COMMUNITY
WHOLESALE LENDING

MAPLE NON-QM A- GUIDELINES

EFFECTIVE 10.22.2026

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Maple A- Product Matrices

A- Owner Occupied				Fixed Rate
Purpose	**Maximum Loan Amount**	**Standard Doc – Max LTV/CLTV**	**Alt Doc - Max LTV/CLTV**	**Minimum Credit Score**
Purchase / Rate & Term	1,000,000	85%	85%	720
	1,000,000	80%	80%	700
	1,000,000	75%	75%	660
	1,500,000	80%	80%	720
	1,500,000	75%	75%	680
	1,500,000	70%	70%	660
	2,000,000	75%	75%	720
	2,000,000	70%	70%	700
Cash-Out	1,000,000	75%	75%	720
	1,000,000	70%	70%	680
	1,000,000	65%	65%	660
	1,500,000	70%	70%	700
	1,500,000	65%	65%	680
	1,500,000	60%	60%	660

A-Second Home				Fixed Rate
Purpose	**Maximum Loan Amount**	**Standard Doc – Max LTV/CLTV**	**Alt Doc - Max LTV/CLTV**	**Minimum Credit Score**
Purchase / Rate & Term	1,000,000	80%	80%	700
	1,000,000	75%	75%	660
	1,500,000	75%	75%	700
	1,500,000	70%	70%	660
Cash-Out	1,000,000	70%	70%	700
	1,000,000	65%	65%	660
	1,500,000	65%	65%	680

A-Investment Property				Fixed Rate
Purpose	**Maximum Loan Amount**	**Standard Doc – Max LTV/CLTV**	**Alt Doc - Max LTV/CLTV**	**Minimum Credit Score**
Purchase/ Rate & Term	1,000,000	80%	80%	700
	1,000,000	75%	75%	660
	1,500,000	75%	75%	700
	1,500,000	70%	70%	660
Cash-Out	1,000,000	70%	70%	700
	1,000,000	65%	65%	660
	1,500,000	65%	65%	680

Maple Non-QM A- Guidelines:

Additional Criteria

Loan Scenario / Feature

Eligibility Restrictions

Interest Only

- Not Eligible

Temporary Interest Rate Buydowns

- Primary or Second Home

Escrow Impound Waivers

- HPML loans require an escrow account for property taxes, hazard insurance, and flood insurance (if applicable) See Escrow/Impounds section

Employee of Lender/Broker

- Any scenario in which an employee of the lender, broker, correspondent, or originator is a party to the subject loan
    - Standard Full Documentation (24-month) must be used. (see the Income, Standard section)

Borrower Eligibility Restrictions

Also see Borrower Eligibility Section below

First Time Homebuyer

- No Interest Only
- Maximum payment shock is 250% unless living rent free.

Non-occupant Co-borrower

- 1 Unit, Primary Residence, Max 43% DTI, Max 75% LTV/CLTV
- Occupying borrower must have documented income greater than or equal to 75% of PITIA
- Additional 6 months subject property reserves
- Purchase and rate & term refinance transactions only

Non-Permanent Resident Alien

- Max 75% LTV/ CLTV, No Cash Out

Maximum Financed Residential 1-4 Unit Properties and UPB

- No borrower or guarantor may have more than 20 financed properties
- No borrower or guarantor may have more than 10 properties or $7.5M UPB serviced by us

Property Type Restrictions

Also see Property - Eligible Types and Property - Ineligible Types below

2-4 Units

- Max 75% LTV/CLTV

Warrantable Condos

- Max 75% LTV/CLTV

Non-Warrantable Condos

- Max 75% LTV/CLTV

Rural Properties

- No Cash-Out
- Primary Residence - Max 75% LTV/CLTV
- Second Home - Max 70% LTV/CLTV
- Investment Properties are not eligible

Declining Markets

- Reduced Max LTV/CLTV by 5%

Cash-Out Requirements

- LTV > 60%: Max Cash Out $250K
- LTV <= 60%: No Limit

Reserves

See Reserves section for additional reserve requirements

Minimum Reserve Requirements for the Subject Property	Loan Amount
<= $1,000,000	3 months
$1,000,001 to $2,000,000	3 months
> $2,000,000	3 months

Product Restrictions

Asset Depletion

- Ineligible

Occupancy Restrictions

Second Homes

- Gift funds not permitted for LTV/CLTV > 80%

Investment Properties

- Rural properties are not permitted
- Gift funds not permitted for LTV/CLTV > 80%
- Prepayment penalties not permitted on cash out transactions where the proceeds will be used for personal use

Maple Non-QM A- Guidelines

Ability To Repay

- All loans subject to the general ATR underwriting standards (12 C.F.R 1026.43(c)) require a creditor to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan prior to or at consummation. **A reasonable, good-faith ATR evaluation must consider the following eight underwriting factors and the loan file must contain documentation to evidence compliance such factors using reliable third-party records:**
    - Income or assets used to repay the loan.
    - Employment status.
    - Monthly mortgage payment on the subject loan (fully indexed, fully amortizing).
    - Monthly payments for any simultaneous loans secured by the subject property.
    - Monthly payments for property taxes, hazard insurance, HOA fees, or ground rents.
    - Debts (reported by a credit bureau or disclosed by the consumer), alimony, and child support obligations.
    - Monthly DTI or residual income.
    - Credit history.
- All consumer loans must be delivered with Form 1008.

Agency (GSE) Eligibility

- All loans qualifying with W-2/paystubs or tax returns must include documentation in the file that transaction was either:
    - Not GSE eligible or
    - The price and/or terms of the transaction in the Non-QM A program was more beneficial to the borrower than the comparable GSE program.
- To evidence of GSE ineligibility, the file must include either:
    - DU or LPA underwriter findings report, or
    - 1008 form - Underwriter must document the reasons for GSE ineligibility
- Note: All income documentation submitted with the file is subject to review and may be used for qualification purposes.

Age of Documents

- For new and existing construction, credit documents must be no more than 120 days on the date the note is signed, including credit reports and employment, income and asset documents.
- Appraisal reports must be dated no more than 120 days from the note date.
    - Any appraisal dated greater than 120 days from the note date will require a recertification of value completed by the original licensed appraiser, is good for an additional 120 days and must be completed prior to the note date.
    - If the loan does not close within the initial recertification, then another update may be obtained but the original appraisal must be dated within 12 months of the note date.
- Preliminary title policies must be no more than 120 days old on the date the note is signed.

Appraisal

General Requirements

- Property inspection waivers are not eligible
- All appraisals must comply with applicable regulations and standards, including but not limited to USPAP, FIRREA, AIR, HVCC, and HPML compliance.

Number of Appraisals Required

- One full appraisal for loan amounts up to $2,000,000
- Two full appraisals for loan amounts > $2,000,000 or HPML flip transactions.

Multiple Appraisal Requirements

- If two appraisals are obtained, the lower value must be used for the LTV/CLTV.
- If two appraisals are required they must be obtained from a different appraiser and appraisal company.

Secondary Valuation Requirements

- All single appraisal transactions must have a secondary valuation assessment completed prior to the delivery date with one of the following conditions satisfied. For TPO Non-Del the secondary valuation meeting one of the following conditions must be completed prior to the **note date:**
    - A Fannie Mae Collateral Underwriter® (CU) score <= 2.5 or Freddie Mac Loan Collateral Advisor® (LCA) score <= 2.5
        - If a CU or LCA score is used as the secondary valuation, the Submission Summary Report (SSR) must be included in the file.
        - If both are run, they must be done at the same time; Only one needs to have a passing score
    - If neither the CU score nor the LCA score is <= 2.5, a Clear Capital Collateral Desktop Analysis (CDA) or Stewart Valuation Appraisal Risk Review (ARR) with a value that is:
        - > 90% of the appraisal value if LTV <= 85% or

        - > 95% of the appraisal value if the LTV > 85%
        - Must deliver a Submission Summary Report (SSR) regardless of CU or LCA score
    - If the CDA or ARR supports the appraised value the report must be retained in the loan file
    - Field Review with a value that is not less than 90% of the original appraised value
    - If the field review supports the original appraised value, the report must be retained in the loan file
    - If none of the secondary valuations conditions above can be met, a second full appraisal is required
        - The lower of the first (original) and second appraisal values must be used as the appraised value in the LTV/CLTV calculation
    - A secondary valuation, other than a second full appraisal, is never used to determine the value of the subject property. Secondary valuation products are provided only to support the value of the appraisal and are not meant to be used as a substitute value for the property.

Additional Appraisal Requirements

- Unpermitted additions/alterations and deferred maintenance must meet Fannie Mae requirements
- All 1-unit investment property transactions require Form 1007
- For 2-4 unit properties, Fannie Mae form 1025 Small Residential Income Property Appraisal report is required
- Accessory units are acceptable (SFR only)
    - Must follow all Fannie Mae requirements and restrictions for ADUs
- Appraisal must reflect zoning compliance is legal
    - Legal non-conforming zoned properties must indicate that the subject property can be 100% rebuilt if it is severely damaged or destroyed

Declining Markets

- A declining market is defined as one in which the appraiser has indicated the market is declining in the housing trends of the appraisal report
    - In the event there are two appraisals, this condition is satisfied if either of the two appraisers indicates the market is declining
- If a property is in a declining market, the following applies:
    - The Max LTV is reduced by 5% (points) from the max LTV for the specific scenario (i.e. 5 points lower than the most restrictive max LTV given the loan scenario).

