Jumbo Fixed 30 Year & Standard Jumbo (5/1, 7/1 & 10/1) ARM Eligibility Guide
# A. Eligible Mortgage Characteristics & Features

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     * Maximum LTV is 90%
   - Standard Jumbo 5/1, 7/1 and 10/1 ARM 30 Year Term

2. Program Matrices
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   - Second Home Purchase & Refinance Matrices

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4. Purchase Eligibility Requirements

5. Rate/Term Refinance Eligibility Requirements

6. Cash Out Refinances Eligibility Requirements

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   - Non-U.S. Citizens
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   - Inter-Vivos Living Revocable Trusts
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I. Eligibility Criteria

A. Eligible Mortgage Characteristics & Features

1. Available Programs
   a. Jumbo Fixed 30 Year Term
      - Maximum LTV is 90%
      - Qualifying Rate is the Note Rate.
   b. Standard Jumbo 5/1, 7/1 and 10/1 ARM 30 Year Term
      - Caps
         - Annual: Up to 5% increase or decrease at first adjustment, up to 2% per adjustment thereafter but not to exceed the Life Cap
         - Life: 5% above initial rate
      - Margin
         - 5/1, 7/1, & 10/1 LIBOR ARM
            - Adjustment Margin = 2.50
      - Maximum LTV is 85%.
      - Qualifying Rate
         - Borrowers will be qualifying using the principal, interest, taxes, insurance payment and mortgage insurance (if applicable) (PITIA) based on the following below:
            - 5/1 ARMs: The greater of the fully indexed rate or the note rate + 2%.
            - 7/1 and 10/1 ARMs: The greater of the fully indexed rate or the note rate.

2. Program Matrices
   - Mortgage Loan Limits/LTV/FICO/Reserves
     a. Primary Residence Purchase Money and Refinance Matrices

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Maximum LTV/CLTV/HCLTV</th>
<th>Loan Amount</th>
<th>Minimum FICO Score</th>
<th>Maximum DTI Ratio</th>
<th>Minimum Months Reserves (PITI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-unit, PUD &amp; Condo Fixed Rate Purchase Transactions Only</td>
<td>90%</td>
<td>$424,100 – $1,000,000</td>
<td>720</td>
<td>35%</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1,000,001 – $1,500,000</td>
<td>740</td>
<td>35%</td>
<td>24</td>
</tr>
<tr>
<td>1-unit PUD Condo</td>
<td>85%</td>
<td>$424,100 - $1,000,000</td>
<td>740</td>
<td>40%</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>80%</td>
<td>$424,100 - $1,000,000</td>
<td>720</td>
<td>43%</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>70%</td>
<td>$424,100 - $1,000,000</td>
<td>700</td>
<td>43%</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>85%</td>
<td>$1,000,001 - $1,500,000</td>
<td>740</td>
<td>40%</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>80%</td>
<td>$1,000,001 - $1,500,000</td>
<td>720</td>
<td>43%</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>80%</td>
<td>$1,500,001 - $2,000,000</td>
<td>740</td>
<td>38%</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>75%</td>
<td>$1,500,001 - $2,000,000</td>
<td>720</td>
<td>43%</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>75%</td>
<td>$2,000,001 - $2,500,000</td>
<td>740</td>
<td>38%</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>70%</td>
<td>$2,000,001 - $2,500,000</td>
<td>720</td>
<td>43%</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>65%</td>
<td>$2,500,001 - $3,000,000</td>
<td>740</td>
<td>38%</td>
<td>48</td>
</tr>
<tr>
<td>2 Unit</td>
<td>65%</td>
<td>$543,000 - $1,000,000</td>
<td>700</td>
<td>43%</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>60%</td>
<td>$543,000 - $1,500,000</td>
<td>720</td>
<td>43%</td>
<td>18</td>
</tr>
</tbody>
</table>
**Primary Residence: Cashout Refinance**

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Maximum LTV/ CLTV / HCLTV</th>
<th>Loan Amount</th>
<th>Minimum FICO Score</th>
<th>Maximum DTI Ratio</th>
<th>Minimum Months Reserves (PITI)</th>
<th>Maximum Cash-Out</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-unit PUD Condo</td>
<td>70%</td>
<td>$424,100 - $1,000,000</td>
<td>720</td>
<td>43%</td>
<td>6</td>
<td>$250,000</td>
</tr>
<tr>
<td></td>
<td>65%</td>
<td>$1,000,001 - $1,500,000</td>
<td>720</td>
<td>43%</td>
<td>9</td>
<td>$500,000</td>
</tr>
<tr>
<td></td>
<td>60%</td>
<td>$1,500,001 - $2,000,000</td>
<td>720</td>
<td>43%</td>
<td>18</td>
<td>$500,000</td>
</tr>
<tr>
<td></td>
<td>50%</td>
<td>$2,000,001 - $2,500,000</td>
<td>720</td>
<td>43%</td>
<td>36</td>
<td>$500,000</td>
</tr>
</tbody>
</table>

- Six (6) months of additional reserves required for each additional property owned based on the actual PITIA on each 1-4 unit residential financed property. If borrower owns additional property free and clear, calculate additional six (6) months of reserves based on taxes and insurance for each property.
- Mortgage Insurance is not required for LTVs greater than 80%.
- Rate/Term Refinance: Cash back to borrower is limited to $2000.00.
- Texas Section 50(a)(6) loans are ineligible as Rate and Term and/or Cash-Out transactions.
- Properties located in Texas are ineligible for cash-out refinances.
- 85.01 -90 % LTV maximum is available for Fixed Rate, Owner Occupied, 1 Unit, Purchase transactions for US Citizens and Permanent Resident Borrowers only.
  - The following are not permitted on LTVs greater than 85%:
    - ARM product type
    - Non-Permanent Resident Borrowers
    - Refinances – both Rate/Term and Cash Out
    - 2 -4 Units
    - DTIs greater than 35%
- A cash-out letter is required from the borrower to determine if the subject proceeds are to be used to acquire other real estate and/or open new debt: any proposed obligations must be factored into the DTI to confirm the total debt ratio is < 43%.

**b. Second Home Purchase & Refinance Matrices**

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Maximum LTV/CLTV/ HCLTV</th>
<th>Loan Amount</th>
<th>Minimum FICO Score</th>
<th>Maximum DTI Ratio</th>
<th>Minimum Months Reserves (PITI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-unit PUD Condo</td>
<td>80%</td>
<td>$424,100 - $1,000,000</td>
<td>720</td>
<td>43%</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>75%</td>
<td>$1,000,001 - $1,500,000</td>
<td>720</td>
<td>43%</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>70%</td>
<td>$1,500,001 - $2,000,000</td>
<td>720</td>
<td>43%</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>60%</td>
<td>$2,000,001 - $2,500,000</td>
<td>720</td>
<td>43%</td>
<td>36</td>
</tr>
</tbody>
</table>

- Six (6) months of additional reserves required for each additional property owned based on the actual PITIA on each 1-4 unit residential financed property. If borrower owns additional property free and clear, calculate
additional six (6) months of reserves based on taxes and insurance for each property.

- First-time home buyers are ineligible.
- Non-arm's length transactions involving a relationship or business affiliation between the borrower(s) and any other parties to the transaction are ineligible.
- Rate/Term Refinance: Cash back to borrower is limited to $2000.00.

2. **Subordinate Financing CLTV/HCLTV Eligibility**

   **Subordinate / Secondary Financing Eligibility for all Programs**

   For each Mortgage Loan subject to a subordinate lien, to accurately calculate the LTV/CLTV/HCLTV ratio for eligibility requirement purposes, the maximum credit line for all HELOCs must be determined, if applicable, and the unpaid principal balance for all closed-end subordinate financing. If any subordinate financing is not shown on a credit report, it must be determined if any other subordinate financing liens exist and provide documentation from the borrower or creditor.

### Secondary Financing Requirements

- Subordinate financing must be from an institutional lender;
- Any subordinate liens must be recorded and subordinate to the first mortgage lien;
- Full disclosure must be made on the existence of subordinate financing and the subordinate financing repayment terms;
- Subordinate financing requires a regular monthly payment as follows:
  - A closed end Home Equity Loan requires an amortizing P & I payment; if the Home Equity Loan has a balloon feature, the balloon term cannot be shorter than five (5) years from the note date.
  - A Home Equity Line of Credit requires a minimum payment of monthly interest due on the line balance; negative amortization is not allowed.
  - Terms of the subordinate financing must be consistent with those offered in the market place at the time of origination of the second mortgage.
3. Purchase Eligibility Requirements

### Eligibility Requirements for Purchase Money Mortgage Loans

- Funds must be used to purchase the subject property.
- Borrower must contribute at least 5% of own funds toward the purchase price for LTV’s greater than 80%.
- For each Mortgage Loan subject to a subordinate lien, to accurately calculate the HCLTV ratio for eligibility requirement purposes, the maximum credit line for all HELOCs must be determined, if applicable, and the unpaid principal balance for all closed-end subordinate financing. If any subordinate financing is not shown on a credit report, documentation must be provided from the borrower or creditor.
- If the subject property was sold within one hundred eight (180) days from the application date, one full URAR appraisal is required that supports any significant increase in value with commentary from the appraiser and recent comparable sales must be included.
- Executed temporary rent back agreement between the subject borrower and the seller up to sixty (60) days from the date of the note (valid for primary residence and second homes).
- Mortgage Insurance is not required for LTVs greater than 80%.
- 85.01 - 90% LTV maximum is available for Fixed Rate, Owner Occupied, 1 Unit, Purchase transactions for US Citizens and Permanent Resident Borrowers only.
  - The following are not permitted on LTVs greater than 85%:
    - ARM product type
    - Non-Permanent Resident Borrowers
    - Refinances – both Rate/Term and Cash Out
    - 2 - 4 Units
    - DTIs greater than 35%

### Ineligible for Purchase Money Mortgage Loans

- Seller subordinate financing.
- Escrow holdbacks for any reason.
- Property trades between buyer and Seller.
- Employer to employee sales or transfers.
- Principal curtailments are ineligible.

1 Interested party contribution limit:

<table>
<thead>
<tr>
<th>LTV/CLTV/HCLTV</th>
<th>% Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>75.01% - 90%</td>
<td>3%</td>
</tr>
<tr>
<td>75% and below</td>
<td>6%</td>
</tr>
</tbody>
</table>

2 Sales concessions include vacations, furniture, automobiles, securities or other give-away items.

3 There may be other scenarios, circumstances, and features which make a Mortgage Loan ineligible for purchase not listed here.
4. Rate/Term Refinance Eligibility Requirements

Refinance Mortgage Loans

- **Seasoning Requirements**
  Sellers in a purchase money transaction or borrowers in a refinance transaction must be the owner of the subject property and verifiable as such via publicly available records. Properties that are not owned by the Seller in a purchase transaction or the borrower(s) in a refinance transaction are ineligible. All applicable loan documentation (appraisal, title, etc.) must reflect the actual true ownership of the collateral in the transaction. This documentation is especially important in guarding against unacceptable property flipping schemes, which typically involve various combinations of transactions, non-arm’s length affiliations or other such dealings that result in a sale of a recently acquired or distressed property for a significant profit based upon misleading or fraudulent information.

- **LLC Seasoning Requirement**
  - The borrower on the new refinance transaction has been added to title through a transfer from a trust, or a limited liability company (LLC) or partnership. The following requirements apply:
    1. The borrower must have been a beneficiary/creator (trust) or a 25% owner of the LLC or of the partnership prior to the transfer, and
    2. The transferring entity and/or the borrower has had consecutive ownership (on title) for at least the most recent 6 months prior to the underwriting approval date of the new refinance transaction.
    3. If a limited cash-out refinance:
       1. The mortgage to be paid off must be in the borrowers' individual name(s).
    4. If a cash-out refinance:
       1. Must meet all cash-out guidelines, and
       2. Cannot be a Delayed Financing transaction.
  
  Note: Transfer of ownership from a corporation to an individual is ineligible.

