



COMMUNITY EQUITY EDGE & COMMUNITY EQUITY EDGE ELITE GUIDELINES

Excerpt from Non-QM Guidelines

References to other chapters can be found in the Community Non-QM Guidelines in Part

EFFECTIVE 10.13.2026

Contents

14.1 GENERAL PROGRAM INFORMATION.....	4
14.1.1 COMMUNITY EQUITY EDGE PROGRAM.....	4
14.1.2 DOCUMENTATION	4
14.1.3 PRODUCTS.....	4
14.1.4 LOAN AMOUNTS AND LOAN-TO-VALUES	4
14.1.5 STATE RESTRICTIONS.....	4
14.1.6 AGE OF DOCUMENTATION.....	4
14.1.7 LOAN AGE	5
14.1.8 PREPAYMENT PENALTIES, POINTS, AND FEES.....	5
14.1.9 EXCEPTIONS.....	5
14.2 TRANSACTIONS	5
14.2.1 OCCUPANCY	5
14.2.2 BENEFIT TO BORROWER.....	5
14.2.3 DETERMINING LOAN-TO-VALUE.....	6
14.2.4 PROPERTIES LISTED FOR SALE.....	6
14.2.5 RATE/TERM REFINANCE	6
14.2.6 CASH-OUT REFINANCE.....	7
14.2.7 TEXAS HOME EQUITY LOANS.....	7
14.3 BORROWERS.....	7
14.3.1 CUSTOMER IDENTIFICATION PROGRAM (CIP).....	7
14.3.2 FRAUD REPORT AND BACKGROUND CHECK	7
14.3.3 U.S. CITIZENS	8
14.3.4 PERMANENT RESIDENT ALIENS.....	8
14.3.5 NON-PERMANENT RESIDENT ALIENS.....	8
14.3.6 VESTING AND OWNERSHIP.....	9
14.3.7 NON-OCCUPANT CO-BORROWERS	10
14.3.8 MULTIPLE FINANCED PROPERTIES & EXPOSURE	10
14.3.9 INELIGIBLE BORROWERS	10
14.4 CREDIT ANALYSIS.....	10
14.4.1 CREDIT REPORT	10
14.4.2 CREDIT SCORE REQUIREMENTS	11
14.4.3 TRADELINE REQUIREMENTS.....	12
14.4.4 MORTGAGE AND RENTAL PAYMENT VERIFICATION.....	12
14.4.5 ROLLING LATE PAYMENTS.....	13
14.4.6 PAST DUE ACCOUNTS	13
14.4.7 DELINQUENT CREDIT BELONGING TO EX-SPOUSE	13
14.4.8 LAWSUIT/PENDING LITIGATION.....	13
14.4.9 CONSUMER CREDIT COUNSELING SERVICE (CCCS)	13

14.4.10 COLLECTIONS AND CHARGE-OFFS.....	13
14.4.11 JUDGMENTS AND TAX LIENS	14
14.4.12 HOUSING EVENTS	14
14.4.13 BANKRUPTCY	15
14.5 LIABILITIES	15
14.5.1 SENIOR LIENS.....	15
14.6 EMPLOYMENT/INCOME ANALYSIS	16
14.6.1 EMPLOYMENT HISTORY	16
14.6.2 SOURCES OF INCOME.....	16
14.7 RATIOS AND QUALIFYING	16
14.7.1 RATIOS.....	16
14.7.2 RESIDUAL INCOME.....	16
14.7.3 ADJUSTABLE-RATE QUALIFYING FOR OTHER LIENS.....	16
14.8 ASSET ANALYSIS.....	16
14.9 PROPERTY	17
14.9.1 ELIGIBLE PROPERTY TYPES	17
14.9.2 APPRAISAL REPORT REQUIREMENTS.....	18
14.9.3 AGE OF APPRAISAL AND APPRAISAL UPDATES.....	18
14.9.4 RURAL PROPERTIES AND ACREAGE.....	18
14.9.5 SOLAR PANELS	19
14.9.6 ACCESSORY DWELLING UNIT	19
14.10 PROPERTY INSURANCE.....	19
14.10.1 HAZARD INSURANCE.....	19
14.10.2 FLOOD INSURANCE	19
14.10.3 TITLE INSURANCE	19
14.10.4 ESCROW ACCOUNTS.....	20

COMMUNITY EQUITY EDGE PROGRAM

14.1 GENERAL PROGRAM INFORMATION

14.1.1 COMMUNITY EQUITY EDGE PROGRAM

The Community Equity Edge Program provides a secondary financing option in the form of a standalone, closed end second lien. Section 14 outlines requirements specific to the Community Equity Edge Program. See Sections 1-13 of these guidelines for requirements not specifically addressed in this section.