Rural Properties

- Defined by the appraiser in Neighborhood Characteristic Location
    - In the event there are two appraisals, any conflict with the Neighborhood Characteristic Location must be reconciled.

Assets

General Asset Requirements

- Full asset documentation is required for **both** funds to close and reserves.
    - For most asset types, this would include all pages of the most recent one-month's statement, the most recent quarterly statement, or FNMA approved third party direct pull services, dated within 90 days of the note date.
- Follow Fannie Mae Selling Guide requirements if funds require liquidation when used for the down payment or closing costs, and if the funds are being used for reserves.
- An LOE is required for large deposits exceeding 100% of monthly income. If the LOE is sufficient, sourcing may not be required.
    - The LOE should address the specific deposit and be supported by relevant documentation.

Business Assets

- Business assets are an acceptable source of funds for **down payment, closing costs, and reserves** for self-employed borrowers; **all** of the following must be met:
    - The borrowers on the loan must have a minimum of 25% ownership of the business and must be owners on the business account
    - Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
    - All non-borrowing owners of the business must provide a signed and dated letter acknowledging the transaction and confirming the borrower's access to funds in the account
    - The balance of the business assets must be multiplied by the ownership percentage to determine the owner's portion of business assets allowed for the transaction
    - A signed letter from a CPA or Underwriter Cash Flow Analysis must also be obtained verifying that the withdrawal of funds for the transaction will not have a negative impact on the business

Gift Funds

- Gift funds are eligible for **down payment and closing costs** with the following requirements:
    - Gift funds from family members, as defined by Fannie Mae, are eligible
    - Purchase transactions only
    - Ineligible for second homes and investor properties >80% LTV/CLTV
    - Acceptable as 100% downpayment for loans <75% LTV/CLTV
    - Acceptable for loans >= 75% LTV/CLTV, however the underlying borrowers must contribute a minimum of 5% of the transaction from their own funds (lower of purchase price or appraised value).
    - See Additional Criteria section for LTV/CLTV limitations
- Gifts must be evidenced by a gift letter signed by the donor. The gift letter must:
    - Specify the dollar amount of the gift;
    - Include the donor's statement that no repayment is expected; and
    - Indicate the donor's name, address, telephone number, and relationship to the borrower.

Other Asset Sources

- Life insurance policy current cash value or loan against the cash value may be used for **down payment, closing costs, or reserves.**
- Non-borrowing spousal accounts are allowed for **downpayment, closing costs, and reserves:**
    - Fully executed relationship letter required.
    - Bank Statement transactions require the following:
        - Non-borrowing joint account holder affidavit is required to ensure no deposits by the non-borrower is included as income.
- Assets held in foreign accounts are acceptable for **down payment, closing costs, and reserves** subject to the following:
    - Must be 60 days seasoned with 2 most recent bank statements (all pages); and
    - When the source of funds originates from assets located outside the U.S., those assets require:
        - Documented evidence of the foreign assets translated into English and exchanged into U.S. dollars and held in a U.S. or state regulated financial institutions; and
        - Verification of the funds in U.S. dollars prior to closing the loan.
    - Assets from countries under OFAC sanctions are not permitted
- Funds held by a 1031 exchange administrator are permitted for downpayment and closing costs.
- Proceeds from the sale of personal assets are an acceptable source of funds for the **down payment, closing costs, and reserves** provided the individual purchasing the assets is not a party to the property sale transaction or the mortgage financing transaction.
    - Documentation required supporting borrower ownership of the asset, independent valuation of the asset, ownership transfer of the asset and borrower's receipt of sale proceeds
- Employer assistance in the form of a grant, direct fully repayable second mortgage, forgivable second mortgage or deferred payment second mortgage or unsecured loan, and shared appreciation down payment assistance are permitted.
    - Funds must come directly from the employer, may be used for **down payment / closing costs** subject to minimum Borrower contributions.
    - May be used for **reserves except for unsecured loans and are only eligible for primary residence.**
    - Any obligation for the borrower that arises from receipt of this assistance must be included in qualifying the borrower.
- Bitcoin and other forms of cryptocurrency are eligible for **downpayment, closing costs, and reserves,** subject to the following:
    - It has been exchanged into U.S. dollars
    - There must be sufficient documentation to verify that the funds originated from the borrower's cryptocurrency/virtual currency account.
    - Seasoning requirements not applicable given liquidation.
    - For reserves, liquidation is not required. The following is required:
        - Documentation proving ownership of the crypto assets.
        - The current valuation must be sourced exclusively from Coinbase, and the valuation must be dated within 30 days of the Note date.
        - Up to 60% may be used for reserves

Ineligible Asset Types

- Assets derived from the production or sale of marijuana
- Builder profits
- Rent credits
- Cash-on-hand
- Sweat equity
- Unsecured loans (except employer assistance funds as defined above) or cash advances.

Reserves

- Refer to the Reserves sections of the product profile for calculation and minimum reserve requirements
- Additional reserves are required for borrowers with additional financed properties, refer to the Reserves section of the product profile
- Net proceeds from a cash-out refinance transaction may be used as reserves. Refer to the Reserves section of the product profile for additional requirements.
- Publicly traded stocks, bonds, mutual funds, 100% of the account(s) value may be used for reserves.
- Vested retirement accounts (e.g., IRA, 401k, Keogh, 403b), 100% of the vested balance may be used for reserves.
- Ineligible assets for reserves:
    - Gift funds
    - Restricted stock
    - Retirement accounts <100% vested
    - Assets being used for dividend and interest income
    - 1031 Exchange assets
    - Employer assistance received in the form of an unsecured loan.
    - Employer assistance received for second homes and investment properties

Assignment of Mortgages

- All loans must be registered with MERS at time of delivery to CW Lending and a MERS transfer of beneficial rights and transfer of servicing right must be initiated by the Seller, to CW Lending, within 24-hours of purchase.

AUS / Underwriting Method

- AUS not utilized, manual underwriting only.
- All loan files should contain underwriter worksheets which detail the qualifying income calculations and debt obligations considered or not considered (and reason for exclusion)

Borrower Eligibility

US Citizens

- US Citizens, eligible

Permanent Resident Aliens

- Permanent Resident Aliens, eligible with proof of one of the following:
    - I-151 Permanent Resident Card (Green Card) that does not have an expiration date on the back (also known as a green card)
    - I-551 Permanent Resident Card (Green Card) that is issued for 10 years that has not expired.
    - I-551 Conditional Permanent Resident Card (Green Card) issued for two years that has an expiration date, if it is accompanied by a copy of USCIS form I-751 requesting removal of conditions
    - Un-expired Foreign Passport that contains 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."

Non-Permanent Resident Aliens

- If any borrower is a Non-Permanent Resident Alien, then all of the following requirements apply, to be eligible.
- Borrower Eligibility:
    - All borrowers must have a valid Social Security Number and established US credit history
    - No Asylum
- Employment Status Documentation:
    - The following VISA types are acceptable: E-1, E-2, E-3, EB-5, G-1 thru G-5, H-1B, L-1, NATO, O-1, R-1, TN(NAFTA)R-1
    - 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). Includes I-797, I-797A, I-797B, I-797C.
    - 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 six (6) months of note date, 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, the visa or residency requirements still must be met. 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
- See Additional Criteria Section for other requirements

Non-occupant borrowers

- Non-occupant borrowers are eligible for the following transactions:
    - Purchase and rate & term refinance transactions only
- Must be an immediate relative to the occupying borrower with proof of relationship (immediate relative is defined as parent, sibling, spouse, domestic partner)
- Must sign the note and deed of trust
- May not be an interested party in the sale of the subject property (e.g., seller, real estate agent, broker, etc.)
- See Additional Criteria and Reserves sections for additional requirements.
    - See reserves section for additional reserve requirements.

Entities

Limited Partnerships (LP), General Partnership (GP), Corporations (CORP), and Limited Liability Companies (LLC)

- Business purpose loans only
- Entities must be formed for the purpose of ownership and management of real estate
- Maximum of 4 entity owners allowed
- All eligible Guarantors (noted below) must be disclosed and credit qualified
    - All Borrower(s) must execute the Occupancy Certification
    - Guarantor(s) must be a managing member or majority owner as confirmed by the Operating Agreement (or equivalent) and have at least 25% ownership of the business entity (as confirmed by the operating agreement or equivalent). Said guarantor is subject to the same underwriting requirements as the individual borrower.
    - Personal Guaranty is required when Note is not being signed individually
    - All Guarantors must sign all closing documents and disclosures
    - All borrowers will be required to provide personal recourse
    - Consent of Spouse Form is required in community property states when loan is signed with a Personal Guaranty and spouse is not included on the loan
        - Form must be executed at loan closing and dated the same date as the Note
- No additional individuals may be included on title or be obligated on the subject loan.
- The following entity documents are required:
    - Articles of Incorporation
    - Operating Agreement (or equivalent)
    - Tax Identification Number
    - Certificate of Good Standing, must be dated within 30 days of closing
- Layered entities are permitted up to two layers as long as the ownership structure is consistent from top to bottom with no discrepancies. For example, if the borrower is ABC LLC which is 100% owned by XYZ LLC, and John and Mary Smith are the sole owners of XYZ LLC, then John and Mary Smith must be the borrowers/guarantors. The ownership chain must be clear and aligned.