- **Borrowers With No Obligation on Existing Mortgage to be Paid-Off**
  - The borrower has been on title for at least 12 months but is not obligated on the existing mortgage(s) that is being refinanced and the borrower meets at least one of the following requirements:
    ▪ The borrower has been residing in the property for at least 12 months,
    ▪ The borrower has paid the mortgage for at least 12 months, or
    ▪ The borrower can demonstrate a relationship with the current obligor (for example, relative or domestic partner).
  
  o Loan must be structured as a cash-out refinance.
Eligibility Requirements for Rate/Term Refinance Mortgage Loans

- Proceeds used to:
  - Pay off the principal balance of an existing first mortgage lien, regardless of age;
  - Properties owned for 6 months or less, based on the date of loan approval, must use the purchase price/acquisition cost to calculate the LTV/CLTC/HCLTV. The cost of documented capital improvements may be used based on the underwriter’s review of acceptability.
  - Pay off of private financing which is seasoned at least one (1) year from the subject note date and the financing must require a minimum monthly payment of no less than interest only as evidenced by the promissory note;
  - Proceeds may be used to buy out an owner if both parties have owned the subject property for at least 12 months prior to the subject note date. A fully executed agreement or court order (as applicable) and evidence of on-time mortgage history on the existing mortgage must be provided.
  - Pay off, or buy out, of other heirs identified in Final Will along with a fully executed agreement signed by all parties confirming buy out amounts of each heir.
  - Payoff of a recorded installment land contract with fully executed contract and evidence of 12 months on-time payment history.
  - Cash back to the borrower is limited to $2,000.00.
  - Pay off subordinate mortgage liens that have been seasoned for at least one (1) year. The seasoning requirement for a junior lien that is an equity line of credit will be applied to the date of the most recent draw, provided the draws have not exceeded a total of $2000 or more in the last twelve (12) months;
  - When paying off an existing Home Equity Line of Credit (HELOC), a closure letter reflecting the HELOC was frozen and closed must be provided either from the Title Company, Closing Attorney or HELOC provider.
  - Pay off subordinate lien regardless of seasoning if the lien was:
    - incurred to finance the original purchase of the property
    - used for capital improvements as evidenced by the fully executed contracts, paid invoices from the builder and draws/cancelled checks
  - The proceeds are used to pay off an interim construction loan and allowable closing costs;
  - The borrower holds legal title to the lot and is named as the borrower for the construction loan;
  - The home is completed per plans and specifications.
  - The home is fully constructed and habitable at the time of closing.

- Construction to permanent refinances are eligible if:
  - The LTV is based on the appraised value of the property at the time the permanent mortgage loan is closed, regardless of seasoning, meets the requirements in the Mortgage Loan Program Matrix;
  - A certificate of occupancy from the applicable government authority is provided. If the applicable government authority does not require a certificate of occupancy, then proof of the absence of this requirement must be provided;
  - The proceeds are used to pay off an interim construction loan and allowable closing costs;
  - The borrower holds legal title to the lot and is named as the borrower for the construction loan;
  - The home is completed per plans and specifications.
  - Permanent financing is allowed on construction to permanent loans only.
  - The home is fully constructed and habitable at the time of closing.

- Proceeds used to pay off a modified mortgage loan if:
  - the modification was not performed because the borrower was in a distressed situation;
  - the modification was initiated by lender/servicer as a retention effort;
  - there were 0x30 day late payments in the past twenty four (24) months on the mortgage loan being paid off.

- Refinance Requirements:
  - If a subordinate mortgage that was used in whole to acquire the subject property (purchase money) is being paid-off, copy of the Closing Disclosure from the purchase is required
  - Payoff Demand for Refinance Transaction is required with the following guidelines for the loan to be eligible for refinance:
    - Existing loan is not more than 30 days delinquent.
    - Existing loan does not contain charges associated with default/forbearance.
    - Does not indicate a curtailment of principal/interest (short payoff)

- Mortgage Insurance is not required for LTVs greater than 80%.
- Non-occupant co-borrower if co-signor was on the existing Note being refinanced.
Ineligible for Rate/Term Refinance Mortgage Loans

- LTV greater than 85%
- Pay off subordinate mortgage liens seasoned less than one (1) year unless such second lien was incurred at a) the original purchase of the property (evidenced by the Closing Disclosure or b) for capital improvements.
- Transaction will be the 3rd (or more) refinance in past twelve (12) months.
- Property listed for sale within six (6) months of mortgage loan application.
- Escrow holdbacks for any reason.
- Payoff of existing mortgage loan that had a borrower initiated modification.
- Cash back in excess of $2000.00 and principal curtailments at closing.
- Pay off of private financing seasoned less than one (1) year from the subject note date and/or the promissory note does not contain repayment terms calling for a minimum monthly payment of no less than interest only.
- Texas Section 50(a)(6) loans are ineligible as Rate and Term and/or Cash-Out transactions.
- Properties located in Texas are ineligible for cash-out refinances.

### Interested party contribution limit:

<table>
<thead>
<tr>
<th>LTV/CLTV/HCLTV</th>
<th>% Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>75.01% - 90%</td>
<td>3%</td>
</tr>
<tr>
<td>75% and below</td>
<td>6%</td>
</tr>
</tbody>
</table>

1. Sales concessions include vacations, furniture, automobiles, securities or other give-away items.

There may be other scenarios, circumstances, and features which make a mortgage loan ineligible for purchase not listed here.

5. Cash Out Refinances Eligibility Requirements

### Eligibility Requirements for Cash-Out Refinance Mortgage Loans

- Ownership seasoning of at least six (6) months from date of purchase.
- Payoff of subordinate lien(s) less than one (1) year seasoned.
- Pay off of private financing which is seasoned at least 1 (one) year from the subject note date and financing must require a minimum monthly payment of no less than interest only as evidenced by the promissory note.
- When paying off an existing Home Equity Line of Credit (HELOC), a closure letter reflecting the HELOC was frozen and closed must be provided either from the Title Company, Closing Attorney or HELOC provider.
- Payoff of construction loan after building is completed provided that:
  - The lot was acquired twelve (12) or more months before the subject application date
  - The LTV/CLTV is based on the lesser of (i) the current appraised value and (ii) the total acquisition costs (sum of construction costs and the lower of the sales price or current appraised value of the lot).
  - The borrower provides a certificate of occupancy from the applicable government authority. If the applicable government authority does not require a certificate of occupancy, then proof of the absence of this requirement must be provided.
  - The cash-out amount is limited to the amount specified in the Cash-Out Eligibility plus any documented costs paid by the borrower's own funds.
  - The borrower holds legal title to the lot and is named as the borrower of the construction loan.
  - Permanent financing is allowed on construction to permanent loans only.
  - The home is fully constructed and inhabitable at the time of closing.
- Refinance Requirements:
  - If a subordinate mortgage that was used in whole to acquire the subject property (purchase money) is being paid-off, copy of the Closing Disclosure from the purchase is required
  - Payoff Demand for Refinance Transaction is required with the following guidelines for the loan to be eligible for refinance:
- Existing loan is not more than 30 days delinquent.
- Existing loan does not contain charges associated with default/forbearance.
- Does not indicate a curtailment of principal/interest (short payoff)

- Payoff of a modified mortgage loan if:
  - The modification was not performed because the borrower was in a distressed situation;
  - The modification was initiated by lender/servicer;
  - There were 0x30 day late payments in the past twenty four (24) months.

- A cash-out letter is required from the borrower to determine if the subject proceeds are to be used to acquire other real estate and/or open new debt: any proposed obligations must be factored into the DTI to confirm the total debt ratio is < 43%.

Delayed Purchase
Borrowers who purchased the subject property within the past 60 days (measured from the date on which the property was purchased to the new first mortgage loan underwriting final approval date) are eligible for a cash-out refinance if ALL of the following requirements are met:

<table>
<thead>
<tr>
<th>Requirements for a Delayed Financing Exception</th>
</tr>
</thead>
<tbody>
<tr>
<td>The original purchase transaction was an arms-length transaction.</td>
</tr>
<tr>
<td>For this refinance, the borrower must meet borrower eligibility requirements as described in the Jumbo Fixed Eligibility Guide and Gemstone Product pages for cash-out transactions. The borrowers may have initially purchased the property as one of the following:</td>
</tr>
<tr>
<td>- A natural person;</td>
</tr>
<tr>
<td>- An eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust;</td>
</tr>
<tr>
<td>- An LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%.</td>
</tr>
<tr>
<td>The original purchase transaction is documented by the Closing Disclosure, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee’s deed [or similar alternative] confirming the amount paid by the grantee to trustee may be substituted for the Closing Disclosure if the Closing Disclosure was not provided to the purchaser at the time of sale.) The preliminary title search or report must confirm that there are no existing liens on the subject property.</td>
</tr>
<tr>
<td>The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).</td>
</tr>
<tr>
<td>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 Closing Disclosure 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 for the refinance transaction.</td>
</tr>
<tr>
<td>Note: Funds received as a gift and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.</td>
</tr>
<tr>
<td>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 maximum LTV/CLTV/HCLTV ratios for cash-out transaction based on current appraised value).</td>
</tr>
<tr>
<td>All other cash-out refinance eligibility requirements are met. Cash-out pricing is applicable.</td>
</tr>
</tbody>
</table>
**Ineligible for Cash-Out Refinance Mortgage Loans**

- LTV greater than 85%
- Ownership seasoning less than six (6) months prior to purchase of subject property on existing construction and less than twelve months prior to the purchase of the lot on new construction.
- Transaction will be the 3rd (or more) refinance in past twelve (12) months.
- Property listed for sale within six (6) months of mortgage loan application – properties listed for sale within past twelve (12) months must provide explanation of why it was for sale.
- Non-occupant co-borrowers.
- Income derived from asset depletion.
- Escrow holdbacks for any reason.
- Use of Power of Attorney.
- Payoff of existing mortgage loan that had a borrower initiated modification.
- Pay off of private financing seasoned less than one (1) year from the subject note date and/or the promissory note does not contain repayment terms calling for a minimum monthly payment of no less than interest only.
- Texas Section 50(a)(6) loans are ineligible as Rate and Term and/or Cash-Out transactions.
- Properties located in Texas are ineligible for cash-out refinances.

1. Interested party contribution limit:

<table>
<thead>
<tr>
<th>LTV/CLTV/HCLTV</th>
<th>% Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>75.01% - 90%</td>
<td>3%</td>
</tr>
<tr>
<td>75% or below</td>
<td>6%</td>
</tr>
</tbody>
</table>

2. Sales concessions include vacations, furniture, automobiles, securities or other give-away items.

3. There may be other scenarios, circumstances, and features which make a mortgage loan ineligible for purchase not listed here.

**B. Borrower Eligibility**

1. Eligible Borrower(s):
   a. U.S. Citizens
      - All borrowers must have a social security number and at least two (2) credit scores.
   b. Non-U.S. Citizens
      i) Permanent Resident Borrowers
         Permanent resident borrowers must have a social security number (ITINs are not acceptable) and evidence of lawful permanent residence status including a non-conditional I-551 Alien Registration Card (or Green Card). The I-551 card is required to confirm eligible citizenship status as well as authorization to work in the U.S.
      ii) Non-permanent Resident Borrowers
         Non-permanent resident borrowers are eligible if they meet the following requirements:
         a. Unexpired passport from the country of citizenship stamped by the US Customs Officer confirming the admission date, admission class and the date the admission expires.
         b. A copy of the automated version of the I-94 Form confirming the borrower’s I-94 number and the information stamped on the passport. If the borrower traveled by land versus air or sea, the paper I-94 Form is still required to confirm employment is authorized.
c. Employment Authorization Card (EAD) issued by the Bureau of Citizenship and Immigration Service ("BCIS") along with a copy of the Petition for Non-Immigrant Worker (form I-140);

d. Unexpired visa(s).

e. A minimum of two years of documented employment and income history with US tax returns, a history of visa renewals and no reason to believe employment will cease is required.

f. Primary Residence only

g. Maximum LTV is 85%.

h. No other real estate ownership.

The following visas are eligible:

- TN (NAFTA Professionals from Canada or Mexico)
- H-1B
- H-1C
- L-1A
- L-2A
- L-1B
- L-2B
- E-1
- E-2
- Any G-series

c. Non-Occupant Co-Borrowers

Non-occupant co-borrower requirements:

- Eligible for owner occupied, purchase transactions
- must be listed on the title;
- are ineligible for Cash-Out Refinances;
- are eligible for rate/term refinance only if the co-borrower was on the existing Note being refinanced, and
- maximum DTI with non-occupant co-borrower income is the lesser of 43% or the maximum DTI allowed by the program matrix.

- The maximum number of borrowers allowed on a single transaction is four (4).

d. First-Time Home Buyers

- First-time homebuyers (FTHBs) are defined as borrowers who have not owned a property in the last three (3) years.
- Second homes are ineligible.

e. Illinois Land Trusts

A land trust is a form of property ownership used in the state of Illinois, primarily to protect assets. The trust splits ownership between an institutional trustee, who holds legal and equitable title to the property on behalf of the beneficiary, and the beneficiary who holds the powers of management and control of the property.

An Illinois Land Trust is created by:

- A trust deed that conveys title from the beneficiary to the trustee, AND
- A trust agreement between the trustees and beneficiary that defines their relative interest, rights, and duties.

