High Balance Extra Product Profile

Matrices

NewRez High Balance Extra								
Max Loan Amount	**Min Loan Amount**	**Min. Credit Score**	**Occupancy**	**Type**	**Property Type**	**LTV[1]**	**CLTV**	**Maximum DTI**
$ 750,000	$1 Above Conforming County Limit	680	Primary	Purchase & R/T	1 Unit	80%	90%	45%
		720				90%	90%	
		700		Cash Out	1 Unit	80%	80%	
		680	2nd Home	Purchase & R/T	1 Unit	80%	80%	
		700		Cash Out	1 Unit	75%	75%	

[1] Maximum LTV for existing condo in Florida with limited product review is 75% for primary and 70% for second home

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Section 1: Program Summary

1.1 Program Summary

Program Summary	The High Balance Extra product is designed for borrowers with a strong credit profile who can benefit from some of the flexibilities of a DU scored, high balance loan, where the loan amount exceeds the maximum conforming loan limit, inclusive of high balance limits. The High Balance Extra program, provides for more flexible financing solutions than a typical non-agency loan. Refer to applicable DU related requirements in FNMA's Selling Guide for any information not specified in this Product Profile.

1.2 Underwriting

Underwriting	**Automated Underwriting:** Loans must be submitted to Fannie Mae's Desktop Underwriter (DU) and underwritten in accordance with the DU findings except as outlined in this product profile. Regardless of underwriting method, additional information may be requested at the discretion of the underwriter. **DU Findings:** An *Approve/Ineligible* finding is required. The reason for the Ineligible finding must be for loan amounts exceeding the agency national or high balance loan limit only. **Manual Underwriting:** Manual underwriting is not permitted. All loans must be approved through DU.

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 Portfolio Programs unless the loan satisfies the "Ability to Repay" provisions dictated by the CFPB in 12 CFR Part 1026.43 (also known as the "Qualified Mortgage Rule"). For each loan, NewRez must make a reasonable and good faith determination, based on verified and documented information, that the borrower has a reasonable ability to repay the loan according to its terms. Generally, NewRez will evaluate, at a minimum, the following eight factors in making this determination: (1) current or reasonably expected income or assets; (2) current employment status; (3) the monthly payment on the covered transaction; (4) the monthly payment on any simultaneous loan; (5) the monthly payment for mortgage-related obligations; (6) current debt obligations, alimony, and child support; (7) the monthly debt-to-income ratio or residual income; and (8) credit history. For any loan that is designated as a (i) "Non-Qualified Mortgage Loan" or a (ii) "Qualified Mortgage Loan" having a rebuttable presumption of compliance with the "Ability to Repay" requirement under the Qualified Mortgage Rule, NewRez's underwriting determination must show that the borrower has sufficient residual income or assets to meet living expenses after taking into account the borrower's income and debt obligations. All loans must meet the QM Points and Fees test.

1.4 Ineligible Programs

Ineligible Programs	• Mortgage Credit Certificates (MCC) • Temporary Buydowns • Land trusts • Leaseholds secured by Indian/Tribal lands • FNMA Homestyle • 1031 Reverse Exchange • Student Loan Cash Out Refinance (with Rate and Term pricing)

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Section 2: Transaction Details

2.1 Loan Limits	
Loan Limits	Minimum loan amount: National Conforming or High Balance county loan limit plus $1 based on property location. Maximum loan amount: $750,000 https://www.fanniemae.com/singlefamily/loan-limits
2.2 Eligible Terms and Programs	
Eligible Terms & Programs	**Term** / **Product Name**: 30 Year Fixed / High Balance Extra 30 Year Fixed Custom loan terms are not permitted.
2.3 Eligible Transactions	
Eligible Transactions	• Purchase • Rate & Term (Limited Cash-out) Refinance • Cash-out Refinance ○ Delayed financing is permitted subject to agency requirements
2.4 Refinances (General)	
Refinances (General)	• See Agency Guidelines for general requirements for refinance transactions. • A Net Tangible Benefit Worksheet must be completed on ALL refinance transactions • A transaction that requires one owner to buy out the interest of another owner (for example, as a result of a divorce settlement or dissolution of a domestic partnership) is considered a limited cash-out refinance if the secured property was jointly owned for at least 12 months preceding the application date of the new mortgage loan.
2.5 Rate and Tern Refinances	
Rate and Term Refinances	• The transaction is being used to pay off an existing first mortgage loan (including an existing HELOC in first-lien position) by obtaining a new first mortgage loan secured by the same property. • Only subordinate liens used to purchase the property may be paid off and included in the new mortgage. Exceptions are allowed for paying off a Property Assessed Clean Energy (PACE) loan or other debt (secured or unsecured) that was used solely for energy-related improvements.
2.6 Cash-out Refinances	

Cash-out Refinances	Loan is defined as cash out if the cash out amount exceeds the lesser of $2,000 or 2% of the loan amount or includes the payoff of non-purchase money seconds.
	