- Entities layered with a trust are not eligible
- Guideline requirements must be met for each entity

Entity Signature Requirements

- The note must be signed by the guarantor in their individual capacity and/or as a member, and/or as a managing member as follows:
  - Guarantor(s) sign the note as (a) member(s) or managing member(s) of the entity. In this case, each Guarantor must also sign the Personal Guaranty Agreement as an individual.
  - Borrower(s) may sign the note as (an) individual(s). In this case, the borrower(s) do not need to sign a Personal Guaranty Agreement.
  - Borrower(s) may sign the note both as (an) individual(s) and as (a) member(s) or managing member(s) of the entity (two signatures per person) In this case, the borrower(s) do not need to sign a Personal Guaranty Agreement.
- The Mortgage / Deed of Trust / security instrument should be signed by the borrower(s)/guarantor(s) of the entity in their capacity as member(s) and/or managing member of the entity.
- Note:
  - Ms. Jane Doe (individual signature if person is not signing a Personal guaranty)
  - Ms. Jane Doe, as member of ABC Property, LLC
- Mortgage / Deed of Trust
  - Ms. Jane Doe, as member of ABC Property, LLC
- Personal Guaranty Agreement
  - Ms. Jane Doe (Personal Guaranty Agreement must always be signed as an individual)

Power of Attorney (POA)

- A limited Power of Attorney (POA) is acceptable when all the following are met:
  - It is specific to the transaction;
  - It is recorded with the Mortgage/Deed of Trust;
  - It contains an expiration date;
  - It is used to execute only the final loan documents;
  - The Borrower who executed the POA signed the initial FNMA Form 1003;
  - An interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may not act as Power of Attorney.
- POA's are not eligible for cash-out transactions.
- POA's are not permitted for Entities: LLC, Corporations, Entity Borrowers, etc.

Ineligible Borrowers

- Borrowers with diplomatic immunity
- Borrowers with asylum status
- Illinois land trust

- Blind trusts
- Land trusts
- Irrevocable trust
- Layered Entities with a Trust
- Non-profit organizations
- Borrowers in any country not permitted to do business in the United States
- Persons from OFAC sanctioned countries or persons sanctioned by OFAC
- Individuals on OFAC's SDN list
- Tenants in Common, unless all parties vested match the actual borrowers on the loan
- Foreign Nationals

CEMA

- Not permitted

Condominiums

Condo requirements

- Condominiums can be either approved as Warrantable or Non-Warrantable under the guidelines in this section
- Warrantable Condo Project reviews must follow the Fannie Mae Selling Guide and any additional criteria specified in this section, and Non-Warrantable reviews must follow the Full Condo Project Review except for flexibilities allowed under the "Restrictions for Non-Warrantable Condominium Projects" section below
- A Condominium Project Certification form along with the Condo Project Questionnaire, and all supporting documentation required to determine eligibility must be included and retained in the file.
    - A new questionnaire is required for each loan transaction.

Full Condo Project Review:

- See Additional Criteria section for LTV/CLTV limitations
- Warrantable Condo projects must meet all condo warrantability requirements in the Fannie Mae Selling Guide and any additional requirements in this section
- The following must have a Full Project Review
    - Attached Condo Unit in a New or Newly Converted Project must meet Fannie Mae eligibility requirements
    - Non-Warrantable Projects
- Condominium Project Manager (CPM) Approval
    - The project must have a valid, unexpired CPM Certification as of the date of the Note, and such certification must be retained in the Mortgage loan file. The CPM status must reflect a designation that is eligible for sale to Fannie Mae

- In addition, there must not be any change of circumstances since the project information was submitted to CPM that would result in the project not satisfying Fannie Mae's or CW Lending's eligibility criteria.
- Evidence that the project continues to meet Fannie Mae's insurance requirements is required

Fannie Mae Project Eligibility Review Service (PERS) Approval

- New and Existing Condominium Project approvals are acceptable
- Evidence of the PERS final project approval must be current through the Note Date and be included in the Mortgage loan file

Project Review Waiver

- Project review is waived for the following project types but must still follow all Fannie Mae guidelines for acceptability
  - Detached unit in a New or Established Condo Project
  - Units in a New or Established condo projects with 10 units or less, subject to the following:
    - Projects with five to ten units must not be part of a master association or larger development
    - Borrower/guarantor may not own more than 50% total units
    - The priority of common expense assessments applies
    - The standard insurance requirements apply
    - The project is not in Condo Project Manager (CPM) with a status of "Unavailable"
    - There are no unaddressed critical repairs outstanding or projects with evacuation orders
  - Unit in a PUD project, except PUD projects consisting of single-width or multi-width manufactured homes subject to a community land trust, deed restriction, ground lease, or shared equity arrangement

Project Review Process Employed	Expiration of Project Review
Full Review for Established Projects	CPM/PERS must have been completed within one year prior to the note date
Full Review for New Projects	CPM/PERS must have been completed within 180 days prior to the note date
Approved by Fannie Mae as Reflected in CPM	CPM/PERS must be valid (unexpired) as of the note date

- Loans secured by units in projects that did not meet Fannie Mae's eligibility requirements as of the Note Date may still be delivered after the project becomes compliant, provided all of the following are met:
  - The project meets applicable Fannie Mae eligibility requirements at the time of delivery
  - All seasoning and other loan-specific requirements are satisfied
  - Example: If a loan closes in a new project that does not yet meet Fannie Mae's pre-sale requirement, the loan may be delivered once the pre-sale threshold is met and all other criteria are fulfilled.

Restrictions to Non-Warrantable Condominium Projects

- See Additional Criteria section for LTV/CLTV limitations
- Risk stacking of non-warrantable features are not permitted
- Single entity ownership is limited to 30% of a project
- Commercial space must be typical to the market, have no negative impact, and comprise 49% or less of a project space
- Investor concentration is limited to 70% of a project
- No more than 25% of the total units in the project can be 60 days or more past due on condo/HOA dues. This figure includes delinquencies for special assessments.
- Properties with significant deferred maintenance or critical repairs must adhere to FNMA criteria
- Common areas must be 100% complete
- HOA should be in control of the association. Projects under builder, developer control may be considered on a case-by-case basis and will require an exception approval
- HOA reserves must demonstrate a minimum of 10%.
- The project documents do not give a unit owner or any other party priority over the rights of the first mortgagee, such as right of first refusal.
- Mandatory dues are not allowed
- Projects involved in litigation are acceptable provided the lawsuit(s):
    - are not structural in nature
    - do not affect the marketability of the project units and
    - potential damages do not exceed 25% of HOA reserves or with documentation from the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense and the HOA insurance policy is sufficient to cover the litigation expense.

Florida Condominiums:

- Condo projects subject to Florida's SB-4D requirements will be considered on a case-by-case basis and require approval.
- The following applies to Florida condos that are three (3) or more stories high and thirty (30) years or older (25 years or older if the building is within 3 miles of the coastline):
    - Evidence is required that the building has completed the required inspections outlined in FL SB-4D
        - If the required inspections have not been completed, the property is ineligible
    - If the inspection revealed substantial structural deterioration or any unsafe or dangerous conditions, evidence that the required repairs have been completed is required. If the required repairs have not been completed, the property is ineligible.
    - Evidence is required that the Association has completed the required Structural Integrity Reserve Study (SIRS) and the budget contains adequate reserves.
        - The monthly HOA fee should be consistent with the budget
    - Within Forty-eight (48) hours of closing, the most current SIRS must be reviewed to confirm the project's approved status

Condo Project Documentation

The following must be obtained and retained in the file:

- Condo Project Certification Form (all projects)
- Condo Project Questionnaire
- Copy of Fannie Mae Condo Project Manager (CPM) project status (regardless of approval type)
- Project's current annual budget (Full Review)
- Current balance sheet, dated within 60 days of the note date (Full Review)
- Evidence of master policy and, if required, HO6 insurance coverage, or individual property insurance policy, as applicable for all projects. See Property Insurance section.
- Evidence new condo projects meet Fannie Mae presale ratios
- All project inspections completed within the last 36 months
- Project legal documents as required by Project Type
- All other documents required to determine condo project eligibility. Refer to the Fannie Mae Selling Guide for documentation examples.

Critical Repairs / Significant Deferred Maintenance

- Projects in need of critical repairs, or that have significant deferred maintenance, or have received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions are not eligible for purchase.
    - Projects in need of critical repairs are those needing repairs or replacements that significantly impact the safety, soundness, structural integrity or habitability of the project's building(s), or the financial viability or marketability of the project. Critical repairs include conditions such as, but not limited to:
        - Material deficiencies, which if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year;
        - Any mold, water intrusions or potentially damaging leaks to the project's building(s);
        - Advanced physical deterioration;
        - Any project that failed to pass state, county, or other jurisdictional mandatory inspections or certifications specific to structural safety, soundness, and habitability; or
        - Any unfunded repairs costing more than $10,000 per unit that should be undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through a special assessment).
        - A project with an evacuation order due to an unsafe condition, either for a partial or total evacuation of the project's building(s), is ineligible until the unsafe condition has been remediated and the building(s) is deemed safe for occupancy.