Illinois Land Trusts are allowed subject to the following:

- All beneficiaries are individuals;
- The Mortgage applicant(s) must be one of the beneficiaries of the trust;
- The trustee must be a corporation or financial institution customarily engaged in the
  business of acting as trustee under Illinois Land Trust;
- The beneficiaries have sole power of direction over the land trust and trustee;
- All beneficiaries are obligated as individuals under the terms of the note;
- The Mortgage applicants have been underwritten and are qualified Borrowers under
  the requirements of the product;

- All such Land Trust Mortgages are secured by owner-occupied, 1-4 family properties;
- The term of the trust agreement is at least as long as the term of the security instrument;
- Document and Signature Requirements are as follows: each beneficiary/borrower must execute the note and all Riders as an individual, the trustee must execute the note and all Riders, the Riders to the note and mortgage must be dated and executed the same day as the note or mortgage and the mortgage must specifically identify the trust for the property by date and number. The notary acknowledgement must be to the effect that an officer of the trustee has executed the mortgage.

f. Inter-Vivos Living Revocable Trusts

- It must be confirmed and documented that the individuals establishing the trust used to qualify for the mortgage demonstrate sufficient ability to repay under the Ability-to-Repay Rules and that the mortgage loan is a Qualified Mortgage;
- A complete copy of the trust document; or if the property is in a jurisdiction that requires a Trust Certification, Trust Opinion or similar summary of trust documents; this summary must confirm the trust meets all secondary and state requirements.
- The inter vivos revocable trust must be established by one (1) or more natural persons, solely or jointly;
- The primary beneficiary of the trust must be the individual(s) establishing the trust; and
- If the trust is established jointly, there may be more than one (1) primary beneficiary as long as the income or assets of at least one (1) of the individuals establishing the trust will be used to qualify for the mortgage.
- The trustee(s) must include the individual establishing the trust (or at least one (1) of the individuals, if there are two (2) or more). Institutional trustees are not allowed.
- The trustee must have the power to mortgage the security property for the purpose of securing a mortgage loan to the party (or parties) who are borrower(s) under the Mortgage or Deed of Trust Note.
- The mortgage must be underwritten as if the individual establishing the trust (or at least one (1) of the individuals, if there are two (2) or more) were the borrower (or a co-borrower, if there are additional individuals whose income or assets will be used to qualify for the mortgage).
- Signature Requirements for Notes and Mortgages involving Inter Vivos Revocable Trusts can be found in the FNMA or FHLMC Seller Guides. These include the form of signature for the trustee(s) and the statement of acknowledgment for each individual establishing the trust whose income or assets are used to qualify for the mortgage.

g. Non-Purchasing Spouse

- When a married applicant purchases a property without involving a spouse, the spouse is required to sign the security instrument and any other applicable documentation to confirm that the spouse relinquishes all rights to the property, as governed by applicable state law; and
- Submission of appropriate documentation is required, in accordance with applicable state law, to guarantee that NYCB is in first lien position, as required by applicable state law.

h. Family Member Purchasing Home for a Relative

The occupancy may be considered a primary residence on transactions where parents or children are purchasing a home for their disabled adult child or elderly parent (respectively). It is optional to have the disabled person or parent as a borrower on the subject transaction. The borrowers may not own any other property in the subject property geographic area other than their primary residence. Additionally, the loan file must include:

- Clarification letter from the borrower identifying name and address of the occupant
disabled person or elderly parent,

- Evidence the disabled adult child or elderly parent receives social security benefit or other disability or medical benefit.

i. Acceptable Non-Arm’s Length Transactions

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Requirements / Caveats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Loans</td>
<td>Must have independent, third party validation of income (with tax transcripts), assets, credit and property value</td>
</tr>
<tr>
<td>Buyers/Borrowers are representing themselves as agent in real estate transaction</td>
<td>Commission earned by buyer/borrower cannot be used for down payment, closing costs, or monthly PITIA reserves</td>
</tr>
<tr>
<td>Sellers representing themselves as agent in real estate transaction</td>
<td>For sale by owner transaction must meet arms-length eligibility criteria</td>
</tr>
<tr>
<td>Renters Purchasing from Landlord</td>
<td>Provide twenty four (24) months cancelled checks to evidence timely rent payments - written verification of rent is not acceptable</td>
</tr>
<tr>
<td>Purchase between family members</td>
<td>- Must have independent, third party validation of income (with tax transcripts), assets, credit and property value</td>
</tr>
<tr>
<td></td>
<td>- Gift of Equity requires an acceptable gift letter and the equity gift credit is to be reflected from the Seller to the borrower on the HUD-1 for applications received prior to October 3, 2015 or the Closing Disclosure for applications received on or after October 3, 2015</td>
</tr>
<tr>
<td></td>
<td>- Must provide a twelve (12) month Mortgage History on existing mortgage securing subject property confirming Family Sale is not a foreclosure bailout</td>
</tr>
</tbody>
</table>

j. Multiple Financed Property Limitations

Borrowers with more than four (4) financed, 1-4 unit residential properties, including the subject property and regardless of occupancy are not eligible. All financed properties, other than the subject property, require an additional six (6) months PITIA reserves for each property. 1-4 unit financed properties held in the name of an LLC or other corporation can be excluded from the number of properties financed only in cases where the borrower is not personally obligated for the mortgage.

2. Ineligible Borrower(s):

Mortgage loans originated with the borrower types listed below are ineligible. The list may not include all the borrower types ineligible for purchase.

- Diplomats - If in doubt about diplomatic immunity (should appear on Visa), status of the individual may be checked against the U.S. Department of State’s Diplomatic List at: [www.state.gov/s/cpr/rls/](http://www.state.gov/s/cpr/rls/).
- Borrowers and co-borrowers who are the listing agent of the subject property.
- Borrowers without at least two (2) credit scores.
- Borrowers who are not natural persons, including corporations and partnerships.
- Mortgage loans with title or interest held in various forms/legal entities such as life estates, non-revocable trusts, guardianships, conservatorships, LLC’s, corporations or partnerships.
- Any Land Trust, except for Illinois Land Trust.
Borrowers with more than four (4) financed residential properties, including the subject property.
- The financed property limit applies to the borrower’s ownership of one- to four-unit financed properties or mortgage obligations on such properties and is cumulative for all borrowers. These limitations apply to the total number of properties financed, not to the number of mortgages on the property.
- Borrower(s) purchasing a property from a builder who, in turn, is purchasing the borrower’s existing property;
- Borrower(s) purchasing a property from a builder who, in turn is renting, or leasing back the subject property to the Builder.
- Borrowers or co-borrowers employed in the construction trades who are involved in the construction, financing or sale of the subject property.

C. Occupancy Eligibility

1. Primary Residence
An owner-occupied property is a residence the borrower occupies or will occupy. At least one (1) of the borrowers must take title to and occupy the property and execute the Note and Mortgage or Deed of Trust. The borrower must occupy the subject property within sixty (60) days of the close of escrow. An executed temporary rent back agreement is allowed between the subject borrower and the seller up to sixty (60) days from the date of the note.

2. Second Home
A second home is a single family residence the borrower occupies or will occupy in addition to the primary residence. Rental income cannot be used to qualify the borrower. All of the second home requirements as stated below must be followed:
- One (1) unit properties are allowed for second homes.
- The borrower may not own any other second homes or investment properties in the same geographic market as the subject property.
  - Provide detailed letter of explanation from the borrower along with a map to identify the distance to justify the intended use of the subject as a second home. The letter and map provided will be reviewed to make a determination whether the property is a second home.
- When the borrower’s primary residence is in the same geographic area as the second home, provide detailed letter of explanation from the borrower along with a map to identify the distance to justify the intended use of the subject as a second home.
- The subject property must be available for the borrower’s exclusive use and cannot be subject to rental pools, time sharing arrangements or agreements requiring the property to be rented.
- The subject property cannot be controlled by a management firm.
- An executed temporary rent back agreement is allowed between the subject borrower and the seller up to sixty (60) days from the date of the note if seller currently occupies the subject property as their primary residence.
- First-time home buyers are ineligible.
  a. Departure Residence Not Sold Prior to Closing on New Primary Residence
The subject property will be considered a primary residence when the following is provided:
  - Borrower provides an explanation letter confirming the intended disposition of the departure property (selling, renting, retaining);
  - Borrower provides a detailed letter of intent to occupy the subject property;
  - If the borrower is retaining a departure residence and does not intend to sell or rent the departure residence, a written analysis detailing the rationale and facts that support the subject property as a primary residence. The analysis must include a comparison of the distance between, size, and values of the subject property and departure property.

Additional Criteria:
• If the departure residence is to be converted to a rental property, see rental income eligibility requirements for details;
• Additional monthly PITIA reserve requirements must be met.

D. Property Eligibility

1. Eligible Property Types
   a. Eligible Single Family Dwelling Types
      • Single Family detached and attached
      • PUDs
         o No project review is required for attached or detached PUD projects.
         o If the property is located in a newly constructed PUD Project the following is required:
            • A sufficient number of the total units in the project must have been conveyed (or must be under contract to be sold) to confirm demonstrated marketability of the project; and
            • If the subject is a new attached project confirm the HOA dues are sufficient to support amenities;
      • Modular Homes (not Manufactured Homes)
         o Properties do not have a limitation requirement for gross living area; however, to confirm marketability of the subject property the appraisal must contain comparable sales that have similar gross living area and that are similar in construction quality to the subject property.
      • Non-Permitted Conversion of Living Space which are conversions of existing area such as garage, screen porches, etc. into living space without obtaining the appropriate building permits from the governing municipality. Non-permitted Conversions are allowed as follows:
         o The non-permitted conversion is identified in the appraisal and given no value;
         o The cost to convert the property back to its former state is nominal (1% of value); and
      • The Hazard Insurance Policy must clearly acknowledge the non-permitted conversion and confirm the property has full coverage including the converted space.
      • Grandfathered Non-permitted Additions:
         Grandfathered non-permitted additions are room additions made to the original structure prior to the governing municipality requiring permits. Grandfathered non-permitted additions are allowed as follows:
         o The addition is not included as part of the Gross Living Area in the appraisal;
         o The addition is minor in nature (e.g. screened porch, enclosed patio, or lanai); and
         o The addition is given no value by the appraiser.
         o The appraisal must confirm in case of partial or total destruction the subject property can be rebuilt as it exists today without obtaining variance approval from the governing municipality; and
         o The Hazard Insurance Policy must clearly acknowledge the non-permitted grandfathered addition and confirm the property has full coverage including the addition.
   b. Properties with Solar Panels
      • Properties with leased solar panels are eligible and must meet all solar panel requirements as identified in the NYCB Seller’s Guide. Any property with solar panels that includes a UCC-(Uniform Commercial Code) associated with the property and/or will create an easement on title is ineligible.

   b. Two (2) Unit Properties
      Must be owner occupied property and meet all eligibility requirements.
c. Condominiums - New and Existing Projects
   Fannie Mae Warrantable
   1. Condominiums are subject to maximum LTV/CLTV/HCLTV limits; refer to matrices;
   2. Established and new condominium projects require Condominium Project Manager (CPM) review;
   3. Fannie Mae Limited Project Review not allowed except for detached site condominiums.

d. Detached Site Condominium
   Site condominium projects require:
   o All comparables must be detached site condominiums;
   o Subject appraisal contains one (1) comparable from inside the subject project and one (1) from outside the project;
   o Not a manufactured home;
   o The appraiser reflects in the appraisal report, the extent to which the condominium form of ownership has a negative effect on the market value of the subject unit;
   o Limited Review is eligible for new and existing Site Condominium Projects with owner occupied and second home occupancies.

e. Properties Sold within 180 days of the previous sale (flips)
   Properties being resold within one hundred and eighty (180) days of prior purchase are eligible provided the new appraisal contains commentary from the appraiser which clearly justifies any significant increase in value. Comparable sales must support the new value. The following transactions are not defined as property flips:
   - Property obtained through an inheritance
   - Property that is part of a settlement in a divorce agreement
   - Property that is part of an employer relocation program
   - Property acquired by the lender or servicer as a result of foreclosure or deed in lieu of foreclosure

2. Eligible Land
   a. Acreage
   Mortgage loans secured with properties up to ten (10) acres are eligible. The appraiser must indicate total acreage on the appraisal and describe all structures and land usage of the acreage. Land to value ratio must be typical for the area. The property must have no income producing attributes.

3. Ineligible Property & Land Types
   Mortgage loans secured by the property and land types listed below are ineligible. The list below may not include all property and land types ineligible for purchase.