For investment property transactions under Community Equity Edge, see the CW Lending Business Purpose Lending Guidelines.

14.1.2 DOCUMENTATION

Documentation types include:

- **Full Documentation:** W-2s or tax returns
- **Alternative Income Documentation:**
 - Personal Bank Statements
 - Business Bank Statements
 - 1099s (with 2 months bank statements)
 - Asset Utilization (primary residence only)

See the applicable Community Equity Edge Matrix for complete program requirements.

14.1.3 PRODUCTS

See the applicable CW Lending Community Equity Edge Matrix for available products.

14.1.4 LOAN AMOUNTS AND LOAN-TO-VALUES

See the applicable CW Lending Community Equity Edge Matrix for minimum/maximum loan amounts, CLTVs, and other requirements. **Note: Multiple stacked 5% LTV reductions on a single loan are not required.**

14.1.5 STATE RESTRICTIONS

See the applicable CW Lending Community Equity Edge Matrix for state restrictions.

14.1.6 AGE OF DOCUMENTATION

Unless otherwise noted, all loan documentation must be dated within 120 days of closing.

I 4.1.7 LOAN AGE

The period between the note date and the purchaser's funding date cannot exceed 60 days.

I 4.1.8 PREPAYMENT PENALTIES, POINTS, AND FEES

Prepayment penalties are not permitted on Community Equity Edge or Community Equity Edge Elite transactions. Total points, fees, and APR may not exceed current state and federal high-cost thresholds.

I 4.1.9 EXCEPTIONS

Exceptions to published guidelines are considered on a case-by-case basis. Loans with exception requests should exhibit strong compensating factors. All exception requests must be submitted by the seller in writing to CW Lending on the CW Lending Exception Request Form along with any supporting documentation.

CW Lending's decision to allow or deny any exception request relates only to whether CW Lending will purchase a loan. The decision does not bind a seller with respect to the underlying decision to extend credit.

CW Lending reserves the right to allow guideline variances when accompanied by a compensating factor(s).

I 4.2 TRANSACTIONS

I 4.2.1 OCCUPANCY

The Community Equity Edge Program allows for rate/term and cash-out refinances of primary residences, second homes, and investment properties. For requirements for Community Equity Edge investment property transactions, see the CW Lending Business Purpose Lending Guidelines.

I 4.2.2 BENEFIT TO BORROWER

In keeping with the commitment of responsible lending, all primary residence and second home refinance transactions must have a measurable benefit to the borrower.

When determining the benefit on a refinance transaction, one or more of the following must exist to support the benefit to the borrower:

- Balloon payoff
- Title transfer
- Property retention
- Rate reduction
- P&I reduction
- Debt reduction
- Uncontrolled cash-out

State-specific and/or federal benefit to borrower compliance requirements must be adhered to. Sellers are to complete the CW Lending Benefit for Borrower Worksheet to ensure compliance with the CW Lending benefit to borrower policy. Files must contain documentation supporting the acceptable benefit. Additional restrictions apply if the new loan refinances an existing loan considered to be a special mortgage.

A special mortgage is originated, subsidized, or guaranteed by or through a state, tribal, or local government, or nonprofit organization that either bears a below-market interest rate at the time the loan was originated or has nonstandard payment terms beneficial to the borrower, such as payments that vary with income, are limited to a percentage of income, or where no payments are required under specified conditions.

If the borrower will lose one or more of the benefits of the special mortgage, then both of the following apply:

- Seller must check that the loan complies with all applicable state and local laws as well as laws associated with the subject special loan program for compliance; and
- Seller must take special care to ensure a net tangible benefit to the borrower

I 4.2.3 DETERMINING LOAN-TO-VALUE

No ownership seasoning is required for a primary residence. If < 6 months seasoning, a 10% CLTV reduction will apply.

6 months ownership seasoning is required for second homes. A minimum of 6 months must have elapsed since the most recent mortgage transaction for second homes (either the original purchase transaction or subsequent refinance).