Special Assessments

- Special assessments may be current or planned. One must obtain and review the following information for each special assessment to determine if it addresses a critical repair:
    - What is the purpose of the special assessment,
    - When was the special assessment approved and is it planned (approved by the unit owners, but not yet initiated by the board) or already being executed,

    - What was the original amount of the special assessment and the remaining amount to be collected, and
    - When the expected date the special assessment will be paid in full.
- If the special assessment is associated with a critical repair and the issue is not remediated, the project is ineligible.

Credit

Credit Requirements

- A tri-merge credit report is required from all borrowers
- Classic FICO credit score model for qualification and pricing is required. No exceptions.
- Credit inquiries listed on the report within 90 days of the application date must be addressed as follows:
    - A written explanation by the borrower; or
    - Alternate confirmation that there is no new debt may include a new credit report, pre-close soft-pull, or gap report
    - DTI should be recalculated based on any new debt
    - Any new credit scores must be reviewed for qualification
- Credit re-scores are allowed and must be completed prior to loan lock.
    - In the event of a disputed item or valid error, a rescore is allowed after the time of lock.
    - Documentation must be provided to support the reason that a credit rescore was performed.
- No credit bureaus may be frozen. Borrowers must unfreeze all bureaus, and a new tri-merge credit report obtained reflecting information from all three bureaus.
- The loan level Representative Credit Score is computed by:
    - Selecting a representative score for each borrower using:
        - the middle score for each borrower if 3 scores are available or the lower score when only 2 scores are available.
    - Selecting the representative score from the borrower with the highest qualifying income. If there are multiple borrowers with the same highest qualifying income value, the loan level Representative Credit Score will be the lowest borrower representative score amongst these borrowers.
- The borrower with the highest qualifying income must have at least two credit scores. If there are multiple borrowers with the same highest qualifying income value, all such borrowers must have at least two credit scores.
- Borrowers currently enrolled in credit counseling or debt management plans are not permitted.

Tradelines

- Each borrower who is using income to qualify must have:
    - at least 2 tradelines reporting at least 12 months of history in the last 24 months, or a combined credit profile between Borrower and co-Borrower with a minimum of three tradelines showing at least 12 months of history in the last 24 months
    - Tradeline activity is not required, and the tradelines can be opened or closed.

- The following are not acceptable to be counted as tradelines:
    - Tradeline in a deferment status
    - Accounts discharged through bankruptcy
    - Authorized user accounts
    - Charge-offs
    - Collection accounts
    - Foreclosures
    - DIL
    - Short sales
    - Pre-foreclosure sales

Fraud Report

- Fraud Report (i.e. DataVerify, Fraudguard, Corelogic, TransUnion TLPxp, LexisNexis: SmartLinx, or Instant ID) is required on all transactions.
    - The following transaction participants must be included in the fraud report:
        - Borrowers
        - Property sellers, and
        - Settlement agents
    - All High and Red Flag potential findings must be satisfactorily addressed/cleared prior to close. "High" alerts or "Red Flags" may be addressed through the vendor's solution or with a signed attestation. The attestation must address each "high" alert, or "red flag" noted in the fraud report.

Housing Payment History

- The housing payment history is required for all REOs and rental payments evidencing the payment activity for the most recent 24 months, regardless of whether the borrower/guarantor is on the note or vested on title, and must reflect no worse than **2x30x12** and **1x60x24** for all REOs and rental payments.
    - Housing payment history must be evidenced by 24 months proof of payment via cancelled checks, bank debits, or VOR/VOM. For mortgages reported on the credit report, the credit report may also be used to evidence the housing payment history.
        - When the housing payment history for the subject property or the borrower's/guarantor's primary residence involves a private party mortgage, or is evidenced by a non-institutional VOM or VOR, at least one of the following is **also** required to validate the payment history:
            - The most recent six months: Cancelled checks, or bank statements (all pages), or ACH payments, or bank transfer/wire, or electronic payment method.
        - A borrower's/guarantor's primary residence may be documented as free and clear.
    - Any additional housing history included in the loan file, for example mortgages on the credit report with greater than 12 months of payment history, that reflects delinquencies must be included in the housing payment history and meet the housing payment history requirement.
    - Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually.
    - Payments missed under forbearance agreements must be counted as late payments for the purposes of the housing payment history

    - Past due balloon payments are considered a 1x30 delinquency provided the delinquency was cured within 180 days of maturity.
- All mortgages and rental payments must be current at the time of closing (note date). If the credit report, VOR/VOM, or other documentation reflects a past-due status, updated documentation is required to verify the account is current.
- If the subject property has delinquent taxes that are more than 1 year delinquent as of the subject note date, an exception is required.
- All property taxes, insurance, HOA dues (if applicable) must be verified and included in the DTI for REOs owned free and clear
- If the borrower is living rent free as a dependent with family and a 12 month housing history is not applicable, the following apply:
    - A rent-free letter is required.
    - A first-time homebuyer who is living rent-free is permissible

Disputed Tradelines

- Disputed accounts may require an LOE

Credit: Liabilities

Housing & Mortgage related obligations

- Housing and mortgage related obligations, including property taxes, insurance premiums, mortgage insurance and similar charges that are required by creditor, ground rents, and leasehold payments must be fully documented on the Scheduled of REO section of the 1003 on all properties owned by the borrower.
    - These obligations must be verified using reasonable reliable records such as taxing authority, or local government records, homeowner's association billing statements, or information obtained from a valid and legally executed contract.

Authorized user accounts

- Authorized user accounts must be included as liabilities

Departing Residence

- If the borrower's current principal residence is pending sale but the transaction will not close prior to the closure of the subject transaction, the PITIA of the departing residence must be included when qualifying the borrower, unless all of the requirements on Under Contract OR all of the requirements under Not Under Contract apply
    - Under Contract
        - The executed sales contract for the departing residence is included in the file,
        - Confirmation is obtained that all contingencies have been cleared,
        - Transaction closing within 30 days of the subject transaction note date,
        - The sale is arm's length, and

        - The borrower will net positive proceeds from the sale of the property or has assets to cover any funds the borrower will need to bring to close the sale of the departing (in addition to the program reserve requirements).
        - Note: An appraisal report is not required for the departing residence, even if the above requirements have not been met and the PITIA is included in the qualifying ratios.
    - Not Under Contract
        - The property is currently listed for sale, or a signed letter of intent from the borrower indicating they intend to list the departure residence for sale within 90 days of the note date of the subject transaction
        - Equity in the departure residence is documented with a 2055 external appraisal or full appraisal showing a minimum of 20% equity after deducting of outstanding liens
        - If no executed sales contract is included in the file, additional reserves must be documented for the departure residence based on the market time indicated by the departure residence appraisal
            - If the appraisal indicates marketing time of six months or less, additional reserves in the amount of 12 months of PITIA /ITIA for the departing must be documented
            - If the appraisal indicates marketing time of more than 6 months, additional reserves in the amount of 24 months of PITIA /ITIA for the departing must be documented
            - These reserves apply even if the PITIA was excluded when qualifying the borrower per the allowance under "Not Under Contract" above.
    - Refer to the Reserves section of the guidelines for additional requirements.
    - If the property is not under contract, or if **any** of the conditions listed in the "Under Contract" section above are not met, the departing residence must be included in the maximum financed property count and UPB calculation.
- If the borrower plans to convert or has already converted their departing residence into a rental property, the departing's PITIA must be included when qualifying the borrower. Positive rental income cannot be used to qualify on the subject transaction, but the departing's PITIA may be offset using 75% of the lower of the actual or market rent.
    - Market rent is documented using the Market Rent Analysis, Single Family Comparable Rent Schedule (Fannie Form 1007)
    - If the property is already rented, actual rent is documented using:
        - Copy of the current lease and
        - at least two of the following: evidence of receipt of first month's rent, last month's rent, or security deposit.
    - A departing residence that produces a loss must be included in the DTI.

Installment debt

- Installment debt with 10 or fewer months remaining must be included in the DTI
- Installment and revolving debt paid on or before closing may be excluded from the DTI provided one of the following are obtained:
    - A credit supplement,

- Verification from the creditor liability as paid in full, or
- Evidence of payoff on the closing disclosure and the settlement agent is paying the creditor directly

Student Loan Payments

- Student loan payments must be included regardless of whether such payment is currently being deferred. If a payment amount is not identified on the credit report, 1% of the current balance should be used. Affordability-based payments may be used.

30 day charge accounts

- For 30-day charge accounts that do not reflect a monthly payment on the credit report or a 30-day account that reflect a monthly payment that is identical to the account balance, the borrower must have verified and documented reserves sufficient to cover the balance in excess of any funds required to close or program reserves.

Business debts

- To exclude a business debts included on a borrower's personal credit report, the following must be verified and documented:
  - Proof the business has paid the debt for the most recent 12 months with no late payments (0x30).
  - The expense is evident on the business financials, is tied to business activities (e.g. a vehicle), and the borrowing entity is an individual
- Any business debt that is less than 12 months old must be included in the DTI

Contingent Liabilities

- Contingent liabilities must be included in qualifying the borrower unless:
  - Documentation can be obtained showing the other party obligated on the debt has been making the payments on time for at least 12 months (0x30x12)
    - If less than 12 payments have been made, the debt must be included in the borrower's DTI
  - A court has ordered the assignment of the debt to another party (such as under a divorce decree or separation agreement). Documentation from the court is required.
    - The borrower's payment history before the debt was assigned must still be considered in the payment history requirements.