	• $500,000 maximum cash in hand and/or debt consolidation permitted
	• Texas 50 (a)(6) Cash-out refinances are eligible. Refer to section 2.8
	• The property must have been purchased (or acquired) by the borrower at least six months prior to the application date of the new mortgage loan except for the following:
	  ○ There is no waiting period if the lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership).
	  ○ The delayed financing requirements are met. See Delayed Financing Exception.
	  ○ If the property was owned prior to closing by a limited liability corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards meeting the borrower's six-month ownership requirement. (In

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	order to close the refinance transaction, ownership must be transferred out of the LLC and into the name of the individual borrower(s).) o If the property was owned prior to closing by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the borrower's six-month ownership requirement if the borrower is the primary beneficiary of the trust. **Delayed Financing Exception:** • The Settlement/Closing Disclosure Statement from the purchase transaction must reflect that no financing secured by the subject property was used to purchase the subject property. If the Mortgage has an Application Received Date prior to October 3, 2015, the Settlement/Closing Disclosure Statement must be an executed version. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement was not used for the purchase transaction. • The preliminary title report for the refinance transaction must reflect the Borrower as the owner of the subject property and must reflect that there are no liens on the property • The source of funds used to purchase the subject property must be fully documented • If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction. Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan. • The amount of the cash-out refinance Mortgage must not exceed the sum of the original purchase price and related Closing Costs, Financing Costs and Pre-paids/Escrows as documented by the Settlement/Closing Disclosure Statement for the purchase transaction, less any gift funds used to purchase the subject property (gift funds may not be reimbursed). A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement was not used for the purchase transaction. • There must have been no affiliation or relationship between the buyer and seller of the purchase transaction
2.7 CEMA	
CEMA	A CEMA Approved Attorney must be used; please see the CEMA Process Flow for more details.
2.8 Texas 50(a) (6) Program Summary	
Texas 50(a)(6) Program Summary	This Program Guide serves as a comprehensive summary of NewRez's High Balance Extra Texas 50(a)(6) requirements and allowances All other parameters of the High Balance Extra 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) 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.
Texas 50(a)(6) Special Considerations	
Texas 50(a)(6) Special Considerations	A Texas (a)(6) loan may not close until: • Twelve days after the borrower submits the loan application or all borrowers sign the 12-day notice, whichever is later.

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	• One day after the borrowers receives a copy of the Closing Disclosure/Settlement Statement and After the one-year anniversary of the closing of an existing Texas (a)(6) loan.

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) 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.)

Texas (f)(2): No additional funds rolled into the loan (except closing costs and pre-paids)

Texas 50(a)(6) Subordinate Financing

Texas 50(a)(6) Subordinate Financing

New subordinate financing is not permitted on a first lien TX (a)(6).

Existing subordinate liens on the real estate that are not paid off with the new 50(a)(6) loan are permitted provided that: the subordinated 2nd mortgages cannot already be a 50(a)(6) loan (verification is required-the title company must obtain a copy of the security instrument) and the subordinated 2nd mortgage must meet the 80% CLTV requirement. HELOCs are not eligible for subordinate financing.

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	A copy of the subordinating Note, Mortgage/Deed and Subordination Agreement is also required.
Texas 50(a)(6) Attorney Review	
Texas 50(a)(6) Attorney Review	All Texas 50(a)(6) loans must be reviewed and certified by an 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 High Balance Extra profile, 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. TX only permits one equity loan at a time and only one within a 12-month period.
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) **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
2.9 Subordinate Financing	
Subordinate Financing	New, modified, and existing subordinate liens are permitted within the max CLTV tolerances noted in the matrix. A copy of the subordinating Note, Mortgage/Deed and Subordination Agreement is also required. If there is an outstanding balance at the time of closing, the payment on the subordinate financing must be included in the calculation of the borrower's debt to income ratio. The qualifying payment is the payment evidenced on the credit report or for new draws the periodic payment required under the terms of the plan and the amount of credit to be drawn at or before consummation of the covered transaction.
2.10 Continuity of Obligation	
Continuity of Obligation	• Continuity of obligation is met when at least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced.

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	• For limited cash-out refinances meeting the above described continuity of obligation definition there is no minimum seasoning requirement. ○ Transactions not meeting the above continuity of obligation description require six (6) months seasoning as of the application date. • Cash-out transactions require six (6) months continuity of obligation as of the application date of the new loan
Section3: Borrower Eligibility	
3.1 Borrower Eligibility	
Borrower Eligibility	There can be no more than 4 borrowers per loan. **Eligible Applicants:** U.S. Citizens, Permanent Resident Aliens and Non-Permanent Resident Aliens. Non-Permanent Resident Aliens must meet the following: • H1B, H2B, E1, L1 and G Series Visas only. G Series Visas must have no diplomatic immunity • Borrower(s) must have a current twenty-four (24) month employment history in the US • Borrower(s) currently residing in the US under Deferred Action for Childhood Arrivals (DACA) are not eligible All borrowers must have valid and verifiable Social Security Numbers, as well as a valid driver's license, state-issued ID or passport. Other forms of taxpayer identification are not allowed. See NewRez Underwriting Policies and Procedures for details.
3.2 Occupancy	
Occupancy	Eligible occupancy types include: • Primary residences for 1-unit properties • Second home residences for 1-unit properties
3.3 Non-Occupant Co-Borrowers	
Non-Occupant Co-Borrowers	• The non-occupant co-borrower must be an immediate family member and may not be an interested party to the sales transaction, such as the property seller, builder, or real estate broker. • Non-occupant co-borrowers are not required to be on title.
3.4 Power of Attorney	