<table>
<thead>
<tr>
<th>General Reason for Ineligibility</th>
<th>Example Property/Land Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Units and/or Occupancy</td>
<td>3-4 Unit Owner Occupied Properties</td>
</tr>
<tr>
<td></td>
<td>2-4 Unit Second Homes</td>
</tr>
<tr>
<td></td>
<td>Limited project review</td>
</tr>
<tr>
<td></td>
<td>Unwarrantable Condominiums</td>
</tr>
<tr>
<td>Prefabricated Housing</td>
<td>Manufactured Homes</td>
</tr>
<tr>
<td>Mixed Use Properties</td>
<td>Mobile Homes</td>
</tr>
<tr>
<td></td>
<td>Condo-hotels</td>
</tr>
<tr>
<td></td>
<td>Commercially zoned property</td>
</tr>
<tr>
<td></td>
<td>Single family dwellings that have businesses operating within the dwelling or where the business rents space inside the home (examples: hair salons, animal groomers, child care services, business pays rent to borrower etc.).</td>
</tr>
<tr>
<td>Category</td>
<td>Description</td>
</tr>
<tr>
<td>----------</td>
<td>-------------</td>
</tr>
<tr>
<td>Properties with open repair or completion escrows accounts</td>
<td>Loans with open escrow holdback accounts are not eligible until the property repairs or improvements have been fully completed. Evidence of completion and closure of escrow account is required.</td>
</tr>
<tr>
<td>Properties in Below Average and Poor Condition</td>
<td>Properties for which the appraisal indicates condition ratings of C5 or C6 or a quality rating of Q6, each as determined under the Uniform Appraisal Dataset (UAD) guidelines</td>
</tr>
<tr>
<td>Unique Properties and Structures</td>
<td>Boarded up properties</td>
</tr>
<tr>
<td></td>
<td>Earth or dome homes</td>
</tr>
<tr>
<td></td>
<td>Cantilevered property is ineligible. A cantilevered property is a projecting structure supported at one end and carries a load at the other end or along its length</td>
</tr>
<tr>
<td></td>
<td>Leasehold properties</td>
</tr>
<tr>
<td>Properties with Illegal Structures or Additions</td>
<td>Non-permitted conversions that do not comply with property eligibility criteria.</td>
</tr>
<tr>
<td></td>
<td>Non-permitted additions that are not Grandfathered by the governing municipality.</td>
</tr>
<tr>
<td></td>
<td>Illegal kitchens or unpermitted “in-law” unit is not acceptable</td>
</tr>
<tr>
<td></td>
<td>Mobile Homes located on the property</td>
</tr>
<tr>
<td>Hazardous Properties</td>
<td>Hawaii Lava Zones 1 &amp; 2, appraiser must identify whether a property is located in a lava zone as defined by the United States Geological Survey</td>
</tr>
<tr>
<td></td>
<td>Imminent Threat - Properties defined as imminent threat are those that pose an imminent health or safety threat</td>
</tr>
<tr>
<td></td>
<td>Inadequate Foundation - Inadequate foundations are those that do not meet current code requirements</td>
</tr>
<tr>
<td></td>
<td>Chinese Drywall: drywall imported from China from 2001 through 2007, which emits sulfur gases, which usually create a noxious odor, and corrodes copper and other metal surfaces, damaging air conditioning, electrical wiring, copper, plumbing, appliances and electronics. Chinese drywall can also cause adverse health effects. Note that not all drywall manufactured in China is defective.</td>
</tr>
<tr>
<td>Income Producing Properties</td>
<td>Farms</td>
</tr>
<tr>
<td></td>
<td>Time-share projects/units</td>
</tr>
<tr>
<td></td>
<td>Commercially zoned property</td>
</tr>
<tr>
<td></td>
<td>Agricultural zoned property</td>
</tr>
<tr>
<td>Inadequate Utilities and Services;</td>
<td>Properties without water or public electricity connections to the site</td>
</tr>
<tr>
<td></td>
<td>Improperly vented water heaters</td>
</tr>
<tr>
<td></td>
<td>Inadequate Heating - Properties defined as having inadequate heating are those without permanently affixed legal heating systems (e.g., the property uses space heaters or fireplaces to heat the premises)</td>
</tr>
<tr>
<td></td>
<td>Properties with ingress and egress that does not meet code for the governing municipality</td>
</tr>
<tr>
<td></td>
<td>Properties located on a private road and no private road agreement exists. Note: If the property is located within a state that has statutory provisions that define the responsibilities of property owners for the maintenance and repair of a private street, no separate agreement or covenant is required.</td>
</tr>
<tr>
<td>Ineligible Land</td>
<td>Multiple parcel properties which are sub-dividable</td>
</tr>
<tr>
<td></td>
<td>Over 10 acres</td>
</tr>
<tr>
<td>Right of First Refusal</td>
<td>A provision in an agreement that requires the owner of a property to give another party the first opportunity to purchase or lease the property before he or she offers it for sale or lease to others.</td>
</tr>
<tr>
<td>Deed Restrictions</td>
<td>Private agreements that restrict the use of the real estate in some way, and are listed in the deed.</td>
</tr>
</tbody>
</table>
4. Hazard Insurance Requirements

The Mortgaged Property and all building or other customarily insured improvements upon the Mortgage Property are insured by a qualified insurer against loss of fire, hazards of extended coverage and such other hazards as required in the Seller’s Guide as well as all additional requirements listed below providing coverage in an amount equal to not less than

- the insurable value of the Mortgaged Property or
- the outstanding principal balance owing on the Mortgage Loan, but in no event less than the minimum amount necessary to fully compensate for any damage or loss on a replacement cost.

Note: A “Cost Estimator” form, from the insuring company, will be required if the policy's coverage is less than the loan amount.

All such insurance policies are in full force and effect and contain a standard mortgage clause naming the originator of the Mortgage Loan, its successors and assigns as mortgagee and all premiums thereon must have been paid.

E. Property Valuation Eligibility

All Appraisals must be compliant with Fannie Mae and Freddie Mac Appraiser Independence requirements.

Table Funded Clients:

Appraiser Independence Requirements

Appraiser Independence Safeguards: No agent of the Client or partner on behalf of the Client shall influence or attempt to influence the development, reporting, result, or review of an appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or in any other manner. To ensure compliance with the Appraiser Independence requirements, the Lender does not allow the Client to contact the Appraiser under any circumstance. All communication regarding the valuation, including status of order, must be directed to the assigned Appraisal Management Company. The policy below indicates the action that will be taken for non-compliance of the Appraiser Independence Requirements.

Correspondent Clients:

- For Correspondents without Appraisal Authority, appraisals must be ordered and received through the Gemstone Appraisal Process to ensure compliance with Fannie Mae and Freddie Mac Appraiser Independence Requirements.
- For Correspondents with Appraisal Authority, an appraisal received outside of Gemstone may be utilized, providing it adheres to the Appraiser Independence Requirements and the Lender's requirements.
  - The Client is responsible for ensuring that the subject property provides adequate collateral for the mortgage. A signed and complete appraisal report that accurately reflects the market value, condition, and marketability of the property is required. Additionally, the Client is responsible for:
    - compliance with the Appraiser Independence Requirements;
    - selection of the appraiser (13.4.2 Appraiser Selection)
    - compliance with the Uniform Appraisal Dataset (UAD) when applicable
    - ensuring the appraiser has utilized sound reasoning and provided evidence to support the methodology chosen to develop the value opinion;
    - successful submission of the appraisal through the UCDP prior to delivery.

Note: If an applicable law, regulation, or lender’s policy requires the lender to obtain more than one appraisal in connection with a mortgage loan, the lender must select and use the single most accurate appraisal for underwriting purposes and that appraisal must be delivered through the UCDP.

Appraisals on existing construction properties must be dated within one hundred and twenty (120) days of the note date. After the 120th day for existing properties re-certification of value is required.

Appraisal on new construction must be dated within 180 days of the Note Date for new construction. After the 180th day for new construction properties, a re-certification of value is required.

All Clients without Appraisal Authority must use Gemstone to order their Appraisals.
Correspondent Clients with Appraisal Authority may provide the required appraisals for the transaction.

Transferred appraisals are not eligible.

1. **Appraisal Criteria**

   The number of appraisals needed varies by loan amount:

<table>
<thead>
<tr>
<th>First Mortgage Loan Amount</th>
<th>Appraisal Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purchase Transactions</strong></td>
<td></td>
</tr>
<tr>
<td>$&lt;2,000,000</td>
<td>One (1) Full Appraisal</td>
</tr>
<tr>
<td>$&gt;2,000,000</td>
<td>Two (2) Full Appraisals</td>
</tr>
<tr>
<td><strong>Rate and Term or Cash Out Refinance Transactions</strong></td>
<td></td>
</tr>
<tr>
<td>$&lt;1,500,000</td>
<td>One (1) Full Appraisal</td>
</tr>
<tr>
<td>$&gt;1,500,000</td>
<td>Two (2) Full Appraisals</td>
</tr>
</tbody>
</table>

   For properties located in the State of California:
   - **Table Funded Clients**: NYCB will be responsible for obtaining and paying for a second appraisal.
   - **Correspondent Clients**: The Correspondent is responsible for obtaining and paying for a second appraisal.

   If one (1) appraisal is required:
   - Purchases: The value will be based on the lower of the validated appraised value or the purchase price.
   - Refinances: The value will be based on the lower of the validated appraised value.

   If two (2) appraisals are required:
   - Purchases: The value will be based on the lower of the (2) appraisals or the purchase price.
   - Refinances: The value will be based on the lower of the (2) validated appraisals.

   1004D Completions: The appraiser that performed the appraisal (with the lower value when applicable – see above guidelines) should complete the final inspection.

   **Note**: The 2nd appraisal must be ordered, completed and reconciled by the same Appraisal Management Company (AMC), prior to delivery to NYCB.

2. **Appraiser to Inspect Properties in Natural Disaster Areas**

   - If the subject property is located in a FEMA-declared disaster area that has been designated by FEMA as “Public” or “Individual” or a combination of the two before the original appraisal(s) were performed, the appraisal must identify the specific FEMA Declared Natural Disaster Area and the date the disaster area was declared. The appraisal must include a minimum of three (3) comparable sales that occurred post-disaster. The appraiser must confirm that the subject property was free from damage at the time of the appraisal and assess whether the disaster had any effect on value or marketability. If the subject property was damaged, the Seller must submit Form 1004D/442, Appraisal Update and/or Completion Report, with photos of the interior and exterior of the subject property, assessing and describing the extent of any damage and reflecting that all repairs have been completed on the property.

   - If the subject property is located in a FEMA-declared disaster area that has been designated by FEMA as “Public” or “Individual” or a combination of the two after the original appraisal(s) were performed, a property inspection must be performed by the original appraiser or, if not available, by another licensed appraiser and evidenced by submission of a completed Form 1004D/442, Appraisal Update and/or Completion Report, with photos of interior and exterior. Alternatively, the property inspection may be performed by an insurance company or property inspection company. In all cases, the property inspection must identify the specific FEMA-declared disaster area and the date the disaster area was declared. The property inspection must identify whether the property was free from damage and whether the disaster had any effect on value or marketability. If there was damage from the event, the extent and impact of that damage must be assessed by a post-disaster property re-inspection. If the re-inspection indicates damage, the extent of the damage must be assessed and will be evaluated. Completion of repairs may be required in some cases.
3. **Power of Attorney (POA)**

Use of Power of Attorney is acceptable for purchase and rate term refinance transactions only. The POA must comply with all applicable state laws and the attorney-in-fact is not affiliated with any party to the mortgage loan transaction other than the borrower.

II. **Employment, Income, Asset and Credit Criteria**

**F. Employment**

1. **Employment Criteria**

   Evidence a consistent; prior two (2) years’ employment history is required. Any gaps of employment must be documented if more than thirty (30) days on the application and provide explanation from borrower. Mortgage loans when borrower has less than two (2) years of wage earner employment history will be accepted under the following circumstances:

   - **Newly-employed:** verification of two (2) years’ earnings is not required if documentation reflects the borrower was in school or in a training program immediately prior to their current employment.
   - **New Job:** Borrower must have had a two (2) year history in the same line of work with similar compensation. Provide a copy of the fully executed, non-contingent employment contract or executed offer letter, a fully completed, written VOE confirming the borrower’s start date, base salary and other compensation. Borrower must start the new job within thirty (30) days of note date.
   - **Re-entry into the workforce:** verification of two (2) year’s earnings or employment is not required if provided documentation reflects the borrower has been in their current position more than six (6) months and documentation to show a previous work history with prior W-2s confirming similar income.
   - **24 months of employment verification:** If the borrower has changed jobs in the last two years, obtain VVOE’s with all applicable information from all previous employers within that time period to support at least 24 months of employment.