Property taxes estimates for new construction

- Utilized 1.25% for properties in California
- For states other than California, use 1.5%
- Use of other property tax rates are allowed provided the rates are documented in the file

OFAC Search

- The following individuals involved in the transactions must be screened through OFAC's SDN list: all borrowers/guarantors, property sellers, and settlement agents.
- If the borrower is an entity, guarantors and all members/managers of the entity must be included in the OFAC search.

Solar Leases

- Installment debt from finances or leased payments associated with solar panels must be included in the DTI.
- Must conform to Fannie Mae guidelines
- PACE, HERO, or any similar loans with payments included in the property tax payments or take lien priority are not eligible and require proof of payoff.
    - Using loan proceeds to pay off a PACE, HERO, or similar loan is considered cash-out.

Derogatory Credit

- Individual collections and charge offs in the last 3 years (as of the application date) exceeding $5,000 (individually or in aggregate) must be paid in full prior to or at closing. Exceptions to this are:
    - Medical collections less than $15,000 in aggregate
- All open judgements, garnishments, and all outstanding liens affecting title must be paid off prior to or at closing.
- All past due accounts must be brought current prior to closing.
- Income tax liens (federal, state, and local) must be paid off prior to or at closing unless **all** the requirements listed below are met:
    - The file must contain a copy of the approved IRS tax payment plan with the terms of repayment, including the monthly payment amount and total amount due
    - As of closing, the borrower is current on the payment plan
    - The maximum payment required under the plan is included in the DTI calculation.
    - The tax payment plan does not carry a lien on **any** property
- The following derogatory credit events require a **24+** month seasoning
    - Derogatory credit events include all REOs

Derogatory Credit Event	Seasoning Period
Foreclosure, Short Sale, Pre-Foreclosure, Deed-in-Lieu	Property resolution date (completion date) to the subject note date
Chapter 7, 11, and 13 Bankruptcies	Discharge/dismissal date to the subject note date
Modifications (Due to Default)	Date modification was signed to subject note date
Notice of Default or Lis Pendens	The date of the notice to the subject note date
120+ Day Delinquency	Date the loan was brought current to the subject note date
Balloon payments that are more than 180 days past maturity	Date the balloon payment was made to the subject note date

- Bankruptcies require evidence of resolution.
- Multiple bankruptcies are not permitted.
- A second or junior lien that has been charged off is subject to this seasoning period based off the charge off date.
- Timeshares are treated as a consumer installment loan not as a Derogatory Credit Event defined in the table above.

- Any revolving or installment account that was more than 60 days delinquent in the four years from the subject's note date must be fully explained and documented in the file.
- Derogatory credit belonging to an ex-spouse can be excluded if late payments occurred after the divorce /separation, and the divorce/separation agreement indicates the derogatory accounts belong solely to the ex-spouse.

Disaster Policy

- If the appraisal was completed prior to the disaster,
  - An appraisal update for final inspection from the appraiser must be obtained.
    - If two appraisals had been obtained, the condition above must be met for the appraisal with the lowest value.
  - Any damage that impacts the safety or habitability of the property or damage in excess of $2,000 must be repaired and re-inspected.
- If the appraisal was completed after the disaster, the appraiser must comment on the adverse event and an effect on marketability or value.
  - Any damage that impacts the safety or habitability of the property or damage in excess of $2,000 must be repaired and re-inspected.
  - Requirement applies for 90 days following the incident period ending date or the date the adverse event occurred, whichever is later.
- CW Lending may require a post-disaster inspection when the disaster occurred after closing but prior to purchase.
  - If a post-disaster inspection is required, a Post Disaster Inspection (PDI) Report from Clear Capital or Damage Assessment Report (DAR) from Pro Teck must be provided
  - Any indication of damage reflected on the report will require a re-inspection by the appraiser.
    - If two appraisals were used, the re-inspection must be performed by the appraiser from the lowest value appraisal.
  - Any damage that impacts the safety or habitability of the property or damage in excess of $2,000 must be repaired and re-inspected.
- Must obtain a new Verbal Verification of Employment (VVOE) if the disaster event occurs after the original VVOE was completed. Borrower should still be employed at the same employer listed on the initial 1003 and continuing to receive the same amount of income. Applies to both salaried and self-employed borrowers

Product Feature Eligibility

Eligible

- Fully Amortizing Fixed: 30 Yr

Ineligible

- Assignment of Contracts
- Construction loans
- Builder bailout
- Conversion loans
- Lease option
- Daily Simple Interest loans
- *Interest Only*
- Reverse 1031 exchange transactions

eMortgages & eNotarization

- eMortgages and eNotarization are ineligible

Employment/ Income Verification

- For salaried employees the verbal verification of employment must be completed within ten (10) calendar days prior to the note date.
    - VVOE should include loan ID number, name of contact at place of employment, phone number and title along with company name, address, Borrower name, and Borrower's job description and title, while confirming the borrower's employment is currently active. Business phone number must be independently verified.
    - A Borrower who is no longer employed at the same employer listed on the initial application is not eligible.
- For self-employed borrowers:
    - Verification of business existence and that the business is fully operational / active required within ten calendar days of the note date.
    - Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent

Escrow Holdbacks

- Escrow holdbacks are ineligible.

Escrow/Impounds

- HPML loans require an escrow account for property taxes, hazard insurance, and flood insurance (if

applicable).

- Escrow waivers for Non-HPML consumer purpose and business purpose loans, are eligible subject to the following:
    - Escrow waiver is subject to an LLPA adjustment, see rate sheet for program specific adjustments

Financing Concessions

- If a borrower is participating in the transaction (i.e. borrower is acting as their own agent) is considered an interested party and their contributed funds must be counted against the interested party contribution (IPC) limits.
- Maximum IPCs for all occupancy types: 6%
- Follow all other Fannie Mae guidelines.

First-time Homebuyer

- An individual is to be considered a first time homebuyer (FTHB) who is:
    - purchasing the security property; and
    - had no ownership interest (sole or joint) in a residential property or had a residential mortgage during the three-year period preceding the application date of the security property.
- The transaction is considered first time homebuyer if any borrower is a first time homebuyer
- Maximum payment shock is 250%, unless the borrower was living rent free.
    - In the event the borrower was living rent free, the housing payment requirements in Credit - Housing Payment History must be followed.
- See Additional Criteria section.

High Cost / Higher Priced

- Federal High Cost mortgages under the Home Ownership and Equity Protection Act 1994 (HOEPA) are not eligible
- Any loan scenario meeting the definition of “high cost” “high risk”, “covered”, “subprime” or any similar designation under state or local laws are not eligible.
- **Cured High Cost loans are not eligible**
- **All loan files must contain documentation evidencing compliance with this section**

Income - Standard

- Unless otherwise indicated in the program guidelines, a minimum of two (2) years of employment history for both wage/salary or self-employment is required to be documented on the loan application. The expectation is that income year over year is stable or shows a trend with a gradual increase. This type of income should be averaged for the borrower(s) gross monthly income used to qualify. A reasonable expectation should be present that the borrower(s) source(s) of income will continue for the foreseeable

future.

- In cases where a borrower(s) income is declining or shows unusual or unexpected fluctuation, careful consideration must be given to the income being reviewed and the reason for the decline or fluctuation. Proper discretion must be exercised to determine the extent or probability of impairment of the borrower's income and earning ability moving forward. Conservatively, the lesser income should be used when a declining situation is present. A letter of explanation is required from the borrower(s) to support the circumstances. Borrowers that show continued declining income without a reasonable explanation or proof that the trend will not continue are not eligible to use that income for qualification.

Combined Income Documentation Scenarios

- Income documented through Alternative Documentation programs may be combined with other income sources that are documented as Full Documentation but not associated with self-employment, such as a spouse employed as a wage earner
- When wage income is combined with Alternative Documentation, a tax return is not required as this would invalidate the bank statements. Form 4506-C is still required; however, Box 8 should be checked to obtain a transcript of the W-2 earnings only
- Combined income documentation types are intended for separate borrowers on the same loan (spouses, for example). Cases of combined income types for the same borrower are generally not allowed.

If any employee of the lender, broker, correspondent, or originator is a party to the subject loan, the loan must utilize standard full documentation (24-month).

Salaried: Standard (Full/24 months) Documentation

- Most recent paystub (most recent thirty (30) day period) including year-to-date earnings (YTD must cover minimum of thirty (30) days)
- Two (2) years IRS 1040s or W2's and a Written Verification of Employment (if needed for the analysis of overtime, bonus, or commission)
- When other sources of income are used to qualify such as interest dividends, note receivables, and trust income, follow Fannie Mae requirements, including but not limited to eligibility, documentation, and proof of receipt.

Salaried: Streamline (12 months) Documentation

- Most recent paystub including year-to-date earnings (YTD must cover minimum of thirty (30) days)
- One (1) year IRS 1040 or W2
- When other sources of income are used to qualify such as interest dividends, note receivables, and trust income, follow Fannie Mae requirements, including but not limited to eligibility, documentation, and proof of receipt.