Power of Attorney	Permitted on Purchase or Rate & Term Refinance transactions only; 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;
	  ○ Incapacitated borrowers must occupy the property as their primary residence; the underwriter must validate occupancy and review for red flags within the loan file;
	  ○ Example: verify the signer of the POA is not acting as a straw buyer or purchasing an investment property utilizing the incapacitated borrower's credit.
	• **Military Personnel** - the borrower is currently deployed or stationed overseas and is unable to sign documents or attend closing;
	• **Hardship Circumstance** - the borrower is unable to attend closing because he/she is out of the state or country for an extended period of time, bedridden, in the hospital with a serious illness, or the borrower is incarcerated.
	  ○ POA will not be permitted for borrowers that are on vacation
	• **Government Contractor** – the borrower is employed by the government and currently working overseas
	  ○ A letter from the borrower's employer is required to verify overseas travel

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	• **Business Reasons** – permitted on Purchase and Rate/Term Refinance transactions when the spouse has Power of Attorney for the unavailable borrower There are 2 acceptable types of power of attorney. The following persons may sign security instruments on a borrower's behalf: • **Specific -** this type of POA is specific to the mortgage transaction; therefore, the POA must specify the legal description, property address, and transaction type within the body of the document. It must be recorded at closing; • **General Military** - this type of POA is generally used in situations where a borrower or his/her spouse may be deployed or is on active duty. All loan files wishing to utilize a power of attorney require the following: • A Letter of Explanation from the borrower advising why the loan is closing with a POA • Completed and Signed POA Form
3.5 Living Trust (Inter Vivos Revocable Trust)	
Living Trust (Inter Vivos Revocable 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 • Exception: California, where a current (less than one year old) trust certification completed by the borrower may be provided in lieu of the full trust document. If this certification is incomplete or contrary to title results, the full trust documentation may still be required.
3.6 Non-Arm's Length Transactions	
Non-Arm's Length Transactions (At-Interest Transactions)	Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Follow agency guidelines with the following exceptions: • Regardless of loan program, short sale transactions and flips are not permitted • Transactions where the loan originator is acting in another real-estate related role are prohibited.
3.7 Ineligible Borrowers	
Ineligible Borrowers	• Borrowers without a valid SSN (ITINs are not accepted) • Co-Signers/Guarantors • Non-Revocable Trusts or Guardianships • Foreign Nationals • Borrowers with Diplomatic Immunity • Employees/Principals/Owners NewRez Third Party Originators; related parties (family members) are eligible so long as they are not employed, in any capacity, by the submitting broker/correspondent • Individuals on the LPD/GSA exclusionary lists
3.8 Maximum # of Financed Properties	
Maximum # of Financed Properties	• If the mortgage is borrower's principal residence, the borrower may have up to 10 financed properties • If the mortgage is secured by a second home property, the borrower may own or be obligated on up to six (6) financed properties (including his or her principal residence). • Refer to section 7.2 Cash Reserves for applicable reserve requirements These limitations apply to the borrower's ownership in one-to four-unit properties or mortgage obligations on such properties and are cumulative for all borrowers. This limitation includes properties financed abroad.

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3.9 Multiple Mortgages to the Same Borrower	
Multiple Mortgages to the Same Borrower	• NewRez will finance no more than 4 properties for any one borrower • NewRez limits its maximum exposure to one borrower at $1.5M • Maximum of 2 financed units in a single condo project or PUD

Section 4: Collateral

4.1 Eligible Properties	
Eligible Properties	1 Unit: • Attached/Detached SFRs • Attached/Detached PUDs • Low/Mid/High-Rise Condos and site Condos • Modular Homes (these are not considered to be manufactured and are eligible under the guidelines for 1-unit properties)

4.2 Condos	

Condos	Condominiums must be meet the following:
	• Fannie Mae approved: https://www.fanniemae.com/singlefamily/project-eligibility or
	• DU/DO Findings must provide for a limited review, CPM Expedited or Full Lender Review (which is required for new construction projects)
	    ○ NewRez will allow up to 25% lender exposure
	    ○ A Condo Project Manager certification is valid for 90 days; after 90 days an updated Questionnaire and any other expired documentation must be provided.
	    ○ Leasehold not permitted
	    ○ Manufactured home condominiums are not permitted
	    ○ Project review is not required for detached condos. Project Review Department to verify subject unit is detached and waive project review conditions.
	• Project Review is required for an existing Fannie Mae owned loan
	