The appraised value may be used to determine loan-to-value as established by the required appraisal product in [I 4.9.2 Appraisal Report Requirements](#). Purchase note date to note date is used to calculate the 6 months.

I 4.2.4 PROPERTIES LISTED FOR SALE

To be eligible for the Community Equity Edge Program, the subject property must be taken off the market ≥ 6 months from application date.

I 4.2.5 RATE/TERM REFINANCE

A rate/term refinance is the refinancing of an existing mortgage for the purpose of changing the interest and/or term of a mortgage without advancing new money on the loan.

The mortgage amount for a rate/term refinance is limited to the sum of the following:

- Existing second mortgage payoff
- Closing costs and prepaid items (interest, taxes, insurance) on the new mortgage
- The amount of any subordinate mortgage liens used in their entirety to acquire the subject property (regardless of seasoning)
- The amount of a home equity line of credit in first or subordinate lien position that was used in its entirety to acquire the subject property (regardless of seasoning)
- Any subordinate financing that was not used to purchase the subject property provided:
 - For closed end seconds, the loan is at least one year seasoned as determined by the time between the note date of the subordinate lien and the application date of the new mortgage
 - For HELOCs and other open-ended lines of credit, the loan is at least one year seasoned and there have been less than \$2,000 in total draws over the past 12 months

On rate/term transactions, the borrower may only receive cash back in an amount that is the lesser of 2% of the new mortgage balance or \$2,000.

I 4.2.6 CASH-OUT REFINANCE

A cash-out refinance is a refinance that does not meet the rate/term refinance definition. Cash-out would include a refinance where the borrower receives cash from the transaction or when an open-ended subordinate lien (that does not meet the rate/term seasoning requirements) is refinanced into the new transaction.

The mortgage amount for a cash-out refinance transaction may include any of the following:

- Existing second mortgage payoff
- Closing costs and prepaid items (interest, taxes, insurance) on the new mortgage
- The amount of any subordinate mortgage liens being paid off that do not meet seasoning and draw history requirements as described in [I 4.2.5 Rate/Term Refinance](#)
- The amount of any non-mortgage related debt paid off through closing
- Additional cash in hand reflected on the settlement statement

A signed Business Purpose & Occupancy Affidavit is required on all investment property cash-out transactions. Net proceeds may only be utilized for business purposes as prescribed on the affidavit.

I 4.2.7 TEXAS HOME EQUITY LOANS

Texas Home Equity loans are allowed. All Texas Home Equity Loans must comply with the most restrictive guidelines in section 14 Community Non-QM Guidelines or [3.6 Texas Home Equity Loans](#).

I 4.3 BORROWERS

A borrower is a credit applicant who will have ownership interest in the subject property, sign the security instrument, and sign the mortgage/deed of trust and note.

I 4.3.1 CUSTOMER IDENTIFICATION PROGRAM (CIP)

The USA Patriot Act requires banks and financial institutions to verify the name, date of birth, address and identification number of all borrowers. Social security numbers can be validated with a copy of the social security card, an executed SSA-89 form, or through fraud report verification. Sellers are to follow the published CIP procedures for each borrower to ensure the true identity of all borrowers has been documented.

I 4.3.2 FRAUD REPORT AND BACKGROUND CHECK

All loans must include a third-party fraud detection report for all borrowers. Report findings must cover standard areas of quality control including, but not limited to: borrower validation, social security number verification, criminal records, and property information (subject property and other real estate owned). All high-level alerts on the report must be addressed by the seller.

If the seller cannot electronically access the fraud report to clear high-level alerts within the fraud provider's

system, an Underwriter's Certification from the seller is acceptable. The Certification must address each individual high alert and explain what actions were taken to satisfy the issues. It must be signed and dated by a member of the seller's underwriting staff or operations management personnel.

In addition to the fraud and background check requirements, CW Lending will upload, as a matter of file documentation, any unsuccessful fraud report return if the background check is not available. The fraud check should also include occupancy status to assist in the validation and endorsement of the Business Purpose & Occupancy Affidavit.

I4.3.3 U.S. CITIZENS

U.S. citizens are eligible for financing under Community Equity Edge.

I4.3.4 PERMANENT RESIDENT ALIENS

A permanent resident alien is a non-U.S. citizen authorized to live and work in the U.S. on a permanent basis. Permanent resident aliens are eligible for financing.