Self-employed Standard (Full/24 months) Documentation

- A borrower is considered self-employed with 25% or more ownership interest in a business. The business

may be a sole proprietorship, general partnership, limited partnership, corporation, or S-corporation.

- Self-employed borrowers may qualify with tax returns or 1099 income

Borrowers qualifying with tax returns.

- Two (2) years personal & business tax returns (signed and dated), including all schedules and K-1's, plus YTD P&L from any businesses being used for qualification where the Borrower has 25% or more ownership interest
  - The YTD P&L is required when the application date is more than 120 days from the end of the period covered by the tax return. The YTD P&L must be from the most recent quarter end.
- If the P&L covers more than nine (9) months, three (3) months of bank statements are required to validate continued positive cash flow of the borrower's business. Additional bank statements may be required if the underwriter deems necessary.
- Borrower will be qualified on the lower of:
  - Monthly average of the net income from the tax return and P&L, or
  - Monthly net income from tax return multiplied by 115%

Borrower(s) qualifying with 1099s must provide two (2) years 1099s

- Generally limited to single employer and requires employer confirmation of no Borrower job related expenses
- If a Borrower is not able to provide confirmation of no job-related expenses, a 10% Expense Factor will be applied
- In scenarios where the Borrower receives multiple 1099's, the Borrower must be in an industry where this is a common occurrence (entertainment, medical contractor, etc.)
- Most recent check stub, if borrower receives one, and three (3) months bank statements including year-to-date earnings (YTD must cover minimum of thirty (30) days)
- Declining income – Self-employed – Declining income of the last two (2) years may be utilized for qualifying with a signed letter of explanation from the Borrower. Lower of the two (2) years would then be used to qualify unless the income has stabilized over the most recent six (6) months

- All Borrowers must also provide evidence that business has been in existence for at least two (2) years via CPA / Tax preparer letter, confirmation from regulatory or state agency, or applicable licensing bureau

Self-employed Streamline (12 months) Documentation

- A borrower is considered self-employed with 25% or more ownership interest in a business. The business may be a sole proprietorship, general partnership, limited partnership, corporation, or S-corporation.
- Self-employed borrowers may qualify with tax returns or 1099 income

Borrowers qualifying with tax returns

- One year's personal and business tax returns (signed and dated), including all schedules and K-1's, plus YTD P&L from any businesses being used for qualification, signed and dated, where the Borrower has 25% or more ownership interest
  - P&L must include the most recent month preceding the loan application date. P&L can be prepared by the borrower or a 3rd party.
- If the P&L covers more than nine (9) months, three (3) month bank statements are required to validate continued positive cash flow of the Borrower's business. Additional bank statements may be required if deemed necessary by underwriting.
- Borrower will be qualified on the lower of:
  - Monthly average of the net income from the tax return and P&L, or
  - Monthly net income from tax return multiplied by 115%

Borrower(s) qualifying with 1099s must provide one (1) year 1099s

- Generally limited to single employer and requires employer confirmation of no Borrower job related expenses
- If a Borrower is not able to provide confirmation of no job-related expenses, a 10% Expense Factor will be applied
- In scenarios where the Borrower receives multiple 1099's, the Borrower must be in an industry where this is a common occurrence (entertainment, medical contractor, etc.)
- Most recent check stub, if borrower receives one, and three (3) months bank statements including year-to-date earnings (YTD must cover minimum of thirty (30) days)

- If the P&L covers more than nine (9) months, three (3) month bank statements are required to validate continued positive cash flow of the Borrower's business. Additional bank statements may be required if deemed necessary
- All Borrowers must also provide evidence that business has been in existence for at least two (2) years via CPA / Tax preparer letter, confirmation from regulatory or state agency, or applicable licensing bureau

Other Income Sources and Guidance:

Joint Accounts:

- A joint personal account with a non-borrowing spouse or domestic partner can be used for qualifying as follows:
  - If not contributing income / deposits, it must be validated by a Borrower affidavit
  - If contributing income / deposits, source must be clearly identified (direct deposit, SSI, trust income) and amounts must be subtracted from the analysis – Relationship letter must be present in file

Self-Employed with Wage Earner Combination for Joint Borrowers

- Joint Borrowers with one (1) wage earner and one (1) self-employed business owner can verify income separately, with the self-employed Borrower utilizing bank statements and the wage

earner providing pay stubs / W-2s or WVOE

- The wage earner 4506-C should include W-2 transcripts only
- Combination scenarios must be qualified and priced to the income verification of the borrower with the highest income

Trust Income:

- Income from trusts may be used if constant payments will continue for at least the first three (3) years (or 5) of the mortgage term as evidenced by trust income documentation. 5 years required if income source is >50% of the loan's total qualifying income
- See section on Ancillary Income for limits on adjusting current distributions and continuance.
- Trust Agreement required confirming amount, distribution frequency, and duration of payments

Alimony/Child Support

- Final Divorce decree or legal separation agreement required
- Must provide payment evidence of six (6) months via cancelled checks, deposit slips, or bank records
- Alimony, child support requires proof of three (3) or five (5) year continuance (5 years if income source is > 50% of the loan's total qualifying income)

Note Receivable Income

- Copy of the note confirming amount and length of payment
- Must provide payment evidence of twelve (12) months via cancelled checks, deposit slips, or bank records
- Verify that the income can be expected to continue for a minimum of three years from the date of the mortgage note

Royalty Payment Income

- Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income – must document a three (3) year continuance
- Must provide payment evidence of twelve (12) months via cancelled checks or bank records / deposits

Restricted Stock Unit (RSU)

- Restricted Stock Units (RSU) and Restricted Stock Employment Income may be used as qualifying income when all the following requirements are met:
  - Allowed but must meet Fannie Mae guidelines

Retirement Income

- Borrowers of retirement age do not require proof of continuance if income received from corporate, government or military retirement or pension

- IRA / Discretionary Retirement Account Distributions / Trust Distribution – Continuance
    - IRA or Trust distributions cannot be set up post application date unless the Borrower is required to start withdrawing based on age. In such cases, 125% of the required minimum amount can be used to qualify
    - Distributions must have been received for prior six (6) months to application to be considered as eligible income. Distributions that have been received for six (6) months or more can be adjusted with a letter from the plan administrator validating the increase. Allowable increases of distribution amount are limited to 125% of previously received distributions. Continuance for 5 years at the proposed monthly amount is required if distributions represent > 50% of the loan's total qualifying income (please note this overlay to Fannie Mae). Please refer to Asset Utilization, Section 8.3 for Borrowers wishing to draw assets to qualify
    - One of the following types of income documentation is required:
        - Copy of award letter or letters from the organizations providing the income
        - Most recent personal income tax return with all schedules
        - Most recent W2 or 1099
        - Most recent two (2) months bank statements showing deposit of funds

Secondary Employment

- Second job income is considered stable if received for two (2) years and likely to continue. Must be working both jobs simultaneously, for consideration.

Foreign Sources of Income

- Foreign income is income earned by a Borrower employed by a foreign government / company and not paid in US dollars. Acceptable utilization if the following criteria satisfied:
    - Two (2) years US Tax returns reflect the foreign income
    - Income is translated to US dollars
    - Income documentation, stability and continuance requirements are met
    - Income from countries under OFAC sanctions not permissible

Grossing-up Non-taxable Income

- Non-taxable income to be grossed up 125%

Work History

- A minimum of six (6) months of employment is required unless recently graduated from school or completion of formal training

Employment Gaps

- Borrower should explain any employment gaps exceeding thirty (30) days in the last twelve (12) months and sixty (60) days in the last thirteen to twenty-four (13-24) months

Recently transitioned to W2 to 1099

- Borrowers recently transitioned from W2 to 1099 and contracted by the same employer in the same position do not require two (2) years 1099s if the lender provides documentation the borrower will not be responsible for additional expenses, i.e., contract
- Borrowers who remained in the same industry, but transitioned from W2 to 1099 with a different company must be in current position for at least one (1) year

Ancillary Non-employment Income - Continuance

- Borrowers of retirement age do not require proof of continuance if income received from corporate, government or military retirement or pension
- Alimony, child support requires proof of three (3) or five (5) year continuance (5 years if income source is > 50% of loans total qualifying income).
- IRA / Discretionary Retirement Account Distributions / Trust Distribution – Continuance
    - IRA or Trust distributions cannot be set up post application date unless the Borrower is required to start withdrawing based on age. In such cases, 125% of the required minimum amount can be used to qualify
    - Distributions must have been received for prior six (6) months to application to be considered as eligible income. Distributions that have been received for six (6) months or more can be adjusted with a letter from the plan administrator validating the increase. Allowable increases of distribution amount are limited to 125% of previously received distributions. Continuance for 5 years at the proposed monthly amount is required if distributions represent > 50% of the loans total qualifying income (please note this overlay to Fannie Mae). Please refer to Asset Utilization, Section 8.3 for Borrowers wishing to draw assets to qualify
    - One of the following types of income documentation is required:
        - Copy of award letter or letters from the organizations providing the income
        - Most recent personal income tax return with all schedules
        - Most recent W2 or 1099
        - Most recent two (2) months bank statements showing deposit of funds