	New or Recently Converted Condos Subdivisions or PUDs
	• If there are no closed or settled sales inside the subject project, pending or under contract sales from the subject subdivision or project may be used as comparable sales as follows:
	    ○ Subdivisions or projects with 5 or more units:
	        ▪ Two of the comparable sales used must be pending (under contract) sales from the subject subdivision **and** three additional closed/settled comparable sales from outside the subject subdivision or project must also be used by the appraiser.
	    ○ Subdivisions or projects with 2-4 units:
	        ▪ One of the comparable sales used must be a pending (under contract) sale from the subject subdivision or project (two if available); **and** three additional closed/settled comparable sales from outside the subject subdivision or project must also be used by the appraiser.
	
	Condos - Florida:
	• New and newly converted condos require PERS approval (Section B4-2.2-04)
	• PERS approval or a Lender Full Review may be used on established condo projects up to the matrix maximum LTVs (Section B4-2.2-04)
	• Limited review on Existing Condos- LTV max is 75% primary/70% Second Home (Section B4-2.2-04)
	
	Ineligible Condo Characteristics
	• Non-Incidental Business income more than 10%, up to 15% under expanded guidelines eligible by Fannie

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	• Live-work projects that do not meet Fannie
	• Litigation that does not meet Fannie eligibility exception guidelines
	• Priority lien exceeds Fannie guidelines
	• Single Entity greater than
	    o projects with 2 to 4 units – 1 unit
	    o projects with 5 to 20 units – 2 units
	    o projects with 21 or more units – 10%
	• Commercial space exceeds 25%
	• Manufactured housing condo projects
	• Newly converted non-gut rehabilitation projects that are not PERS approved
	• New or Newly Converted projects in Florida that are not PERS approved
	• Projects with upfront or periodic membership fees for use of recreational amenities
	• Projects operating as a hotel/motel are ineligible
	    o Projects with the following characteristics are red flags and may indicate the project is operating as a hotel or motel and warrant further investigation.
	        ▪ Names that include the word “Resort” or “Club”
	        ▪ Location of the project in a resort area (Beach, golf course, ski, etc.)
	        ▪ Daily or Short-Term Rentals
	        ▪ Advertising of Rental Rates
	        ▪ Registration Services including On-line booking or on-site check-in
	        ▪ The occupancy of the project (The project may have few or even no owner occupants)
	        ▪ Room Service
	        ▪ Daily Cleaning Services
	        ▪ Central Key System
	• Projects with one or more of the following hotel/motel characteristics are ineligible:
	    o Hotel or motel conversions (or conversion of other similar transient properties)
	    o Managed and operated as a hotel or motel, even though the units are individually owned
	    o Include the word “hotel” or ‘motel”
	    o Timeshares or segmented ownership
	    o Amenities are owned by the Developer or Outside 3rd Party
	    o Mandatory or Voluntary Rental Pooling – revenue sharing
	    o Lock-Out Units, even if the subject unit doesn’t have a lock-out unit
	    o Interior Doors that adjoin other units, even if the subject unit does not have
	    o Licensed as a Hotel/Motel
	    o Units not available for Year-Round Occupancy
	    o Restrictions on the unit owner’s ability to occupy the unit
	    o Central telephone system
	    o Units that don’t contain full-sized kitchen appliances
	    o Restrictions on interior decorating
	    o Franchise Agreements
	    o Contain units less than 400 square feet
	    o Vacancy signs or Walk-in Check-ins
	    o Non-Incidental income from any of the following sources
	        • Revenue Sharing from rental pools
	        • Restaurants / Bars
	        • Spas
	        • Leasing Pool Passes
	        • Dock / Marina if available to the public
	        • Valet Parking / Garage Fees
	        • Maid Services (daily cleaning)
	        • Room Service
	        • Beach Shuttles

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	Short-Term Rentals: A Short-Term Rental (generally a rental period less than 30 days) doesn't disqualify a project from approval as long as the home owner's association has absolutely no involvement in the facilitation of renting of units on a short-term basis. Typically, units that are being advertised for nightly or weekly rentals through any of the following sources are acceptable: • Rental Agency • Vacation Club • Third Party Management Company • VRBO • Individual Unit Owners
4.3 Ineligible Properties	
Ineligible Properties	• Co-ops • Condotels • Manufactured Homes • Geodesic Domes, Berms, Earth homes • Properties / land held in a life estate • Properties encumbered with private transfer fee covenants (title, sales contract or final CD should be evaluated to confirm) • Properties which are subject to a right of redemption (permitted in retail) • Properties appraised with a property condition of C5 or worse • Mixed use • Hobby farms • Deed Restricted properties • Non-warrantable condominium
4.4 Properties Previously Listed for Sale	
Properties Previously Listed for Sale	• Rate/Term Refi – Properties that were listed for sale must have been taken off the market before the application date of the new mortgage loan, and the borrowers must confirm their intent to occupy the subject property (for principal residence transactions). • Cash-out Refinance - Properties that were listed for sale must have been taken off the market six months before the application date of the new mortgage loan, and the borrowers must confirm their intent to occupy the subject property (for principal residence transactions). In all instances, careful consideration should be given to the listing price and appraised value to be sure the value is supported.
4.5 Appraisals	
Appraisals	All loan files require a full appraisal. All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR). • Appraisal must be completed by a Certified appraiser from a NewRez approved AMC or be approved as an appraisal transfer from another lender • Copy of the appraiser's license must be included in all funded loan files Appraisals must be ordered through a NewRez approved AMC • Appraisers listed on the NewRez Ineligible Appraiser List are not eligible to complete appraisals for loans done through NewRez. • Collateral Desktop Analysis (CDA) with accompanying MLS sheets from Clear Capital is required to support the value of the appraisal.