Acceptable evidence of lawful permanent residency must be documented and meet one of the following criteria:

- I-151 – Permanent Resident Card (Green Card) that does not have an expiration date
- I-551 – Permanent Resident Card (Green Card) issued for 10 years that has not expired
- I-551 – Conditional Permanent Resident Card (Green Card) issued for 2 years that has an expiration date, as long as it is accompanied by a copy of USCIS Form I-751 requesting removal of the conditions
- Un-expired Foreign Passport with an un-expired stamp reading as follows: "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yy. Employment Authorized."

I4.3.5 NON-PERMANENT RESIDENT ALIENS

A Non-Permanent Resident Alien is a non-U.S. citizen authorized to live and work in the U.S. on a temporary basis. Non-Permanent Resident Alien borrowers are eligible for the Community Equity Edge Program.

I4.3.5.1 VERIFICATION OF RESIDENCY STATUS

The following visa classifications are allowed as Non-Permanent Resident Aliens:

- E-1, E-2, E-3
- G-1 through G-5
- H-1B & H-1C, H-2 through H-4
- L-1B, L-2
- NATO 1 through 6
- O-1
- R-1
- TN-1 & 2 (NAFTA)

Copies of the borrower's passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 Form (Notice of Action) with valid extension dates and an I-94 Form (Arrival/Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing.

A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the borrower's current employer. If the visa will expire within 6 months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa).

If a non-U.S. citizen is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-borrowers only. A valid EAD must be provided to use income for qualification.

Borrowers who are residents of countries which participate in the State Department's Visa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website at <https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html>.

Citizens of Venezuela are ineligible for CW Lending programs.

14.3.5.2 CREDIT REQUIREMENTS

A U.S. credit report is required for each borrower on the loan using a valid Social Security number. A 12-month housing history is also required. See [14.4 Credit Analysis](#) for complete credit requirements.

14.3.5.3 ASSETS

All funds required for down payment and closing costs on Non-Permanent Resident Alien transactions must be seasoned for 30 days.

14.3.6 VESTING AND OWNERSHIP

Ownership must be fee simple. Acceptable forms of vesting are:

- Individuals
- Joint tenants
- Tenants in Common
- Inter Vivos Revocable Trust

Leasehold estates and land contract/contract for deed transactions are not permitted under Community Equity Edge.

14.3.6.1 INTER VIVOS REVOCABLE TRUST VESTING

See [4.13.1.1 Inter Vivos Revocable Trust Vesting](#) for complete requirements.

I 4.3.7 NON-OCCUPANT CO-BORROWERS

Non-occupant co-borrowers are not allowed.

I 4.3.8 MULTIPLE FINANCED PROPERTIES & EXPOSURE

There is no limit on the number of other properties borrowers may currently have financed.

CW Lending exposure may not exceed \$10M aggregate with a maximum of 10 loans for each individual borrower. Exceptions to this policy will be reviewed on a case-by-case basis.

I 4.3.9 INELIGIBLE BORROWERS

The following borrowers are not eligible:

- Non-occupant co-borrowers
- Co-signer(s)
- Foreign Nationals
- ITIN Borrowers
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- Residents of any country not permitted to transact business with US companies are ineligible (as determined by any U.S. government authority)
- LLCs, partnerships, or corporations (primary and second home transactions).
- Trusts (certain trusts may qualify for ownership vesting only)
- Land Trusts
- Borrowers less than 18 years old

I 4.4 CREDIT ANALYSIS

I 4.4.1 CREDIT REPORT

A credit report is required for every borrower. The credit report should provide merged credit information from the 3 major national credit repositories. A valid Social Security number (SSN) is required for all borrowers on the loan.

Either a three-bureau merged report, or a Residential Mortgage Credit Report (RMCR), is required. The credit report should include verification of all credit references provided on the loan application and must certify the results of public record searches for each city where the individual has resided in the last 2 years.

I 4.4.1.1 AGE OF CREDIT REPORT/CREDIT DOCUMENTATION

All credit documentation, including the credit report, may not be more than 120 days old at the time of closing.

14.4.1.2 FRAUD ALERTS

The three national credit repositories have developed automated messaging to help identify possible fraudulent activity on a credit report. Examples of fraud alerts include:

- Initial 90-day Fraud Alert
- Extended Fraud Alert
- Active-Duty Alert
- HAWK Alert
-

All Fraud Alerts must be properly addressed and resolved prior to submitting the loan to underwriting. The actions must be reasonable and compliant with applicable laws. An underwriting decision cannot be made without full resolution of the alert.