Capital Gains

- Capital Gains are eligible. Must follow Fannie Mae capital gains requirements, including but not limited to history of receipt, income continuance, income calculations, and documentation requirements

Ineligible Income:

- Income derived from the production or sale of marijuana is ineligible
- Income derived from Bitcoin and other virtual currencies is ineligible

Income, Asset Depletion / Asset Qualifier

- Ineligible

Income, Bank Statements

- The Bank Statement program is designed for borrowers with an active U.S. based business that is generating stable revenue. Borrowers who only receive income from passive or portfolio sources are ineligible (e.g., borrower managing their own rental properties, distributions from limited partnership, day trading, property flippers, etc.).
- Bank Statement loans submitted with tax returns or tax transcripts must follow Standard/Full Documentation guidelines. See Income, Standard section.
- Any loan file using qualifying income from Bank Statements with evidence of tax returns or tax transcripts in the origination file will be ineligible
- Borrowers paid 1099 from a single company are not eligible for Bank Statement qualification and must qualify through Standard/Full documentation
- Borrowers who are using more than three (3) businesses to qualify must use Personal Bank Statement option
- Use of Greenline or Account Chek (third-party bank statement collection service providers) is allowed, subject to the following:
    - 12-24 months of direct source borrower bank account data is required.
    - All pages of accounts must be included in the 12-24 months provided.
    - Calculations provided by firm must meet guideline requirements and are subject to re-underwrite.

Documentation Requirements

- Twelve (12) or twenty-four (24) months consecutive, bank statements required
- Bank statements must be most recent available at time of application and must be consecutive
- Any loan submitted with less than twelve (12) months of consecutive bank statements will not be eligible

Business Narrative

Business Narrative is required:

- Business narrative must include details relating to the size / scope and operating profile of the business, including the following:
    - Description of Business / Business Profile
    - Location and Associated Rent
    - Number of Employees / Contractors
    - Estimated Cost of Goods Sold if any
    - Materials / Trucks / Equipment
    - Commercial or Retail Client Base

Business Validation Requirements

- An internet search of the business is required with documentation to be included in the credit file to support the Business Narrative. Underwriter certification (or notation on the 1008) if there are no returns when attempting an internet search
- Verification of business existence and that the business is fully operational / active required within ten (10) calendar days of closing

Co-Mingling Requirements

- Multiple bank accounts may be used
    - Co-mingling:
        - Co-mingling of personal and business accounts is not permitted in personal bank accounts. Evidence of co-mingling will require the loan to be submitted / qualified as a business bank statement loan
        - Two (2) months of business bank statements must be provided to validate Borrower utilizes separate banking accounts.

Income, Personal Bank Statements

Documentation Analysis

- Any deposits into a personal account deemed to derive from a source other than the business (rents, SSI, joint account holder wage income, IRS refunds) must be excluded from the analysis
- Unusually large deposits (single deposits) exceeding **100%** of monthly qualifying income into bank accounts must be explained via LOE and must be consistent with the business profile. If LOE is sufficient, no sourcing required
    - The LOE should address the specific deposit and be supported by relevant documentation.
- Two (2) months of business bank statements are required. These statements should evidence activity to support business operations and reflect transfers to the personal account
    - A borrower who only utilizes a personal account for business activity and does not have an associated business account is eligible to qualify through *Business Bank Statements*
    - Co-mingling of personal and business receipts is not permitted
- If bank statements provided reflect payments being made on obligations not listed on the credit report, a thorough analysis must be performed and LOE provided from the Borrower
- Declining Income may require an LOE

Business Requirements

- Validation of a minimum of two (2) years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent
- Ownership percentage must not be less than 25% and documented via CPA letter, Operating Agreement, or equivalent

- Borrowers who own more than three (3) businesses must use personal bank statements option

Qualifying Income

- Personal bank statement average (total eligible deposits / 12 or 24 months)
  - If a Borrower has declining income and is qualifying with twenty-four (24) months of bank statements, the last twelve (12) months of income will be utilized to qualify
  - If the qualifying income from the personal bank statements exceeds the amount stated on the initial signed 1003 by more than 20%, additional underwriter scrutiny is required and must be accompanied by a reasonable explanation from the borrower.

Income, Business Bank Statements

Documentation Analysis

- Transfers from other bank accounts into the business bank accounts will require conclusive evidence that the source of transfer is business related income
- Large deposits (single deposits) exceeding 100% of monthly qualifying income into bank accounts must be explained via LOE and must be consistent with the business profile. If LOE is sufficient, no sourcing required
  - The LOE should address the specific deposit and be supported by relevant documentation.
- Declining Income may require an LOE
- NSFs may require a Borrower LOE documenting they are not due to financial mishandling or insufficient income. A maximum of 3 NSF occurrences within a twelve (12) month period are allowed. If there are zero occurrences in the most recent three-month period, up to 6 occurrences in the most recent twelve (12) month period are acceptable. NSFs should be covered with deposits shortly after they are incurred.
- Expense line items that can be added back to the business net income include depreciation, depletion, amortization, casualty losses, and other losses or expenses that are not consistent and recurring

Business Requirements

- Validation of a minimum of two (2) years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent
- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
- Minimum ≥ 25% business ownership required
- Borrowers utilizing business bank statements that own ≥ 25% but less than 100% of a business will be qualified at the net income multiplied by their ownership percentage

Income, Business Bank Statements - Income Qualification Options

Option 1 – Expense Ratio Option 1 (Expense Ratio)

- Percentage of gross deposits (twelve (12) or twenty-four (24) months) using expense ratio factor

based on business type and number of employees

- If a Borrower has declining income and is qualifying with twenty-four (24) months of business bank statements, the last twelve (12) months of income will be utilized to qualify

- Expense ratio should be reasonable for the profession
- Qualifying income should be multiplied by the Borrower's documented business ownership
  - Example: Borrower with $25,000 monthly average deposits multiplied by a 50% expense factor = $12.5k in qualifying income
- If the qualifying income from the expense ratio exceeds the amount stated on the initial signed 1003 by more than 20%, additional underwriter scrutiny is required and must be accompanied by a reasonable explanation from the borrower.

Business Type	Employees		
Service Business (Offers Services)	**0**	**1-5**	**>5**
Examples of Service Business: 15% Expense Factor 30% Expense Factor 50% Expense Factor Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance, Information Technology	15% Expense Factor	30% Expense Factor	50% Expense Factor
Product Businesses (Sells Goods)	**0**	**1-5**	**>5**
Examples of Product Business: 25% Expense Factor 50% Expense Factor 85% Expense Retail, Food Services, Restaurant, Manufacturing, Factor Contracting, Construction	25% Expense Factor	50% Expense Factor	85% Expense Factor

Option 2 – 3rd Party Profit & Loss Statement

- Businesses qualifying with a P&L statement showing less than a 15% expense ratio will be limited to a 15% ratio. Expense ratio should be reasonable for the profession
- Borrower prepared P&L will not be permitted under any circumstances
- Business Bank Statements are used to validate third-party prepared P&L. Gross revenue listed on P&L must be within +/-10% of the total qualified deposits
  - If a Borrower has declining income and is qualifying with twenty-four (24) months of business bank statements, the last twelve (12) months of income will be utilized to qualify
- If the qualifying income from the Profit & Loss (P&L) exceeds the amount stated on the initial signed 1003 by more than 20%, additional underwriter scrutiny is required and must be accompanied by a reasonable explanation from the borrower.
- Following documentation is required:
  - Twelve (12) or twenty-four (24) months complete business bank statements from the same account (transaction history print outs are not acceptable)
  - Business bank accounts, personal bank accounts addressed to a DBA or personal accounts with evidence of business expenses can be used for qualification

- P&L statement must be prepared by a Tax Professional
    - Tax Professional defined as a Certified Public Accountant (“CPA”), Tax Attorney, Enrolled Agent (“EA”), California Tax Educational Council member (“CTEC”) or Paid Tax Professional (PTIN)
- P&L statement must cover the same months as the bank statements submitted – P&L must be signed by the Borrower and the Tax Professional
- Tax Professional must attest that they have audited the business financial statements or reviewed working papers provided by the Borrower
- Tax Professional must attest that they are not related to the Borrower or associated with the Borrower’s business
- Tax Professional must have filed the Borrower’s most recent two (2) years business tax returns

Option 3 – 3rd Party Expense Ratio

- To determine net income, multiply eligible business deposits by the following: (100% minus the Expense Ratio) / 12 or 24 months
    - If a Borrower has declining income and is qualifying with twenty-four (24) months of business bank statements, the last twelve (12) months of income will be utilized to qualify
- 3rd Party Prepared Expense Ratio floored at 15%
- If the qualifying income from the expense ratio exceeds the amount stated on the initial signed 1003 by more than 20%, additional underwriter scrutiny is required and must be accompanied by a reasonable explanation from the borrower.
- The Expense Statement must be prepared and signed by a third-party Tax Professional specifying business expense as a percentage of the gross annual sales / revenue
- Self-employed Borrowers who have filed their own business tax returns are ineligible
- The following documentation is required:
    - Twelve (12) or twenty-four (24) months complete business bank statements from the same account (transaction history printouts are not acceptable)
    - Business bank accounts, personal bank accounts addressed to a DBA or personal accounts with evidence of business expenses can be used for qualification
    - Tax Professional must attest that they have reviewed the business financial statements or reviewed working papers provided by the Borrower
    - Tax Professional must certify that the Expense Statement represents an accurate summary of the applicable cash expenses of the business
    - Tax Professional must attest that they are not related to the Borrower or associated with the Borrower’s business
    - Tax Professional must have filed the Borrower’s most recent two (2) years business tax returns
    - Tax Professional license must be verified and signed