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	○ If the CDA returns a value that is "Indeterminate" or lower than the appraised value and exceeds a 10% tolerance then one of the following requirements must be met: ▪ A field review ○ If the field review value is ≤ 5% below the appraised value, the appraised value is acceptable for LTV calculations. ○ If the field review value is > 5% below the appraised value, a second appraisal will be required. ▪ 2nd full appraisal may be provided in lieu of a field review. The lower of the two values will be used as the appraised value. • For properties purchased by the seller of the property within ninety (90) days of the fully executed purchase contract the following requirements apply: ○ Second full appraisal is required. ○ Property seller on the purchase contract is the owner of record. ○ Increases in value should be documented with commentary from the appraiser and recent paired sales. ○ The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in lieu.
4.6 Disaster Areas	
Disaster Areas	Refer to the list of affected counties published by FEMA at the following link: https://www.fema.gov/disasters NewRez will require recertification from the appraiser on all loans located in the affected Counties prior to closing. If the county is indicated as being in a declared disaster area, the policy must be adhered to • The Disasters are referenced with both an incident start date and an incident ending date. The property is considered potentially impacted for 120 days from the incident END date; • If a full appraisal was obtained on the property prior to the declared disaster, the inspection must verify the property is sound and habitable and in the same condition as when it was appraised. Any of the following options are acceptable to satisfy this requirement: ○ A 1004D Final Inspection or Appraisal Update signed by the original appraiser ○ FNMA 2075 – Desktop Underwriter Property Inspection Report ○ DAIR – Disaster Area Inspection Report • Full appraisals obtained after the declaration need to indicate the property has not been impacted by the disaster; • The NewRez branches will request the appropriate appraisal or inspection through the normal channels
4.7 Geographic Restrictions	
Geographic Restrictions	At this time, NewRez cannot finance or purchase loans secured by properties located in Alaska, or Hawaii.
Section 5: Employment and Income	
5.1 General Income Requirements	
General Income Requirements	Income must be documented in accordance with DU Findings and Fannie Mae Selling Guide with the following exceptions: • A written verification of employment cannot be used in lieu of a paystub or W-2 when required with the following exception: ○ Written Verification of Employment obtained through a 3rd party vendor such as, but not limited to TALX (The Work Number) ○ Not permitted if the borrower works for an interested party or the borrower works for a family member. • Income validation/Day 1 Certainty is not permitted.

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	• In instances where DU allows for only one year's tax returns on a self-employed borrower(s), the tax returns must be for the most recent tax year. A current year extension and the previous year's tax returns will not be accepted.
	• When a Co-Borrower's Self-Employment Income is not used for qualifying purposes, documentation or evaluation of such income is not required.
	• A verbal verification of employment is required for all loans and must follow requirements in the Fannie Mae Selling Guide
	  ○ Wage Earners: A verbal verification of employment dated within 10 business days of the note date is required.
	  ○ Self-Employed: The existence of the borrower's business must be validated no more than 120 days prior to the note.
	
	4506T & Tax Transcript Requirements
	• A fully complete 4506T form must be **signed and dated** by each borrower for all loans and must include the number of years of income required
	• The 4506T form must be **processed** and tax or W-2 transcripts obtained
	• **Wage Earners:**
	  ○ W-2 transcripts are required, and may be used in lieu of W-2s for borrowers who are wage earners and utilize W-2 income only for qualification
	• **Self-Employed, Commission or other income documented with tax returns:**
	  ○ 1040 transcripts are required
	  ○ For self-employed borrowers, personal tax transcripts are required.
	    ▪ business transcripts are not required unless the Underwriter determines additional confirmation of the business income documentation is needed.