2. **Timing of Employment Verification**

<table>
<thead>
<tr>
<th>Employment Type</th>
<th>Maximum Days Employment Verification Can Be Performed Prior To Note Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage Earner</td>
<td>10 business days</td>
</tr>
<tr>
<td>Self-Employed</td>
<td>30 calendar days</td>
</tr>
<tr>
<td>Retired/ Passive Income/ Not Working</td>
<td>N/A</td>
</tr>
</tbody>
</table>

3. **Employment Verification**

<table>
<thead>
<tr>
<th>Employment / Income</th>
<th>Required Verification</th>
<th>Verification Independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage Earner</td>
<td>Verbal Verification of Employment (VVOE) from employer</td>
<td>Obtained using a phone number obtained independently (not supplied by the borrower).</td>
</tr>
</tbody>
</table>
Self-Employed Verbal Verification of Employment (VVOE)

| Existence of the business is verified through a CPA, regulatory agency or applicable licensing bureau. |

All VVOE’s MUST CONTAIN:
- The name and title of the person confirming the employment;
- The date of the call;
- The source of the phone number;
- The dates of employment/ownership of the company;
- Affirmation the borrower remains employed there or still is the owner of the company.

G. Income

1. Overview
   All loans must be ATR/QM Safe Harbor compliant along with meeting the terms of Appendix Q.

2. Income Criteria
   In determining continuance of income, the borrower’s past income history, history of receipt of other income and the probability of continued consistent receipt should be focused on. If an income source has less than a two (2) year history, a written analysis must be provided supporting the borrower’s qualifying income.

   Eligible mortgage loans must evidence borrower(s) verified stable monthly income from all sources, with a two (2) year history (in most cases) of earned income with no indication the income will likely cease and can be reasonably expected to continue. This includes commissions, bonuses, overtime, second jobs and all qualifying income.

3. Qualifying Income
   Year over year earnings must be compared using the borrower’s W-2’s or complete and signed federal income tax returns.

   The income must be stable or increasing.

   If the trend was declining, but has since stabilized and there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of fluctuating income must be used. A clarification letter should be obtained from the borrower explaining the reason for the decline in income.

   If the trend is declining and not stable, additional analysis must be conducted to determine if any fluctuating income should be used. Declining incomes cannot be used for qualifying.

4. Income Verification
   a. Tax Transcripts Required for All Borrowers
      Tax transcripts for the most recent two (2) years personal federal tax returns must be obtained and required for loan approval.

      For borrowers who have filed, but the 4506t results are not available, a copy of the signed tax returns along with proof the results are not available from the IRS are required. Along with evidence of either an IRS tax refund was received that matches the amount as stated on the tax return and deposited into borrower(s) account; or, if the borrower(s) owed the IRS, evidence the amount owed as stated on tax return was paid along with copy of their cancelled checks will be acceptable.

      All tax transcript information must be compared with the borrower’s tax returns to confirm consistency. Mortgage loans with unexplained material discrepancies between the borrower supplied W-2s, 1099’s, tax returns or other income documentation and the tax transcripts are not eligible.

   b. Allowable Age of Federal Income Tax Returns
      For some types of sources of income, copies of federal personal and business tax returns must be obtained. The “most recent year’s” tax return is defined as the last return scheduled to have been filed with the IRS. For example,
If Today's Date is.... | Then the Most Recent Year's Tax Return would be...
---|---
February 15, 2017 | 2015
April 17, 2017 | 2016
December 15, 2017 | 2016

The following table describes which tax-related documentation to obtain depending on the application date and disbursement date of the mortgage loan.

<table>
<thead>
<tr>
<th>Application Date</th>
<th>Disbursement Date</th>
<th>Documentation Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 15(^1), [current year minus 1] to April 14(^2), current year</td>
<td>October 15(^1), [current year minus 1] to April 14(^2), current year</td>
<td>The most recent year’s tax return is required. The use of a Tax Extension (IRS Form 4868) is not permitted. Profit &amp; Loss (“P&amp;L”) Statement and Balance Sheet for self-employed borrowers.</td>
</tr>
<tr>
<td>April 15(^1), current year to June 30, current year</td>
<td></td>
<td>The previous year’s tax return (the return due in April of the current year) is recommended, but not required. The Client must ask the borrower whether he or she has completed and filed his or her return with the IRS for the previous year. If the answer is yes, copies of that return must be obtained. If the answer is no, copies of tax returns for prior two (2) years must be obtained. Clients must only obtain completed and signed IRS Form 4506–T for transcripts of tax returns provided by the borrower. (The Client is not required to file IRS Form 4506–T for tax returns not provided by the borrower.) P&amp;L Statement and Balance Sheet for self-employed borrowers.</td>
</tr>
<tr>
<td>July 1, current year to October 14(^2), current year</td>
<td></td>
<td>Obtain the most recent year’s tax return, OR all of the following: A copy of IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) filed with the IRS; The total tax liability reported on IRS Form 4868 must be reviewed and compare it with the borrower’s tax liability from the previous two (2) years as a measure of income source stability and continuance. An estimated tax liability that is inconsistent with previous years may make it necessary to require the current returns in order to proceed; IRS Form 4506–T transcripts confirming “No Transcripts Available” for the applicable tax year; and Returns for the prior two (2) years; P&amp;L Statement and Balance Sheet for self-employed borrowers.</td>
</tr>
<tr>
<td>April 15(^1), current year to October 14(^2), current year</td>
<td>April 15(^1), current year to December 31, current year</td>
<td></td>
</tr>
<tr>
<td>January 1, [current year plus 1] to April 14(^2), [current year plus 1]</td>
<td></td>
<td>The most recent year’s tax return is required. The use of a Tax Extension (IRS Form 4868) is not permitted. P&amp;L Statement and Balance Sheet for self-employed borrowers.</td>
</tr>
</tbody>
</table>

1. Or the April/October filing dates for the year in question as published by the IRS.
2. Or the day prior to the April/October filing dates for the year in question as published by the IRS.

Note: For business tax returns, if the borrower’s business uses a fiscal year (a year ending on the last day of any month except December), the dates in the above chart may be adjusted to determine what year(s) of business tax returns are required in relation to the application date of the new mortgage loan.

An acceptable Profit and Loss Statement (P&L) and Balance Sheet is required for all self-employment income sources, regardless if the income/loss from the business is used in qualifying. A borrower is considered self-employed if they own 25% or more of a business.

The P&L Statement and Balance Sheet are to be dated no more than 120 days before the Note Date. The P&L and Balance Sheet must be prepared and signed by the borrower (and the preparer if applicable) on or before the Note Date.

**IRS Transcript Availability Guide**

This section is to provide guidance regarding the requirements for, and availability of, 2 year’s IRS Transcripts.

### SALARIED BORROWERS

- **If the Borrower(s) provides 2016 Tax Returns, but the 2016 IRS Transcripts are unavailable:**
  - **Prior to June 1st the following requirements apply**
    - 2015 and 2014 IRS transcripts.
  - **After June 1st the following requirements apply**
    - 2016 and 2015 transcripts must be provided.

- **If the Borrower(s) does not provide 2016 Tax Returns and the 2016 IRS Transcripts are unavailable:**
  - **Prior to June 1st the following requirements apply**
    - 2015 and 2014 IRS transcripts.
    - A copy of the signed/dated 2015 and 2014 Tax Returns.
  - **Note:** Receipt of a tax filing extension is NOT required.
  - **After June 1st the following requirements apply**
    - Copy of 2016 IRS Tax Filing Extension.
    - 2015 and 2014 IRS Transcripts.

### SELF-EMPLOYED BORROWERS

- **If the Borrower(s) provides 2016 Tax Returns, but the 2016 IRS Transcripts are unavailable:**
  - **Between April 15th and June 1st the following apply**
    - 2015 and 2014 IRS transcripts.
  - **After June 1st the following requirements apply**
    - 2016 and 2015 IRS Transcripts.
    - 2016 P&L and Balance Sheet.

- **If the Borrower(s) does not provide 2016 Tax Returns and the 2016 IRS Transcripts are unavailable:**
  - **After April 15th the following requirements apply**
    - Copy of 2016 IRS Tax Filing Extension.
    - 2015 and 2014 IRS transcripts.
    - 2016 P&L and Balance Sheet.

### Eligible Income Types and Required Documentation

All income documentation must be dated within 90 days of the note date. All documentation is in addition to two (2) years tax transcripts.

- **Wage Earner**
  - Wage earner income includes salary and hourly wages, bonus, overtime, and commissions.
Wage Earner Income – salary, bonus, overtime and commission

<table>
<thead>
<tr>
<th>Wage Earner Income – salary, bonus, overtime and commission</th>
</tr>
</thead>
</table>
| Salaried and Hourly Income | • Most recent year-to-date ("YTD") paystub documenting at least thirty (30) days of income; and  
                           • W-2s from the most recent two (2) years. |

| Salaried or Hourly with Overtime, Bonus and/or Commission Income | • Most recent year-to-date ("YTD") paystub documenting at least thirty (30) days of income;  
                           • W-2s from the most recent two (2) years; and  
                           • Written VOE covering two (2) full years with employer confirmation of overtime, bonus and/or commission; income cannot be used if VOE reflects the income is likely to cease; and.  
                           • Complete signed and dated individual federal tax returns for the most recent two (2) years. |

b. Self-Employed
A borrower with 25% or more ownership in a business is considered self-employed.

<table>
<thead>
<tr>
<th>Self-Employed</th>
</tr>
</thead>
</table>
| 1099 Borrowers | • All borrowers who receive a 1099 income are considered self-employed.  
                  • Complete signed and dated individual tax returns, including all schedules for the most recent two (2) years;  
                  • Signed and dated year-to-date P&L Statement and Balance Sheet that is no more than 120 days old from the Note Date. The P&L and Balance Sheet must be prepared and signed by the borrower (and preparer if applicable) on or before the Note Date;  
                  • Completed Fannie Mae 1084 Cash flow Analysis Form or comparable form. |
| Sole Proprietor or Employed by a Family Member | • Complete signed and dated individual federal tax returns for the most recent two (2) years. Each individual federal tax return must reflect at least twelve (12) months of self-employed income;  
                  • If the self-employed, a signed and dated year-to-date P&L Statement and Balance Sheet that is no more than 120 days old from the Note Date. The P&L and Balance Sheet must be prepared and signed by the borrower (and preparer, if applicable) on or before the Note Date;  
                  • Completed Fannie Mae 1084 Cash flow Analysis Form or comparable form. |
| Partnerships: | Complete signed and dated individual tax returns, including all schedules for the most recent two (2) years;  
                  For partnership, corporation or S-Corporation, complete signed and dated business tax returns (Form 1065, 1120, or 1120S) for the most recent two (2) years confirming twelve (12) months self-employment on each return, including all schedules and K-1’s (as applicable);  
                  • Signed and dated year-to-date P&L Statement and Balance Sheet that is no more than 120 days old from the Note Date. The P&L and Balance Sheet must be prepared and signed by the borrower (and preparer, if applicable) on or before the Note Date;  
                  • Completed Fannie Mae 1084 Cash flow Analysis Form or comparable form. |

Please note: Business tax returns, year-to-date P&L and Balance Sheet are required for all self-employment income sources, regardless if the income/loss from the business is used in qualifying. A borrower is considered self-employed if they own 25% or more of a business.

c. Rental Income
   i. Eligibility  
      • Rental and boarder income on a subject property which is a single family primary residence is not eligible.  
      • Rental income on two (2) unit primary residence properties and other investment properties are eligible.  
      • Rental income from a principal residence converted to an investment property is eligible subject to the following criteria:  
        - Fully executed lease agreement for the departure residence;
Evidence of receipt and deposit of security deposit from the tenant;
- Full appraisal confirming borrower equity of at least 25% in the departure residence after outstanding liens have been subtracted from value; and
- Use of rental income from departure residence is not eligible on interested party and non-arm's length transactions and/or lease agreements.

ii. Documentation Requirements
- Personal signed and dated tax returns, including all schedules, for prior two years for all properties listed on the borrower’s 1040 Schedule E.
- Current executed lease(s) or rental agreements on all personally owned residential and commercial properties listed on the 1040 Schedule E Part 1 and 1003 schedule of Real Estate Owned must be provided.

iii. Calculation of Qualifying Rental Income
- For rental properties reported on Schedule E Part 1 of the Individual Federal Tax Returns:
  
  \[
  \text{(net income + depreciation + interest + taxes + insurance + associations dues) months of income provided} - \text{the current PITIA}
  \]
  
  - For rental properties not reported on tax returns because the investment property was newly acquired:
    - Gross monthly rent is 75% of the monthly rent reflected on the current fully executed 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.

d. Retirement Income
- Retirement income includes borrower’s social security, pension, and other retirement account income and can be used at full value.