14.4.1.3 CREDIT REPORT SECURITY FREEZE

The credit report used to evaluate a loan may not reflect a security freeze and must be resolved prior to an underwriting decision. If a borrower unfreezes his or her credit after the date the original credit report was ordered, a new three-bureau merged report must be obtained to reflect current and updated information from all repositories.

14.4.1.4 INQUIRIES

A signed letter of explanation from the borrower or creditor is required for all inquiries within the most recent 90 days to determine whether additional credit was granted as a result of the borrower's request.

14.4.1.5 GAP CREDIT REPORT

A gap credit report from at least one of three major national credit repositories (Transunion, Equifax, or Experian) is required within 10 business days of closing. In cases where a gap report is not received prior to closing, the report may be obtained within 30 days of closing.

Evidence of an active Debt Monitoring Service is acceptable in lieu of a gap credit report. The Debt Monitoring Service must be in effect within 10 days of closing. If written evidence cannot be provided, a processor cert or lender attestation stating no new debts are present is allowed.

14.4.2 CREDIT SCORE REQUIREMENTS

The primary wage earner score is used as the Representative Credit Score for each loan. Each borrower must have a valid score from at least 2 of the following 3 agencies: Experian (FICO), TransUnion (Empirica), and Equifax (Beacon). Only scores from these agencies are acceptable. Additional borrowers on the loan must have at least one valid score of 620 or greater.

To determine the Representative Credit Score for the primary wage earner, select the middle score when 3 agency scores are provided and the lower score when only 2 agency scores are provided.

When qualifying income amount is equal for all borrowers on the loan, the highest Representative Credit Score of all borrowers will be used.

14.4.3 TRADELINE REQUIREMENTS

COMMUNITY EQUITY EDGE MINIMUM TRADELINES			
	OCCUPANCY	TRADELINE HISTORY	MINIMUM STANDARDS
STANDARD TRADELINES	All occupancy types	<ul style="list-style-type: none"> • tradelines reporting for 12+ months with activity in last 12 months; OR • 2 tradelines reporting for 24+ months with activity in last 12 months; OR • ***1 tradeline with 36+ months with activity in the last 12 months; OR • Primary wage earner credit report reflects scores from all 3 bureaus and qualifying score is 700+ 	**0X60 for most recent 12 months
*LIMITED TRADELINES	Primary only	Does not meet minimum tradeline requirements	N/A
<p><i>*Limited Tradelines allowed on primary residence transactions only with max CLTV of 75%.</i></p> <p><i>**Applies only to tradelines being used to meet minimum number of trades.</i></p> <p><i>***Tradeline must be a mortgage account or installment account.</i></p>			

All borrowers must meet the minimum tradeline requirements under the Community Equity Edge Program. See the appropriate Community Equity Edge Matrix for complete tradeline requirements.

To qualify as a valid tradeline, the following requirements apply:

- The credit line must be reflected on the borrower's credit report.
- The account must have activity in the past 12 months and may be open or closed.
- Tradelines used to qualify may not exceed 0x60 in the most recent 12 months.
- A 12- or 24-month housing history not reporting on credit may also be used as a tradeline.

Credit lines on which the borrower is not obligated to make payments are not acceptable for establishing a minimum history. Examples of unacceptable tradelines include loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy, and authorized user accounts. Student loans can be counted as tradelines as long as they are in repayment and are not deferred.

14.4.4 MORTGAGE AND RENTAL PAYMENT VERIFICATION

Mortgage and rental payments not reflected on the original credit report must be documented via an institutional Verification of Rent or Verification of Mortgage (VOR/VOM). A combined total of all late mortgage and rental payments in the past 12 months must be used to determine the housing history.

If the borrower is making payments to an individual or interested party, 12 months of cancelled checks or bank statements must be obtained. A VOR/VOM is not required but may be requested for clarification.

All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify account is current.

See the applicable Community Equity Edge for max allowable housing payment lates.

I 4.4.5 ROLLING LATE PAYMENTS

Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility.

I 4.4.6 PAST DUE ACCOUNTS

Past due consumer debts can be no more than 30 days past due at time of closing.