New Employment After Note Date	

New Employment After Note Date	**Borrowers starting New Employment After Note Date:** Borrowers who are changing or starting new jobs are permitted to close prior to the start of employment when the following are met:
	
	• Copy of the fully executed offer letter by both employer and borrower
	  ○ Must be non-contingent or provide documentation from employer all contingencies have been cleared
	  ○ Must include terms of employment, including but not limited to, start date and salary
	  ○ Must be primary source of employment
	    ▪ Only Base salary/non-fluctuating earnings are permitted for qualifying
	    ▪ Borrower employed by a family member or interested party is not permitted
	• Primary residence
	• Purchase transaction
	• Must begin employment within 60 days of the note date
	• Assets sufficient to cover the monthly housing expense and other liabilities between the note date and employment start date
	• Six (6) months of additional reserves (subject property)
	• Verbal VOE within 10 business days:
	  ○ The terms reflected on the non-contingent offer letter or employment contract accepted by the Borrower have not changed since the acceptance date, including employment start date, base non-fluctuating salary and any other relevant income or employment information

Rental Income	
Rental Income	**Required Documentation:** • Most recent year personal tax return including all schedules

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	• Current lease for each rental property. Rent rolls are unacceptable.
	• A lease agreement only is acceptable when the rental property was acquired after the most recent tax returns were filed.
	• For properties listed on Schedule E of the borrower's tax returns, net rental income should be calculated as the total of (Income + depreciation + interest + taxes + insurance + HOA (if applicable) divided by the applicable months minus the current PITI.
	• If rental income is not available on the borrower's tax returns, net rental income should be calculated as the gross monthly rent multiplied by 75% based on the current lease.
	• Net rental income must be added to the borrower's total monthly income. Net rental losses must be added to the borrower's total monthly obligations.
	• An explanation is required if the rental income on the tax returns is greater than the rental income on the lease. The lesser of the rental income from the lease or Schedule E must be used to calculate net rental income unless satisfactory documentation is provided to support the higher income on the tax returns will be continuing.
	
	Rental Income from Departing Residence Converted to Rental:
	If the borrower is converting their current primary residence to a rental property and using rental income to offset the payment the following requirements apply:
	• Borrower must have documented equity in departure residence of 25%.
	    o Documented equity may be evidenced by an exterior or full appraisal dated within six (6) months of subject transaction, OR
	    o Documented equity may be evidenced by the original sales price and the current unpaid principal balance.
	• Copy of current lease agreement is required.
	• A vacancy/maintenance expense factor of 25% should be deducted from the rental income verified by the current lease agreement for determining qualifying income.
	• Copy of security deposit and evidence of deposit to borrower's account is required.

Ineligible Income Sources	

Ineligible Income Sources	• Capital Gains
	• Gambling winnings (except lottery payments continuing for 5 years)
	• Educational benefits (such as grants and scholarships)
	• Refunds of federal, state or local taxes
	• Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations.
	    o Foreign shell banks
	    o Medical marijuana dispensaries
	    o Any business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law
	• Businesses engaged in any type of internet gambling
	• Expense account reimbursement
	• Bank Statements as Income Verification
	• Mortgage Credit Certificates
	• Homeownership Subsidies
	• Boarder Income
	• Income Received from Roommates

Section 6: Credit	
6.1 Credit	
Credit	• A Tri-merge Credit Report is required for every Borrower who executes the Note. The Credit Report should generally include verification of all credit references provided on the

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	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.
	• Three (3) trade lines from traditional credit sources (such as a bank or other financial institution) that reported for 12 months or more prior to the date of loan application (may be opened or closed);
	  ○ The required housing history may be utilized as one of the 3 tradelines but must meet the requirements of section 6.2 Housing History below
	  ○ Tradelines for 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.
	• Revolving debt may be paid off to qualify. The debt must be paid off at or prior to closing and the account does not have to be closed. Debts paid at closing must be reflected on the Closing Disclosure.
	• All credit inquiries within 120 days of the credit report are required to be addressed by the customer – see Credit Attestation Policy
	• Credit Enhancement is not permitted
	• Non-Traditional credit is not permitted

6.2 Housing History	

Housing History	Mortgage Payment History
	• A satisfactory current 12-month housing payment history is required of each borrower and must reflect 0X30 payment history for the past 12 months. This history can be a combination of mortgage and rental history
	• If adequate mortgage payment history is not included in the borrower's credit report, the following is required to verify the borrower's payment history on a previous mortgage(s):
	  ○ a standard mortgage verification;
	  ○ loan payment history from the servicer;
	  ○ the borrower's canceled checks for the last 12 months; or
	  ○ the borrower's year-end mortgage account statement, provided the statement includes a payment receipt history, and, if applicable, canceled checks for the months elapsed since the year-end mortgage account statement was issued.
	
	Rental Payment History
	• The borrower's rental payment history must be documented for the most recent consecutive 12-month period. The following documentation is acceptable:
	  ○ Canceled checks can be provided. In lieu of canceled checks, the lender may use the borrower's bank statements, copies of money orders, or other reasonable methods for documenting the timely payment of rent. The documentation must clearly indicate the payee and amount being paid, and reflect that payments were made on a consistent basis.
	  ○ Direct verification of the payment of rent from the landlord.
	    ▪ Professional management company; or
	    ▪ A private party unless the landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory rent history is required

6.3 Derogatory Credit	
Derogatory Credit	• Follow DU findings as to any debt that should be paid with the following exceptions: ○ All judgments and liens must be paid at or before closing • For significant derogatory credit such as forgiveness of debt, modifications, bankruptcies, foreclosures, and short sales, follow FNMA guidelines; **extenuating circumstances are not permitted**

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<table>
<tr><th colspan="2">6.4 Qualifying Ratios</th></tr>
<tr><td>Qualifying Ratios (Qualifying Interest Rate)</td><td>DTI is set forth in the product matrix; under no circumstances may the DTI on a loan file exceed 45%.