<table>
<thead>
<tr>
<th>Retirement Income</th>
<th>Social Security Retirement Income (SSRI)</th>
<th>Pensions</th>
<th>IRA, 401(k) &amp; other retirement accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Copy of the Social Security Administration benefit verification letter; and</td>
<td>• Copy of the award letter evidencing pension is lifetime benefit;</td>
<td>Existing distribution of assets from an IRA, 401K or similar retirement asset account must be sufficient to sustain income continuance for a minimum of three (3) years. If borrowers are using this income source as an eligible asset for closing cost, down payment or PITIA reserves, then this income source is ineligible for qualifying income.</td>
</tr>
<tr>
<td></td>
<td>• One (1) month bank statement evidencing SSRI.</td>
<td>• Two (2) months bank statements evidencing pension income; and</td>
<td>Note: Distributions from asset accounts cannot be set up, or changed, solely for mortgage loan qualification purposes. If retirement income is paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account, determine whether the income is expected to continue for at least three (3) years after the date of the mortgage application. In addition the borrower must have unrestricted access without penalty to the accounts; and if the assets are in the form of stocks, bonds, or mutual funds, 70% of the value (remaining after any applicable costs for the subject transaction) must be used to determine the number of distributions remaining to account for the volatile nature of these assets.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Complete most recent two (2) year's signed and dated individual federal income tax return or 1099s.</td>
<td></td>
</tr>
</tbody>
</table>

Note: Distributions from asset accounts cannot be set up, or changed, solely for mortgage loan qualification purposes. If retirement income is paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account, determine whether the income is expected to continue for at least three (3) years after the date of the mortgage application. In addition the borrower must have unrestricted access without penalty to the accounts; and if the assets are in the form of stocks, bonds, or mutual funds, 70% of the value (remaining after any applicable costs for the subject transaction) must be used to determine the number of distributions remaining to account for the volatile nature of these assets.

e. Non-Taxable Income Types
- Special consideration should be given to regular sources of income that may be nontaxable, such as military, disability, foster care, Social Security benefits, and workers’ compensation benefits.
- The particular source of income that is nontaxable must be verified. If the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, an "adjusted gross income" for the borrower may be developed by adding an amount equivalent to their actual tax bracket.

- Non-taxable income includes, but may not be limited to, military income, foster care, child support income, social security income for surviving spouse and children and disability, and long-term disability.

<table>
<thead>
<tr>
<th>Non-Taxable Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Military Income</strong></td>
</tr>
<tr>
<td>• Most recent YTD leave and earnings statement (&quot;LES&quot;) documenting at least thirty (30) days of income; and</td>
</tr>
<tr>
<td>• If military personnel are within twelve (12) months of release from active duty or at the end of a contract term, additional documentation must be obtained in the form of one of the following:</td>
</tr>
<tr>
<td>o Documentation that the borrower has re-enlisted or extended the period of active duty to a date beyond the twelve (12) month period following the mortgage loan closing date;</td>
</tr>
<tr>
<td>o Verification of civilian employment following the release from active duty to include pertinent data such as job position, start date, pay rate, probability of continued employment, etc.; and</td>
</tr>
<tr>
<td>o A statement from the borrower indicating their intention to re-enlist or extend active duty to a date beyond the twelve (12) month period following the mortgage loan closing date and a statement from the borrower’s commanding officer confirming that the borrower is eligible to re-enlist or extend active duty as indicated and affirming that there is no reason to believe that such re-enlistment or extension of active duty will not be granted.</td>
</tr>
<tr>
<td><strong>Foster Care</strong></td>
</tr>
<tr>
<td>Documentation from the foster agency must be provided to support continuation of income for a minimum of three (3) years.</td>
</tr>
<tr>
<td><strong>Child Support Income</strong></td>
</tr>
<tr>
<td>• Copy of the divorce decree, court order, or separation agreement confirming income will continue for three (3) years from the subject note date; and</td>
</tr>
<tr>
<td>• Verification of twelve (12) months on-time receipt of income.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Social Security Income for children or surviving spouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>If any benefits expire within the first full three (3) years of the mortgage loan, the income source may not be used in qualifying. Benefits (for children or surviving spouse) with a defined expiration date must have a remaining term of at least three (3) years.</td>
</tr>
<tr>
<td>• Social Security income must be verified by a Social Security Administration benefit verification letter (sometimes called a &quot;proof of income letter,&quot; &quot;budget letter,&quot; &quot;benefits letter,&quot; or &quot;proof of award letter;</td>
</tr>
<tr>
<td>• Two (2) months bank statements evidencing SSA payments; and</td>
</tr>
<tr>
<td>• Complete most recent two (2) year’s signed and dated individual federal income tax return or 1099s.</td>
</tr>
<tr>
<td>Not all social security income for surviving spouse or children is non-taxable, documents should be reviewed to determine taxability.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Social Security Disability Income (SSDI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Letter of explanation supporting how it was determined that the income will continue for the next three (3) years;</td>
</tr>
<tr>
<td>• Copy of the award letter;</td>
</tr>
<tr>
<td>• Two (2) months bank statements evidencing SSDI deposits; and</td>
</tr>
<tr>
<td>• Complete most recent two (2) year’s signed and dated individual federal income tax return or 1099s.</td>
</tr>
<tr>
<td>Not all social security disability income is non-taxable, documents should be reviewed to determine taxability.</td>
</tr>
</tbody>
</table>
| Long-Term Disability Income | If a borrower is currently receiving short-term disability payments that will decrease to a lesser amount within the next three (3) years because they are being converted to long-term benefits, the amount of the long-term benefits must be used as income to qualify the borrower. Borrower’s disability policy or benefits statement from the benefits payer (insurance company, employer, or other qualified disinterested party) to determine:  
- The borrower’s current eligibility for the disability benefits;  
- Two (2) months bank statements evidencing long term disability deposits;  
- The amount and frequency of the disability payments; and  
- If there is a contractually established termination or modification date.  
Not all long-term disability income is non-taxable; documents should be reviewed to determine taxability. |
| Short Term Leave/Parental Leave Income | Short term leave from work is generally short in duration and for reasons of maternity/paternity or parental leave, short-term medical disability, or other temporary leave type that is acceptable by law or the borrower's employer.  
Employment Requirements:  
- The borrower's employment and income history must meet standard eligibility requirements;  
- The borrower must provide written confirmation of his or her intent to return to work;  
- Evidence of the borrower's agreed-upon date of return must be obtained from the employer;  
- There must be no evidence or information from the borrower's employer indicating that the borrower does not have a right to return to work after the leave period; and  
- Employment and income must be verified, and the amount and duration of the borrower’s “temporary leave income” must be verified through employer leave documentation. Eligible income includes base only, not commission, bonus or overtime. |

f. Other Income  
Other Income includes tip income, alimony, note, income, dividends & interest, royalty, parsonage, and trust income.

<table>
<thead>
<tr>
<th>Other Income</th>
<th></th>
</tr>
</thead>
</table>
| Tip Income | ▪ Proof of a two (2) year consecutive history of receipt and a likelihood of continuance for the next three (3) years;  
▪ Most recent YTD paystub documenting at least thirty (30) days of income;  
▪ Written VOE covering two (2) full years reflecting a breakout of tip income and confirmed by employer that this income will be likely to continue for the next three (3) years;  
▪ W-2s covering the most recent two (2) years; and  
▪ VVOE dated not more than ten (10) business days prior to the note date. |
| Alimony | ▪ A copy of the divorce decree or separation agreement showing income will continue for three (3) years;  
▪ Verification of three (3) months of receipt;  
▪ If alimony income has been received for less than twelve (12) months, but more than six (6) months, it cannot exceed 30% of the borrower’s qualifying income;  
▪ Alimony income must be received on a consistent basis; and  
▪ If receipt of such income has continued for less than six (6) months, such income cannot be used. |
| Note Income | ▪ Copy of the note and proof of receipt of the payments for the most recent one (1) year;  
▪ Prior year tax return evidencing note income was reported; and  
▪ Proof of continuance for the next three (3) years. |
### Capital Gains and Losses (from Schedule D)

Capital gains or losses generally occur only one time, and should not be considered when determining effective income. However, if the individual has a constant turnover of assets resulting in gains or losses, the capital gain or loss must be considered when determining the income. Three years’ tax returns are required to evaluate an earnings trend. If the trend:
- Results in a gain, it may be added as effective income, or
- Consistently shows a loss, it must be deducted from the total income.

Creditor must document anticipated continuation of income through verified assets.

Example: A creditor can consider the capital gains for an individual who purchases old houses, remolds them, and sells them for profit.

### Dividends and Interest Income
- Complete signed and dated individual federal income tax returns for the most recent two (2) years; and
- Proof of sufficient assets to generate dividends and interest after closing for the qualifying income for the next three (3) years.

### Royalty Income
- Royalty contract, agreement, or statement confirming amount, frequency and duration of the income;
- Signed and dated federal income tax returns that were filed with the IRS for the past two (2) years, including the related IRS Form 1040, Schedule E;
- Documentation that the borrower has received royalty income for at least twenty four (24) months; and
- Documentation that the incomes will continue for at least three (3) years.

### Parsonage Income
- Housing or parsonage income may be considered qualifying income if there is documentation that the income has been received for the most recent twenty four (24) months and the allowance is likely to continue for the next three (3) years.
  - The housing allowance may be added to income, but may not be used to offset the monthly housing payment.

### Trust Income
- If borrowers are using trust funds as an eligible asset, then trust income is ineligible for qualifying income.
  - Complete signed and dated individual federal income tax returns for the most recent two (2) years;
  - A complete copy of the trust document or acceptable Trust Certification where applicable must be submitted; or an attorney opinion letter confirming the trust meets all secondary and state requirements;
  - Evidence of continuity for the next three (3) years; and
  - Two (2) months asset statements for the source of the trust income;

For trusts not established by the borrower:
- A letter from trustee confirming borrower has right to access funds and the amount of annual income and withdrawal of funds will not negatively affect future income.

### Foreign Income
- Foreign income is income that is earned by a borrower who is employed by a foreign corporation or a foreign government and is paid in foreign currency. Use of foreign income requires:
  - W-2 forms or personal signed and dated tax returns, including all schedules, for prior two (2) years;
  - Year-to-date pay stub; and
  - All income must be converted to U.S. currency.

9. Ineligible Income Types

Mortgage loans for which the borrower uses the income types listed below to qualify are ineligible. This list below may not include all income types ineligible. NYCB reserves the right, in its sole discretion, to deem other income types not listed below as ineligible.
• Income from trailing co-borrowers
• Stock Options & Restricted Stock Grants
• Retained earnings
• Any unverifiable source
• Temporary or one-time occurrence income
• Education Benefits
• Mortgage differential payments from an employer to subsidize an employee’s mortgage payments
• Asset Depletion

H. Assets

1. Asset Criteria
   All asset documentation must be dated within 90 days of the note date.
   All sources of funds must be owned by the borrower(s). Gifts for purchases are allowable (more details in next section) provided borrower has 5% of own funds into the transaction.
   Assets used for cash to close must be liquidated and deposited into U.S. institution prior to close; and any non-liquid account (any account not readily transferable to cash) requires terms of withdrawal.
## 2. Eligible Asset & Monthly PITIA Reserves and Documentation

