Credit</td><td>Permitted within first 5 calendar days of the month.</td></tr>
<tr><th colspan="2">8.10 Mortgagee Clause</th></tr>
<tr><td>Mortgagee Clause</td><td>Shellpoint Mortgage Servicing
ISAOA ATIMA
PO Box 7050
Troy, MI 48007-7050</td></tr>
<tr><th colspan="2">8.11 Mortgage Insurance</th></tr>
<tr><td>Mortgage Insurance</td><td>Not Required</td></tr>
<tr><th colspan="2">8.12 Prepayment Penalty</th></tr>
<tr><td>Prepayment Penalty</td><td>Not Permitted</td></tr>
<tr><th colspan="2">8.13 Process to Add or Remove Borrowers</th></tr>
<tr><td>Process to Add or Remove Borrowers</td><td>
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

</td></tr>
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	o No credit decision has been made on the loan and borrower expresses desire to withdraw their name from the application o 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 o 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. o 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 NewRez Compliance for review and approval
8.14 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

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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, and 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 (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. If surveys are not commonly required in particular

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	jurisdictions an ALTA 9 Endorsement must be provided. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception. Loan exceptions are not permitted when a title policy requires a survey. Final title policies with an open exception for a survey are not permitted.

Section 9: References

9.1 Disclosures

Disclosures	**Fair Lending Statement** NewRez 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. NewRez 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 NewRez does not participate in such decisions. **Responsible Lending Statement** NewRez 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

Eligibility Matrices	Added two units for cash out on primary residences, and updated second home cash out to $1.5M at a 60% LTV.	June 14, 2019
2.10 Cash-out Refinances	Clarified that seasoning is from the Note date	June 14, 2019
3.3 Non-US Citizen Borrowers	Updated to allow with ARMs	June 14, 2019
4.11 Appraisals	Update to allow appraisal updates for appraisals that are over 120 days aged but less than 180 days aged from Note date.	June 14, 2019
5.3 Income	Update to allow transcripts to be used in lieu of a signature on the tax returns	June 14, 2019
5.6 Eligible Income Sources	Unreimbursed business expenses updated to address 2018 tax law change). A 12-month average of expenses must be based on 2017 tax return and deducted from qualifying income when 2017 taxes reflect expenses.	June 14, 2019
7.4 Acceptable Assets	Retirement Accounts • Updated to clarify reduction of value based on age when used for reserves Borrowed Funds Secured by an Asset	June 14, 2019

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	- Updated to clarify borrowed funds are unacceptable as reserves	
8.1 Age of Documentation	Update to allow appraisal updates for appraisals that are over 120 days aged but less than 180 days aged from Note date.	June 14, 2019

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