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 and any other insurance required by loan program.
• 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
• Monthly housing expense as per qualifying rate.
• Outstanding monthly obligations such as:
  o Installment debt
  o Revolving debt payments
  o Alimony, child support or maintenance payments
  o Losses associated with other real-estate owned
  o Other obligations where a monthly payment is legally required</td></tr>
<tr><th colspan="2">6.5 Borrowers Retaining their Current Primary Residence</th></tr>
<tr><td>Borrowers Retaining their Current Primary Residence</td><td>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.

The borrower(s) must sign the Occupancy Affidavit Form prior to closing.</td></tr>
<tr><th colspan="2">6.6 Conversion of Primary Residence to a 2nd Home or Investment Property</th></tr>
<tr><td>Conversion of Primary to 2nd Home/ Investment</td><td>When a borrower vacates a principal residence in favor of another principal residence, rental income, reduced by the appropriate vacancy factor, may be considered if the current residence is converted to an investment property. Refer to section 5 Rental Income for specific requirements.

The full housing payment on the residence being converted must be included as a liability when the current residence is being converted to a second home.</td></tr>
<tr><th colspan="2">6.7 Current Principal Residence Pending Sale</th></tr>
<tr><td>Current Principal Residence Pending Sale</td><td>If the borrower's current principal residence is pending sale, but the transaction will not close with title transfer to the new owner prior to the subject transaction, and the borrower is purchasing a new principal residence, the current PITIA and the proposed PITIA must be used in qualifying the borrower for the new mortgage loan unless the following documentation is provided:
• the executed sales contract for the current residence, and
• confirmation that any financing contingencies have been cleared.</td></tr>
<tr><th colspan="2">6.8 Tax Payment Plans</th></tr>
<tr><td>Tax Payment Plans</td><td>IRS or State tax payment plans are not permitted. Outstanding obligations under such plans must be paid in full at or prior to closing</td></tr>
</table>

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Section 7: Assets

7.1 Assets

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

7.2 Cash Reserves

Cash Reserves	Transactions should follow FNMA guidelines in terms of cash reserves.
	
	Note: FNMA has specific cash reserve requirements for 2nd Homes, and specific reserves for each property where the borrower has multiple financed properties as noted below.
	
	• 2 months' PITIA reserves are required when the subject is a second home
	• The other financed properties reserve amounts must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties **(borrower's primary residence is excluded):**
	  ○ 2% of the aggregate UPB if the borrower has one to four financed properties,
	  ○ 4% of the aggregate UPB if the borrower has five to six financed properties, or
	  ○ 6% of the aggregate UPB if the borrower has seven to ten financed properties.
	  ○ Refer to 3.8 Maximum # of Financed Properties for additional details.
	• The aggregate UPB calculation does not include the mortgages and HELOCs that are on
	  ○ the subject property,
	  ○ the borrower's principal residence,
	  ○ properties that are sold or pending sale, and
	  ○ Accounts that will be paid by closing (or omitted in DU on the online loan application).

7.3 Gifts

Gifts	Follow FNMA guidelines.

7.4 Seller/Interested Party Contributions

Seller/Interested Party Contributions

Occupancy Type	LTV/CLTV/HCLTV	Maximum IPC
Principal Residence or Second Home	75.01% - 90%	6%
	75% or less	9%

7.5 Down Payment Assistance Programs

Down Payment Assistance Programs	Not permitted

7.6 Ineligible Assets

Ineligible Assets	• UTMA/Custodial Accounts for Minors • Cryptocurrency such as Bitcoin • Net proceeds from a reverse 1031 exchange. • Trade Equity • Pooled Funds • Individual Development Accounts (IDA's) • Funds from a Community Second Mortgage/Down Payment Assistance Program • Sweat Equity • Rent Credits • Disaster Relief Grants • Employer Assistance • Anticipated savings or cash on hand • Foreign Assets