<table>
<thead>
<tr>
<th>Asset Source</th>
<th>Qualifying Asset Value &amp; Eligibility Criteria</th>
<th>Documentation</th>
</tr>
</thead>
</table>
| Banking Deposits                      | - Cash.  
- All deposits that are significantly higher than the verified average cash assets for the borrower must be verified.  
- Any accounts opened by the borrower within ninety (90) days of the application date and borrower account balances that are considerably greater than the average balance reflected on the Request for Verification of Deposit (“VOD”) form must be investigated and explained.  
- Assets held in a foreign bank must be transferred to a US bank. | - Two (2) most recent monthly statements (all pages) for each account from U.S. Institution(s).  
- If assets were transferred from a foreign account, provide two (2) months bank statements from the foreign account. Statements must be translated into English by a certified translator and accompanied by a translator’s certificate of accuracy.  
- The borrower must provide a written explanation along with acceptable documentation of the source of large deposits that are reflected on bank statements. Large deposits are defined as a single deposit that exceeds 50% of the total monthly qualifying income for the mortgage loan. |
| Marketable Securities                 | - Marketable securities include stocks, bonds, and other securities, in each case that:  
  - Are held in an account at a financial institution; and  
  - A price can be readily verified through financial publications.  
- When used for down payment or closing cost, if the value of the asset is at least 20% more than the amount of funds needed for the down payment and closing cost, no documentation of the borrower's actual receipt of funds realized from the sale or liquidation must be documented.  
- When used for reserves, 100% of the value of the assets may be considered and liquidation is not required. | - One (1) most recent quarterly statement (all pages); or  
- Two (2) most recent monthly statements (all pages)                                                                                                                                                                                                                                                                                                                                                                           |
| Distribution or withdrawal from       | 100% of asset value                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | One (1) most recent quarterly statement (all pages); or  
  - Two (2) most recent monthly statements (all pages) confirming:  
    - Vested balance or percent of vesting;  
    - Any outstanding loans;  
    - Ending balance as of the end of the statement period;  
  - Proof of liquidation required when used for cash to close with a copy of a check and evidence it was transferred into borrower(s) liquid account; and  
  - Terms and conditions of withdrawals for retirement accounts are required for down payment and closing costs. Terms of withdrawal are not required for reserves on 401K retirement accounts. |
<p>| Qualified Retirement Accounts         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| such as: Qualified Retirement Plans   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| as recognized by the IRS: 401(k)'s,   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| IRA, KEOUGH, etc. Retirement Accounts |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |</p>
<table>
<thead>
<tr>
<th>Asset Source</th>
<th>Qualifying Asset Value &amp; Eligibility Criteria</th>
<th>Documentation</th>
</tr>
</thead>
</table>
| 401(k)’s & Retirement Accounts     | • 60% of the value of borrower’s vested portion of funds in any 401K, IRA, or other IRS qualified retirement account if the borrower is not of retirement age.  
  • 100% of the liquid assets (cash accounts) can be used if borrower is of retirement age: 70% of the current value of stocks, bonds and mutual funds if borrower is of retirement age.  
  • If borrowers are using this asset as qualifying income, then it is an ineligible asset source. | • One (1) most recent quarterly statement (all pages); or  
  • Two (2) most recent monthly statements (all pages); and  
  • Documentation of terms of withdrawal.  
  • Documentation of terms of withdrawal confirming the borrower has unrestricted access (except for tax penalties) to the vested balance of the account. |
| Custodial Account                   | • 100% of account value.  
  • Custodial account(s) which clearly identify the borrower as the beneficiary of the account.  
  • Funds cannot be pledged or otherwise encumbered. | • One (1) most recent quarterly statement (all pages); or  
  • Two (2) most recent monthly statements (all pages) |
| Business Assets                     | • Use Available Business Assets for Down Payment/closing as derived from Exhibit A.  
  Use of business assets is ineligible if any of the following is true:  
  • Borrower(s) have less than 100% ownership of the Business;  
  • Business has been in operation less than two (2) full years as reported on tax returns;  
  • Net Business income is declining;  
  • Business expenses (hard costs) are increasing > 20% and most recent two (2) years income remains flat;  
  • Business Bank statements reflect any overdrafts;  
  • Business Bank statements reflect borrower accessed a business line of credit for subject transaction;  
  • Less than two (2) months business operating expenses available after closing; and  
  • Withdrawal exceeds 50% of net equity as determined by the balance sheet. | • Must complete and submit using Exhibit A - “Use of Business Funds Worksheet” which is a cash flow analysis to determine if use of business assets will have a negative impact on the ability of the business to meet operational expenses;  
  • Two (2) most recent months business bank statements (all pages);  
  • Two (2) years complete federal business and personal tax returns; and  
  • Year to date P&L Statement and Balance Sheet dated within 120 days of the subject note date signed by borrower and preparer if other than the borrower.  
  • CPA letter is required to determine if the use of business assets will have a negative income impact on the ability of the business to meet operational expenses. |
| Loans Secured by the Borrower’s Assets | • Loan must be from an Institutional Lender only (no private financing).  
  • 100% of the loan amount.  
  • Documentation of the loan terms and payment amount must be factored into the DTI. | • Documentation of the loan terms, promissory note or the HELOC agreement when proceeds are from a draw on a Home Equity Line of Credit.  
  • Verification of the Value of the Asset;  
  • Verification that the funds were distributed as a part of the loan; and  
  • Proof that borrower(s) own the asset. |
<p>| Sale of Real Estate                 | 100% of proceeds from sale of departing residence or other real estate owned. | • Executed Closing Disclosure dated prior to or same day as subject property transaction showing the borrower as the seller, proceeds paid to the borrower, and satisfaction of all liens against the property. |</p>
<table>
<thead>
<tr>
<th>Asset Source</th>
<th>Qualifying Asset Value &amp; Eligibility Criteria</th>
<th>Documentation</th>
</tr>
</thead>
</table>
| Gifts                | • 100% of Gift value.  
• Eligible for purchase transactions if the borrower also contributes at least 5% from his or her own funds;  
• Gift of Equity is eligible on acceptable purchase transactions between family members, the borrower must contribute at least 5% from his or her funds.  
• Ineligible for refinances; and  
• Provided by a future spouse, or domestic partner living with borrower or a relative, defined as the borrower’s spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship. | • An executed gift letter with:  
  o the gift amount;  
  o donor’s name;  
  o donor’s address;  
  o donor’s telephone number; and  
  o donor’s relationship.  
• Proof of the donor’s ability to give (bank statement, cancelled gift check, or fully executed letter from the depository confirming balances) and evidence of transfer and receipt of funds.  
  o Gift of Equity requires an acceptable gift letter and the equity gift credit must be reflected from the Seller to the borrower on the Closing Disclosure. |
| Trust Funds          | • 100% of the amount accessible to borrower.  
• If borrowers are using trust income as a source of qualifying income then trust asset is an ineligible asset for down payment and closing costs. | A complete copy of the trust document or acceptable Trust Certification where applicable, or an attorney opinion letter confirming the trust meets all secondary and state requirements.  
Two (2) most recent monthly asset statements (all pages); and  
For trusts not established by the borrower:  
  o A letter from trustee confirming borrower has right to access funds and the withdrawal of funds will not negatively affect future income. |
| Cash Value of Life Insurance | • 100% of cash value of life insurance policy. | Computer generated or typed statement from the insurance company that:  
  • Identifies the policy owner(s);  
  • Shows the period covered and the cash value; and  
  • Shows any outstanding loans. |
| United States Savings Bonds | • Redemption value of the bonds | Signed and dated statement from the financial institution listing:  
  • Bond serial numbers;  
  • Date of maturity; and  
  • Face and redemption value of the bonds. |
3. Ineligible Assets

Mortgage loans for which the borrower uses the assets listed below for closing costs, down payment or monthly PITIA reserves are ineligible. This list may not include all borrower assets ineligible for purchase. Other borrower assets not listed below can also be deemed ineligible.

### Ineligible Assets

<table>
<thead>
<tr>
<th>For Closing Costs / Down Payment</th>
<th>For Monthly PITIA Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Undocumented sale of an asset other than real property or publicly traded securities.</td>
<td>- Undocumented sale of an asset other than real property or publicly traded securities.</td>
</tr>
<tr>
<td>- Assets held in a foreign bank.</td>
<td>- Assets held in a foreign bank.</td>
</tr>
<tr>
<td>- Cash on hand that is not deposited with a bank or financial institution.</td>
<td>- Cash on hand that is not deposited with a bank or financial institution.</td>
</tr>
<tr>
<td>- Deposits from an individual development account (IDA).</td>
<td>- Deposits from an individual development account (IDA).</td>
</tr>
<tr>
<td>- Funds on deposit in a community savings system.</td>
<td>- Funds on deposit in a community savings system.</td>
</tr>
<tr>
<td>- Uniform Transfer to Minors Account (UTMA) and Uniform Gift to Minors Account (UGMA) which are college funds (529 accounts) and are considered ineligible because anyone can deposit funds into these accounts.</td>
<td>- Unsecured loans from an Employer Assisted Homeownership Benefit Program.</td>
</tr>
<tr>
<td>- Credit card cash advances or unsecured loans.</td>
<td>- Proceeds from credit card cash advances, secured or unsecured loans (borrowed funds of any kind).</td>
</tr>
<tr>
<td>- Business assets that have a negative impact on the business if withdrawn.</td>
<td>- Business assets.</td>
</tr>
<tr>
<td>- Rent credit from landlord on tenant/landlord purchase.</td>
<td>- Rent credit from landlord on tenant/landlord purchase.</td>
</tr>
<tr>
<td>- Loan proceeds from non-institutional lenders are not eligible source of funds.</td>
<td>- On a non-owner occupied/investment property, business funds are not allowed for reserves.</td>
</tr>
<tr>
<td>- 1031 Exchange Asset Depletion of retirement accounts.</td>
<td>- 1031 Exchange Asset Depletion of retirement accounts.</td>
</tr>
</tbody>
</table>

### I. Credit History & Liabilities

1. **Credit Scores**
   
   **a. Credit Score Criteria**
   
   The credit report and scores must be dated within the prior 90 days of the note date. The representative credit score from the oldest valid unexpired credit report within the loan package will be used. When the credit report is dated greater than 90 days from the Note Date, an updated credit report must be provided. The borrower must meet eligibility requirements based on the new credit report and scores.

   Authorized user accounts are not considered as a valid trade line history. Joint accounts can be considered as a valid trade lines for each borrower. A valid trade line is a trade line rated for twelve (12) months with a twelve (12) month payment history. Trade lines must comply with credit history criteria.

   **b. Credit Inquiries**
   
   All credit inquiries reported within the prior one hundred twenty (120) days must be addressed by the borrower. The borrower must provide a written explanation for the inquiries that explains in detail whether there was any additional debt incurred in connection with those inquiries. If additional debt is disclosed by the borrower, the Seller must provide a copy of the most recent billing or provide a supplement to the credit report disclosing the balance and the related monthly payment for the new debt.
c. Trade Line Criteria

- Except as identified below, all borrowers contributing income for qualifying purposes must meet eligibility criteria for trade lines. Borrowers not contributing qualifying income are not subject to minimum trade line criteria.
- Mortgage loans for which borrowers’ trade line history is comprised of non-traditional credit or is evidenced by an International credit report are not eligible.
- In addition to satisfying one of the minimum trade line options provided below, one borrower contributing qualifying income on the subject transaction must have an on-time twenty-four (24) month primary housing history.
- The following eligibility requirements are for borrowers not meeting the twenty-four (24) month primary housing history:
  - Minimum FICO of 740; and
  - Maximum DTI of 36%; and
  - Additional twelve (12) months PITIA reserves; and
  - Must meet minimum trade line requirement option 1, 2, or 3 (reduced trade line option not allowed).
  - Maximum 75% LTV for borrowers with at least twelve (12) months and less than twenty-four (24) primary housing history; or
  - Maximum 65% LTV for borrowers with no primary housing history, or less than twelve (12) months primary housing history

<table>
<thead>
<tr>
<th>Minimum Trade Line Requirements</th>
<th>Option 1</th>
<th>Option 2</th>
<th>Option 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three (3) trade lines</td>
<td>Two (2) trade lines</td>
<td>One (1) trade line</td>
<td>Ten (10) trade lines with at least ten (10) years established credit history and;</td>
</tr>
<tr>
<td>One (1) trade line open and active twenty four (24) months and;</td>
<td>One (1) open and active trade line (no minimum time limit required) and;</td>
<td>Ten (10) trade lines with at least ten (10) years established credit history and;</td>
<td></td>
</tr>
<tr>
<td>One (1) trade line (revolving or installment) with a minimum $5,000 credit limit (either active or inactive) and;</td>
<td>One (1) mortgage trade line with twenty four (24) month history within the past five (5) years (either active or inactive).</td>
<td>One (1) of the ten (10) trade lines must be open and active for at least twelve (12) months and;</td>
<td></td>
</tr>
<tr>
<td>One (1) remaining trade line must be rated at least twelve (12) months (either active or inactive).</td>
<td></td>
<td></td>
<td>One (1) of the ten (10) trade lines must be a mortgage (either active or inactive).</td>
</tr>
</tbody>
</table>

The following eligibility requirements are for borrowers not meeting the minimum trade line requirements:
- Valid FICO score; and
- Maximum DTI of 36%; and
- Maximum 75% LTV; and
- Additional six (6) months PITIA reserves; and
- On-time twenty-four (24) month primary housing history (reduced housing history not allowed)
## 2. Credit History Criteria