I 4.4.7 DELINQUENT CREDIT BELONGING TO EX-SPOUSE

Delinquent credit belonging to an ex-spouse can be excluded from the credit evaluation when all of the following apply:

- Borrower provides a copy of the divorce decree or separation agreement which shows the derogatory accounts belong solely to the ex-spouse
- Late payments occurred after the date of the divorce or separation
- Evidence of title transfer prior to any delinquent debt must be provided if debt is a mortgage, and evidence of buyout as part of court proceedings

Collection accounts assigned to an ex-spouse may be excluded from aggregate collection totals with a divorce decree or separation agreement assigning the account solely to the ex-spouse.

I 4.4.8 LAWSUIT/PENDING LITIGATION

If the application, title, or credit documents reveal that the borrower is presently involved in a lawsuit or pending litigation, the loan is ineligible.

I 4.4.9 CONSUMER CREDIT COUNSELING SERVICE (CCCS)

Consumer Credit Counseling must be completed for a minimum of 48 months from closing date. See the applicable Community Equity Edge Matrix for complete program requirements.

I 4.4.10 COLLECTIONS AND CHARGE-OFFS

The following accounts may remain open:

- Collections and charge-offs < 24 months old with a maximum cumulative balance of \$2,000
- Collections and charge-offs ≥ 24 months old with a maximum of \$2,500 per occurrence
- Collections and charge-offs that have passed beyond the statute of limitations for that state (supporting documentation required)
- All medical collections

Collection and charge-off balances exceeding the amounts listed above must be paid in full.

14.4.11 JUDGMENTS AND TAX LIENS

All judgments or liens affecting title must be paid as title must insure our lien position without exception. Court-ordered judgments may remain open when one of the following options is met:

- The amount is the lesser of \$5,000 per occurrence or 2% of the loan amount; or
- Judgments or liens have passed beyond the statute of limitations for that state (supporting documentation required); or
- The borrower is currently in a repayment agreement with the creditor (if the borrower is currently in a repayment plan, the following requirements apply):
 - A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided; and
 - The maximum payment required under the plan is included in the debt-to-income ratio.

14.4.12 HOUSING EVENTS

A Housing Event is any one of the following events listed below:

- Foreclosure
- Deed-in-Lieu
- Short Sale
- Modification
- 1x120 mortgage history

Housing Events must be seasoned for a minimum of 48 months from loan closing, and 84 months under Community Equity Edge Elite. See the Community Equity Edge Matrix and/or Community Equity Edge Elite Matrix for complete housing event requirements.

Seasoning of a foreclosure, deed-in-lieu, or short sale is measured from the date of completed sale or final property transfer. The Housing Event must be completed prior to loan closing with no outstanding deficiency balance remaining.

For a 120-day mortgage late, seasoning is from the date the mortgage was brought current. Seasoning for a modification is from the date the modification was executed.

If the property was surrendered in a Chapter 7 bankruptcy, the bankruptcy discharge date is used for seasoning. Bankruptcy papers may be required to show the property was surrendered. The foreclosure action is not required to be fully complete.

A mortgage modification resulting in any of the attributes listed below is subject to Housing Event seasoning guidelines:

- Forgiveness of a portion of principal and/or interest on either the first or second mortgage
- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness
- Conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage
- Conversion of any portion of the original mortgage debt from secured to unsecured

14.4.13 BANKRUPTCY

All bankruptcies must be discharged or dismissed for a minimum of 48 months from closing date under Community Equity Edge, and 84 months under Community Equity Edge Elite. See the applicable Community Equity Edge Matrix for complete bankruptcy requirements.

14.5 LIABILITIES

See [6 Liabilities](#) for complete guidelines addressing liabilities.

14.5.1 SENIOR LIENS

CW Lending will not permit loans in first lien position to contain any risk features that could impact the borrower's ability to repay. Terms of the subject property first lien must be obtained.

Verify the first lien P&I payment and terms with either:

- Copy of the first lien note, or
- Copy of the most recent monthly mortgage payment statement.

Note: Additional first lien documentation may be required to provide sufficient data for underwriting.