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Section 8: Procedures

8.1 Age of Documentation	
Age of Documentation	• Credit Report, income and assets – Not to exceed 120 days old on the date the Note is signed • Appraisals: Not to exceed 120 days old on the date the Note is signed; appraisal updates are permitted (follow Fannie Mae Guidance)
8.2 Electronic Signatures	
Electronic Signatures	NewRez will accept electronic signatures on third party documents in accordance with Electronic Signatures in Global and National Commerce Act (ESIGN) and the Uniform Electronic Transactions Act (UETA), as applicable. Third party documents are those that are originated and signed outside of the NewRez's direct control, such as a sales contract and initial and pre-disclosures. The electronic signature and date must be clearly visible when viewed electronically and in a paper copy of the electronically signed document. NewRez employees may also use electronic signatures on NewRez Verbal Verifications of Employment and Homeowners Insurance Certifications.
8.3 Escrows (Taxes and Insurance)	
Escrows (Taxes and Insurance)	Escrows may be waived when the borrower's LTV is less than 80% and • the borrower is not a first-time homebuyer ○ FTHBs will be considered on a case-by-case basis with a demonstrated ability to save (reserves) and strong residual income. • the borrower does not exhibit recent signs of delinquency For Rate & Term Refinance Transactions the following restrictions also apply: • the borrower may not finance the payment of real estate taxes for the subject property in the loan amount and waive escrows • the borrower may not finance the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount, regardless of whether or not they waive escrows For Cash-out Refinance Transactions the following restrictions also apply: • The new loan amount may not include the financing of real estate taxes that are more than 60 days delinquent, unless requiring an escrow account is not permitted by applicable law or regulation. For example, if a particular state law does not allow a lender to require an escrow account under certain circumstances, the loan would be eligible for sale to Fannie Mae without an escrow account.
8.4 Escrow Waiver	
Escrow Waiver	• Not permitted for LTV > 80% unless state law otherwise prohibits. • If flood insurance is required based on the property's flood zone, escrows for flood insurance are required and cannot be waived. • A pricing adjustment may apply for all other permissible waivers.
8.5 Escrow Holdbacks	
Escrow Holdbacks	Renovations are limited to cosmetic only; it cannot affect the safety, soundness, or structural integrity of the property. Repairs must be limited to a maximum of $10,000 and must be completed within 60 days of the closing date. The subject property may be appraised 'as is' or 'subject to repairs'; but the property condition must be in average condition or better.
8.6 Excluded Parties- LDP/GSA Searches	
Excluded Parties- LDP/GSA Searches	All parties involved in each transaction are screened for inclusion on various lists, including without limitation: • Freddie Mac's Exclusionary List;

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	• 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. The search must be run on the following parties in the transaction: • Borrowers • Seller • Builder • Listing Agent & Listing Company • Selling Agent & Selling Company • Title Agent • Title Company • Closing Attorney • Appraiser and Appraisal Company
8.7 Interest Credit	
Interest Credit	Permitted within first 5 calendar days of the month
8.8 Mortgage Insurance	
Mortgage Insurance	Not required.
8.9 Process to Add or Remove Borrowers	

Process to Add or Remove Borrowers	**Adding Borrowers**
	• Adding a borrower to a loan at any time during the loan process, unless the loan has received an adverse credit decision, is acceptable. When this occurs a new RESPA package will be sent out and cool off period will be 7 days. File should be submitted back to UW for review of additional borrower's information.
	
	Removing Borrowers
	• Removing a borrower from a loan is allowed only in the following scenarios
	  ○ No credit decision has been made on the loan and borrower expresses desire to withdraw their name from the application
	  ○ Loan has been approved with both borrowers as submitted and one borrower expresses desire to withdraw their name from the application.
	    ▪ In both of the above scenarios - Request in writing from borrower should be placed in the loan file supporting their desire to withdraw their name from the application.
	    ▪ Detailed notes should also be placed in the loan file to eliminate any possible confusion with the file.
	• Removing a borrower from a loan is NOT allowed in the following scenarios
	  ○ Loan is declined by underwriting
	    ▪ In this scenario the loan would need to be adversed and a new application would need to be taken with only the one (1) borrower.
	
	Exceptions
	• Any exceptions to the above rules or scenarios not explained above should be submitted to compliance for review (Compliance@NewRez.com).

8.10 Rent Loss Insurance	
Rent Loss Insurance	Not required

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8.11 Title Insurance	
Title Insurance	The title policy must be in the lender's name and/or its assigns. Title must be vested in the borrower's name, in the name of an eligible inter vivos trust (if permitted per program guides), or, in the case of a purchase, be currently vested in the seller's name with a requirement for a deed to be recorded transferring title to our borrower's name at closing. The insured amount of the policy must be at least for the gross loan amount and the policy must be dated within 45 days of closing. A minimum of a twelve-month title chain must be provided on each policy. The chain of title will be reviewed for flips, unacceptable exceptions to clear title, unacceptable private transfer fees or any other adverse title impediment as part of the underwriting process.
8.12 Mortgagee Clause	
Mortgagee Clause	NewRez, LLC ISAOA/ATIMA PO Box 7050 Troy, MI 48007-7050 Note: NewRez does not have to be named in the mortgagee clause on a project's master insurance policy for Condos and PUDs

Section 9: References

9.1 References	
References	• Fannie Mae Guidelines • Limited Denial of Participation (LDP) List • General Services Administration (GSA) Exclusionary List

Section 10: Version Control

8.12 Mortgagee Clause	Updated to NewRez LLC	December 20, 2019

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