<table>
<thead>
<tr>
<th>Credit History/Loan Event</th>
<th>Criteria</th>
<th>Documentation</th>
</tr>
</thead>
</table>
| Mortgage or Rental        | 0 x 30 on any mortgage or rental account in the 24 months prior to application date. | - Document twenty-four (24) months of cancelled checks or Verification of Rental (VOR) from a property management firm confirming no late payments within thirty (30) days of due date. Privately held mortgage requires a copy of the mortgage note and a Verification of Mortgage (VOM) along with past twenty-four (24) months cancelled checks confirming no late payments within thirty (30) days of due date.  
- If the borrower currently lives rent free or there is a gap in the most recent rental history, provide evidence of complete twenty-four (24) month housing history (as defined by the first bullet) from the most recent housing gap date. Gaps that are in excess of 180 days are not allowed.  
- If the property is owned free and clear provide evidence of 24 (twenty four) months on-time payment history of real estate taxes, homeowner’s insurance and homeowner’s association dues as applicable. |
| 90 Day Mortgage Late Payment and/or Notice of Default | A mortgage history which contains a 90 day late (or worse) and/or a Notice of Default in the seven (7) years prior to the subject application date is viewed the same as a foreclosure. | The seven years is measured from the last 90 day mortgage late payment or the Notice of Default Date, whichever is most recent. |
| Foreclosure               | Foreclosure Sale (completion of foreclosure) at least seven (7) years prior to subject mortgage loan application date. | Sheriff’s Deed evidencing the foreclosure sale date. |
| Deed-in Lieu             | Deed transferred to servicer at least seven (7) years prior to subject mortgage loan application date. | The deed evidencing the deed transfer date. |
| Short Sale               | Short sale completed at least seven (7) years prior to subject mortgage loan application date. | The Deed, credit report or HUD-1 for sale of property. |
| Past Mortgage Modification (as loss mitigation action) on non-subject property | Permanent modification date at least two (2) years prior to subject mortgage loan application. The borrower must not have been a party to a mortgage loan that was modified due to the inability to repay under the original terms within the last two (2) years. | - Credit report if reported; and  
- Most recent modification agreement. |
| Bankruptcy – Chapter 7, 11 or 13 | Dismissal or discharge at least seven (7) years prior to subject mortgage loan application date. | - Credit report;  
- Final dismissal or discharge. |
| Revolving credit And Installment loans | One (1) thirty (30) day (1 X 30) late payment allowed in the last twenty-four (24) months prior to the application date | - Borrower must provide letter of explanation for late payment on any revolving or installment account within the past twenty-four (24) months. |
3. Liabilities
   a. Liabilities Paid-Off On or Prior To Closing
      Payoff or Paydown of Debt for Qualification
      Payoff or paydown of debt solely to qualify must be carefully evaluated and considered in the overall loan analysis by the Underwriter. The borrower's history of credit use should be a factor in determining whether the appropriate approach is to include or exclude debt for qualification. Generally:
      • Installment loans that are being paid off or paid down to 10 or fewer remaining monthly payments do not need to be included in the borrower's long-term debt.
      • If a revolving account balance is to be paid off at or prior to closing, a monthly payment on the current outstanding balance does not need to be included in the borrower's long-term debt. i.e., not included in the debt-to-income (DTI) ratio. Such accounts do not need to be closed as a condition of excluding the payment from the DTI ratio.
      For the payoff of debt prior to closing:
      • Provide documentation that the account has been paid and that there is no monthly payment due.
      For the payoff of debt at closing:
      • The payoff of the liability must be reflected on the Closing Disclosure
   b. Disputed Trade Lines
      If a credit report reflects a disputed trade line the accuracy of the disputed trade line must be confirmed. If it is confirmed that the disputed trade line is accurate, a new credit report must be obtained with the trade line no longer reported as disputed. The borrower must meet eligibility requirements based on the new credit, and if the DTI exceeds 43% or credit scores drop below the program guidelines the loan would be ineligible.
   c. Monthly Housing Expense – Subject Mortgage Loan
      Monthly housing expense, known as ‘PITIA’, is the sum of the following:
      a. Principal and interest (P&I); use the following to calculate qualifying payment on subject mortgage loan P&I:
         
         Fixed Rate Mortgage Loans
         
         | Note Rate |
         
         b. Property, flood, and mortgage insurance premiums (as applicable);
         c. Real estate taxes;
         d. Ground rent;
         e. Special assessments;
         f. Any owners' association dues (including utility charges that are attributable to the common areas, but excluding any utility charges that apply to the individual unit);
         g. Any subordinate financing payments on mortgages secured by the subject property. For Home Equity Lines of Credit (“HELOC”), payment is calculated as follows:
            (a) HELOC Securing the Subject Property
               If the subordinate financing is a home equity line of credit (HELOC), 1% of the total line amount of the HELOC (including frozen HELOC) must be used in qualifying regardless of whether the HELOC has a zero balance or a balance greater than zero. (Unless the Lien Holder provides specific documentation for the maximum monthly payment of the fully drawn line amount.)
               For HELOCs with written evidence of the line modification, the modified limit will be used to calculate the 1% monthly payment.
(b) Total Monthly Debt

The monthly housing expense as described in Monthly Housing Expense-Subject Mortgage Loan section must be added to all other monthly recurring payment obligations of the borrower. Mortgage loans that have met the income calculation criteria and the total monthly debt calculation set forth in this section such that when the total monthly debt divided by the total monthly income is less than or equal to 43% are eligible.

d. Liabilities to Be Included In Total Monthly Debt

<table>
<thead>
<tr>
<th>Obligation</th>
<th>Payment to include in DTI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject Mortgage loan Monthly Housing Expense</td>
<td>Refer to Monthly Housing Expense-Subject Mortgage Loan section above for calculation.</td>
</tr>
<tr>
<td>Other Real Estate Monthly Housing Expense</td>
<td>• Include all PITIA as described in Monthly Housing Expense-Subject Mortgage Loan section.</td>
</tr>
<tr>
<td></td>
<td>• If second home or other properties are owned free and clear include all items for monthly real estate tax, insurance and association fee expenses.</td>
</tr>
<tr>
<td>HELOC Not Encumbering Subject Property</td>
<td>When a HELOC secures a property other than the subject property the payment reflected on the credit report will be counted in the DTI.</td>
</tr>
<tr>
<td>Net Rental Losses</td>
<td>Refer to Calculation of Qualifying Rental Income section (rental income/loss).</td>
</tr>
<tr>
<td>Installment debt with more than ten (10) payments remaining</td>
<td>Include all.</td>
</tr>
<tr>
<td>Revolving Accounts</td>
<td>As reflected on credit report; If no payment is shown on credit report use the greater of $10 or 5% of the outstanding balance.</td>
</tr>
<tr>
<td>Loan secured by margin account</td>
<td>As reflected on the brokerage statement.</td>
</tr>
<tr>
<td>Lease Payments</td>
<td>As reflected on credit report; Monthly payment must be included in DTI regardless of the number of payments remaining.</td>
</tr>
</tbody>
</table>
For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the lender must include a monthly payment in the borrower’s recurring monthly debt obligation when qualifying the borrower. The lender must use one of the options below to determine the repayment amount:

- 1% of the outstanding balance;
- The actual documented payment that will fully amortize the loan(s) as documented in the credit report, by the student loan lender, or in documentation supplied by the borrower;
- A calculated payment that will fully amortize the loan(s) based on the documented loan repayment terms, or

If the repayment terms are unknown, a calculated payment that will fully amortize the loan(s) based on the current prevailing student loan interest rate and the allowable repayment period showing in the table below. The “current prevailing student loan rate” can be found on a variety of websites.

<table>
<thead>
<tr>
<th>Calculating a Student Loan Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total outstanding balance of all student loans</td>
</tr>
<tr>
<td>$1 - $7,499</td>
</tr>
<tr>
<td>$7,500 - $9,999</td>
</tr>
<tr>
<td>$10,000 - $19,999</td>
</tr>
<tr>
<td>$20,000 - $39,000</td>
</tr>
<tr>
<td>$40,000 - $59,000</td>
</tr>
<tr>
<td>$60,000 +</td>
</tr>
</tbody>
</table>

Note: The lender is responsible for determining the payment on the credit report or other documents provided the student loan lender or borrower are fully amortizing payments.

Alimony, Child Support And Other Court Ordered Obligations

Use payment evidenced by most recent decree or legal documentation.

Any monthly debit obligation (within the meaning of Appendix Q to Part 1026 – Standards for Determining Monthly Debt and Income) disclosed by the borrower not listed on the credit report.

e. Obligations That May Be Excluded from Borrower’s Total Monthly Liabilities

<table>
<thead>
<tr>
<th>Excluded Liability</th>
<th>Conditions &amp; Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage/Installment Debt With Less Than 10 Payments</td>
<td>Unless it will impact the borrower’s ability to repay their credit obligations.</td>
</tr>
</tbody>
</table>
| Court Ordered Assignment Of Debt (payments no longer an obligation of the borrower) | Must provide:  
  - Copy of the court order or divorce decree;  
  - For mortgage debt, a copy of the documents transferring ownership of the property; and  
  - If a transfer of ownership has not taken place the obligation the monthly payment must be included in DTI. |
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Secured By Financial Assets (e.g. 401(k) loans)</td>
<td>Loans secured by financial assets (life insurance policies, 401(k), IRAs, CDs, etc.) do not require a payment to be included in the DTI as long as documentation is provided to show the borrower's financial asset as collateral for the loan. Interest payments on margin loans and/or pledged asset loans or lines “are not” eligible for exclusion from the borrower’s total liabilities.</td>
</tr>
<tr>
<td>Co-Signed Loans</td>
<td>Payments can be excluded with evidence of twelve (12) months cancelled checks confirming all monthly payments being made by someone other than the borrower(s) have been paid on time.</td>
</tr>
</tbody>
</table>
| Business Debt                                      | Can be excluded from DTI if the account does not have a history of delinquency; and  
  - The borrower is 100% owner of the business; and  
  - Business tax returns reflect a corresponding expense entry for the excluded debt; and  
  Acceptable evidence is provided confirming the obligation has been paid by the business for the past twelve (12) months evidenced by cancelled checks.                                                                                                           |
| 30 Day Open Accounts                               | Can be excluded from DTI if liquid assets have been verified that are sufficient to pay the outstanding balance in addition to meeting cash to close and monthly PITIA reserve criteria.                                                                                                                                                                               |
| Assumption With No Evidence Of Released Liability  | Liability on a previous residence the borrower owned can be excluded from DTI when the borrower no longer owns the property. The following documents are required:  
  - Copy of documents transferring ownership of the property;  
  - Assumption agreement executed by the transferee;  
  - Proof the mortgage is current; and  
  - Proof of twelve (12) months of timely payments.  
If all supporting documentation is not supplied the monthly housing expense for the property must be counted.                                                                                                                                                                                                 |
J. Use of Business Funds Worksheet

The purpose of this worksheet is not to calculate income from self-employment, but to determine impacts on business operations if Business Funds are used for down payment and/or closing costs (not reserves).

Use of business funds is not eligible if any of the following exist:

1. Borrower(s) have less than 100% ownership of the Business
2. Business has been in operation less than 2 full years as reported on tax returns
3. Net Business income is declining
4. Business Bank statements reflect overdrafts
5. Business Bank statements reflect borrower accessed a business LOC for subject transaction
6. Less than two months business operating expenses are remaining after closing

---

**BUSINESS BANK STATEMENT AND ASSET ANALYSIS**

<table>
<thead>
<tr>
<th>Two months Business Bank Statements: Dates (starting with oldest statement)</th>
<th>Beginning Balance</th>
<th>Ending Balance</th>
<th>List $ Amount of Inconsistent Deposits and Source</th>
<th>Overdrafts reflected Y/N</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>Less two months business operating expenses (see 7A below)</td>
<td>( )</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Available Business Assets for Down Payment/ closing</td>
<td>$</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total Available Personal Assets for reserves (see 7 below)</td>
<td>$</td>
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</tr>
</tbody>
</table>

---

Asset analysis information is provided in the table above.
1. Have Business Assets already been transferred to the Borrower’s personal accounts for closing of the subject transaction?
2. If so, provide bank statements for borrower’s personal accounts confirming the $ amount: ______________________
3. Remaining Personal Assets (not including any business assets) must be equal to or > than required reserves. Most

Recent Last Two Years Personal and Business Tax Return Review

<table>
<thead>
<tr>
<th>1A: Tax Year</th>
<th>2A: $ Amount 2106 Expenses</th>
<th>3A: Total Expenses from Biz Tax Returns of Schedule C and/or Schedule F:</th>
<th>4A: Subtract $ amount, depreciation, amortization (non-hard cost)</th>
<th>5A: Add $ amount Deductible meals and entertainment (50% Exclusion)</th>
<th>6A: Add $ amount of any non-renewable debts due in &lt; 12 months</th>
<th>6A: Total Business Operating Expense</th>
<th>7A: Monthly Operating Expense Average (expenses/12 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B:</td>
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<td>C:</td>
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</tr>
<tr>
<td>D: YTD P&amp;L Months:</td>
<td>Total Expenses per P&amp;L</td>
<td>Subtract $ amount of any Depreciation</td>
<td>$ Subtotal YTD Expenses</td>
<td>Add $ amount Meals/Entertainment</td>
<td>Total $ YTD Business Expenses</td>
<td>Total Expense divided by Months</td>
<td>$ Amount Average YTD Monthly Operating Expense</td>
</tr>
</tbody>
</table>

1. If business expenses are increasing, use the most recent year’s monthly operating expenses.
2. Is business gross income (excluding non-recurring other income) increasing or declining? ______
3. Are business expenses increasing or decreasing? ______
4. Are the liquid assets reflected on the business tax return balance sheet (Schedule L) commensurate with business assets above? Y/N