14.5.1.1 SENIOR LIENS NOT REPORTING ON CREDIT

A borrower on the first lien is not required to be a borrower on the second lien. Senior liens not reporting on the borrower's credit are allowed when the following requirements are met:

- Any non-borrowing owner must sign an acknowledgment form or letter of explanation acknowledging the transaction.
- Any non-borrowing must execute the security instrument: Mortgage/Deed of Trust
- All borrowers obligated on the second lien must be vested in title to subject property.
- Mortgage history for the senior lien must be provided and meet program parameters outlined on the matrix.

14.5.1.2 INELIGIBLE SENIOR LIENS

Ineligible Senior Lien terms include, but are not limited to:

- Loans in active forbearance or deferment
- Negative amortization
- Balloon, if the balloon payment becomes due during the amortization period of the new 2nd lien
- Reverse mortgages
- Private mortgages opened within the past 12 months
- Tax and judgment liens

I 4.6 EMPLOYMENT/INCOME ANALYSIS

Employment and Income maybe be documented with Full Documentation or Alternative Income Documentation. See the applicable Community Equity Edge Matrix for complete income documentation requirements.

See [8 Employment/Income Analysis](#) for any employment or income requirements not specifically addressed in this section.

Note: Asset Utilization is not allowed for determining income under the Community Equity Edge Program.

I 4.6.1 EMPLOYMENT HISTORY

Employment must be stable with at least a 2-year history in the same job or jobs in the same field. Income from self-employment is considered stable if the borrower has been self-employed for 2 or more years.

I 4.6.2 SOURCES OF INCOME

For all income sources, borrowers are qualified based on calculated stable monthly income over the most recent 1-year period. Income may be obtained from a variety of sources such as salary, bonus, commission, self-employment, etc., and should be reasonably expected to continue for the next 3 years.

I 4.7 RATIOS AND QUALIFYING

I 4.7.1 RATIOS

The maximum DTI allowed for the Community Equity Edge Program is 50%. The debt ratio calculation must include the existing first lien PITIA.

I 4.7.2 RESIDUAL INCOME

Residual income is required for all primary and second home transactions using the following calculation:

$$\text{Residual Income} = \text{Gross Monthly Income} - \text{Total Monthly Obligations}$$

Residual Income of \$1,500 is required for the Community Equity Edge. An additional \$150 per dependent must also be included for all programs. The initial 1003 should reflect the number of dependents for all borrowers on the transaction.

I 4.7.3 ADJUSTABLE-RATE QUALIFYING FOR OTHER LIENS

For all subject property liens that are determined to be ARM loans, the greater of the note rate or the fully indexed rate is used to determine the qualifying PITIA. The fully indexed rate is calculated by adding the margin to the index.

I 4.8 ASSET ANALYSIS

No cash to close and/or reserves are required for the CW Lending Community Equity Edge program

14.9 PROPERTY

See [11 Property](#) in Community Non-QM Guidelines for any property guidelines not specifically addressed in this section.

14.9.1 ELIGIBLE PROPERTY TYPES

PROPERTY ELIGIBILITY	
PROPERTY TYPE	ELIGIBLE
Single-Family Residence	Yes
Planned Unit Development (PUD)	Yes
Townhomes	Yes
2-4 Unit Multi-Family Properties	Yes
Site Condominium	**Yes
*Condominium (low-rise and high-rise)	Yes
*Non-Warrantable Condominiums	Yes
Rural Properties	††Yes
Age Restricted Communities	No
Agricultural or Commercial Zoned	No
Assisted Living/Continuing Care Facilities	No
Boarding Houses	No
Condotels or Condo Hotels	No
Co-operative Units	No
Farms or Hobby Farms	No
Land Contracts/Contract for Deed	No
Land Trusts	No
Leasehold Property	No
Log Homes	No
Manufactured Homes	No
Mixed-Use Properties	No
Modular Homes	No
Properties Subject to Rent Control Regulations	No
Row Homes	No
Shared Housing and/or Student Housing	No
Single Room Occupancy (SRO)	No
Unique Properties (Earth Homes, Berms, Dome Homes, Barndominiums, Shouses, Geodomes, etc.)	No
<i>*See appropriate Community Equity Edge Matrix for program requirements and LTV/CLTV restrictions.</i> <i>††Rural Properties are not allowed under Community Equity Edge Elite.</i>	

I4.9.2 APPRAISAL REPORT REQUIREMENTS

For loan amounts ≤ \$400,000, one of the following appraisal options is required:

- AVM from approved provider with acceptable forecast standard deviation (FSD) score and confidence rating:
 - Approved providers include:
 - ClearCapital
 - Collateral Analytics
 - CoreLogic
 - HouseCanary
 - Homegenius
 - Quantarium, and
 - Veros
 - Acceptable confidence ratings for Clear Capital only are ≥ 87% and FSD scores are ≤ 0.13.
 - Acceptable confidence ratings for all other providers are ≥ 90% and FSD scores are ≤ 0.10.
 - AVMs must include property condition report or equivalent report.
 - Note: If the AVM does not meet the confidence rating and FSD requirements above, a Clear Capital Residential Evaluation is acceptable for the following states:
 - AL, AK, AZ, CA, CO, FL, GA, IL, IN, IA, KY, ME, MD, MA, MI, MO, MN, MT, NE, NH, NJ, NY, ND, OH, OK, OR, PR, RI, SC, SD, TN, TX, UT, VT, VA, WA, WI, WY
- iHomeValuator
- Clear Capital Flex Appraisal
- iQuant Ext Appraisal Report
- Exterior-Only Inspection Residential Appraisal Report (FNMA Form 2055 or 1075)
- Full Interior Appraisal (FNMA Form 1004, 1073, or 1025)

A Full Interior Appraisal is required for:

- Loan amounts > \$400,000
- Higher-Price Mortgage (HPML) loans

I4.9.3 AGE OF APPRAISAL AND APPRAISAL UPDATES

Appraisals are valid for 120 days and are not eligible for appraisal updates.

I4.9.4 RURAL PROPERTIES AND ACREAGE

Rural properties are permitted under the Community Equity Edge Program. Rural properties are not allowed under Community Equity Edge Elite. The following parameters apply:

- Max 10 acres
- Primary residence only
- SFR and PUDs
- Max loan amount \$500,000
- Max 70% CLTV with minimum 720 FICO
- Max 60% CLTV with minimum 700 FICO
- Full appraisal required

Agricultural features are not allowed. Agricultural features include, but are not limited to, barns, stables, farmland, livestock, and/or workshops. Acreage and land value must be typical and common for the subject's market. Residential properties in areas that are zoned as either agricultural or commercial are not eligible.

Utilize the following tool to determine if a property is rural: <https://www.consumerfinance.gov/rural-or-underserved-tool/>.

See [11.8.12 Land Value and Acreage](#) for max acreage for non-rural properties.

14.9.5 SOLAR PANELS

The presence of solar panels or solar panel agreements are allowed with adherence to FNMA guidelines. Properties where solar panels carry a lien against the subject are not eligible for financing. See [11.8.27 Solar Panels](#) for complete requirements.

14.9.6 ACCESSORY DWELLING UNIT

ADU are permitted but rental income may not be considered for qualification purposes. See also [11.8.1 Accessory Dwelling Units](#) for complete requirements.

14.10 PROPERTY INSURANCE

14.10.1 HAZARD INSURANCE

Documentation of adequate hazard insurance coverage is required. When determining the acceptable coverage amount, the unpaid principal balance of all existing liens against the subject property should be used. See [12.1 Hazard Insurance](#) for complete requirements.

14.10.2 FLOOD INSURANCE

Sufficient flood insurance must be obtained if property is determined to be in a flood zone. Documentation of adequate flood insurance coverage is required. See also [12.3 Flood Insurance](#).

When determining the acceptable coverage amount, the unpaid principal balance of all existing liens against the subject property should be used. Sufficient flood insurance coverage is defined as the lesser of:

- The combined total of both the first lien and second lien unpaid principle balances; or
- The maximum insurance available from the National Flood Insurance Program (NFIP), which is currently \$250,000 per dwelling.

If existing first mortgage does not contain an escrow account for flood, see [14.10.4 Escrow Accounts](#).

14.10.3 TITLE INSURANCE

For loan amounts $\leq$ \$400,000, an Owner and Encumbrance Property Report is required.

For loan amounts $>$ \$400,000, a full ALTA Residential Limited Coverage Junior Policy or full ALTA Title Policy with expanded coverage insuring the second lien is required.

See [13 Title Insurance](#) for complete requirements.

14.10.4 ESCROW ACCOUNTS

Under the Community Equity Edge Program, an escrow account must be established for flood insurance if the existing first mortgage does not contain escrows for flood insurance. Escrows for hazard insurance and taxes are not required.