Income, Rental

General Requirements

- Accessory Dwelling Units (ADUs)
  - Are acceptable, and must meet all Fannie Mae requirements and restrictions.
  - Manufactured Home ADUs are ineligible.
- Rental income derived from the subject property may only be used in the following scenarios:
  - 1-4 Investment Properties
  - 2-4 Unit primary residence in which the borrower occupies one of the units
- Rental income may not be used for borrowers utilizing asset depletion

Eligibility

- Rental income is permitted on purchase and refinance transactions, as well as on non-subject properties
- 100% ownership of the property is not required. The rental income will be calculated based on the ownership percentage. 100% of the PITIA must be used regardless of the ownership percentage

Documentation Requirements

- For loans qualifying under the standard full or streamlined documentation types, when rental income is reported on tax returns, the schedule E income per Fannie Mae's calculation should be used
- For rental income not reported on the tax return or loans qualifying using income documentation other than standard full or streamlined
  - Lease agreement and two (2) months cancelled checks to show proof of rental payments, or if subject is recently rented, a copy of two of the following: evidence of first month's rent, last month's rent, security deposit
- Evidence that rent is market rate
  - Subject properties require form 1007/1025 or supplemental appraisal form (if short-term rental income is being used -- See below)
  - Non-subject properties may use a free online source or appraisal form.
  - For refinance transactions, compensating factors must be present and documented in the event the 1007/1025 or supplemental appraisal form, or free online source, as applicable, is lower than the schedule E or lease income utilized in the calculation below. If the lower value is used, no compensating factors are required.

Rental Income Calculation

Purchase Transactions

- 75% of Form 1007/1025 market rent is used for qualifying income
- If an existing lease from the property seller is transferring to the borrower, the lease that predates the mortgage could have a superior claim to the mortgage. The lender is responsible for ensuring clear title and first lien enforceability

Refinance Transactions and non-subject properties

- Income from Schedule E when applicable (see documentation requirements above)
- Otherwise 75% of the fully executed lease agreement with supporting 2 months evidence of receipt

Income, Short-term Rental

Eligibility

- Short-term rental income is permitted for both purchase and refinance transactions
- Short-term rental income must be legally permitted and considered common for the area, as confirmed by the appraisal and/or property location
- If short-term rental income is reported on the tax returns (for loan qualifying with standard full or streamlined documentation types), the schedule E net income should be used

Documentation Requirements

- Short-term rental income may be documented using a supplemental appraisal form completed by the licensed appraiser who performed the original appraisal. The form must accompany and be part of the original appraisal.
- When used below, actual short-term income must be verified through a third-party property management provider
  - Vendors such as Airbnb, AirDNA, VRBO, and HomeAway are acceptable
  - Documentation must include the property address or a unique property ID specific to the subject property

Calculation

Purchase Transactions

- Gross rent is 75% of the estimated market rent from:
  - Form 1007/1025 OR
  - Supplemental appraisal form completed by the appraiser of record

Refinances and non-subject properties

- Income from Schedule E when applicable (see documentation requirements above)
- Otherwise the lower of:
  - 75% of the estimated market rent from:
    - Form 1007/1025 OR
    - Supplemental appraisal form completed by the appraiser of record

    AND
  - 100% of the actual 12-month short-term rental income history, supported with documentation from Airbnb, AIRDNA, VRBO, HomeAway, or a third-party management provider

- 12 months of history is required for refinance transactions and non-subject properties

Interest Only

- Ineligible

Loan Purpose: Purchase

General Requirements

- Proceeds from the transaction are used to finance the acquisition of the subject property.

LTV/CLTV Determination

- LTV/CLTV is based upon the lesser of:
  - the sales price or
  - appraised value, except for:
    - Exception: Refinance of a land contract is considered a purchase and the LTV/CLTV should be calculated using the purchase price

Purchase Contract Requirements

- The loan file must include a fully executed agreement (purchase contract) of sale and counteroffer (if applicable) reflecting the following:
  - The purchase contract cannot be expired.
  - Borrower as the purchaser of the property.

Property Flip Requirements

- Sellers must have owned the property more than 12 months, otherwise the transaction is subject to review as a Flip Transaction. See Property Flips section.
- Transactions that meet the definition of a Flip Transaction as defined in the Property Flips section of the product profile must meet the requirements provided in that section.

Loan Purpose: Refinance – Cash-Out

General Requirements

- A refinance that does not meet the definition of a rate/term transaction is considered cash-out.
- Cash-Out amount includes:
  - Funds received at closing as cash back, and
  - The payoff of any debt outside that which was used for the original purchase
- A mortgage secured by a property currently owned free and clear is considered cash-out.
- Cash-out may be used to satisfy the reserve requirement

Max Cash Out

- LTV/CLTV > 60%: $250,000
- LTV/CLTV ≤ 60%: No limit

Ownership Seasoning Requirements

- Borrower must have owned the property for a minimum of 6 months measured from acquisition date to note date

Property Value Determination

- For properties owned 12-months or longer (from acquisition date to note date): LTV/CLTV is based upon the appraised value.
- For properties owned greater than 6 months but less than 12-months (acquisition date to note date): LTV/CLTV is based on the lower of the current appraised value or the property's purchase price plus fully documented improvements
    - Additional Requirements include:
        - Invoices and/or improvements confirmed by the appraiser are required.
        - The prior settlement statement will be required for proof of purchase price

Prior Cash-Out Refinance Seasoning

- Refinance of a previous loan that provided cash out will be considered a cash out refinance if the loan being refinanced is seasoned for less than 12 months (measured from note date to note date)

Delinquent Taxes

- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash-out.

Ineligible Transactions

- Refinance of a land contract is considered a purchase and ineligible as a cash-out refi.
- Loans with Power of Attorney are ineligible

Inherited / Awarded Properties

- Refinances of inherited properties and properties legally awarded to the borrower are allowed. This includes divorce, separation and dissolution of a domestic partnership. Ownership seasoning requirements do not apply, and the following guides must be met:
    - Written agreement signed by all parties stating the terms of the buyout and property transfer must be obtained
    - Equity owners must be paid through subject loan's settlement
    - Subject property has cleared probate and property is vested in the borrower's name
    - Current appraised value is used to determine LTV/CLTV

Texas Section 50(a)(6)

- Texas 50(a)(6) transactions are eligible

Delayed Financing

Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 180 days of the note date, subject to the following:

- The transaction is considered a cash-out refinance for pricing and eligibility.
- The original purchase transaction was an arm's-length transaction.
- The source of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
- The maximum LTV/CLTV ratio for the transaction is based upon the lower of the current appraised value or the property's purchase price plus fully documented improvements.
    - Invoices and/or receipts for work performed must be documented and confirmed by the appraiser.
    - The prior settlement statement will be required for proof of purchase price
- The preliminary title search or report must confirm that there are no existing liens on the subject property
- The new loan amount can be no more than the actual documented amount of the borrower's initial investment subject to the maximum LTV/CLTV for cash-out transactions.

Consumer Compliance Requirements

- If the cash-out is for personal, family, or household use, the loan must also meet all applicable federal and state requirements of a consumer loan transaction even if the borrower is a company or the loan was initially intended for business purposes, including but not limited to the requirements of the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5601 et seq.) and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).

Additional Requirements

- See Recently Listed Properties section for additional constraints

Loan Purpose: Refinance – Rate & term

General Requirements

- A Rate and Term refinance transaction is one in which the new loan amount is limited to the payoff of a present mortgage on the subject property for the purpose of changing the interest rate and/or term with no additional cash or advancing of new money in excess of the limited account amount (see below)
- The appraised value will be used to determine LTV/CLTV.

Subordinate Financing Payoff Eligibility

- A rate and term may also pay off an existing subordinate lien on the subject property subject to the following:
    - The subordinate lien was a closed-end mortgage and was used to acquire the property, or
    - The subordinate lien is a HELOC and less than $5,000 has been drawn in the past 12 months (12 months measured in arrears from the subject's note date)
        - Withdrawal activity must be documented with a transaction history from the HELOC

Cash back includes:

- Cash received at closing, and funds to pay off debt other than the subject property's first and second lien (as allowed above),
- Cash back must not exceed the lesser of:
    - 2% of the new loan amount or
    - $5,000
- Any amount greater than these limits will cause the transaction to be considered a cash-out refinance.

Seasoning Requirements

- Refinance of a previous loan that provided cash out will be considered a cash out refinance if the loan being refinanced is seasoned for less than 12 months (measured from note date to note date)

Construction Loan Requirements

- The rate / term refinance of a construction loan is eligible with the following conditions:
    - If the lot was acquired twelve (12) or more months before applying for the subject loan (acquisition date to application date), the LTV / CLTV is based on the current appraised value of the property
    - If the lot was acquired less than twelve (12) months before applying for the construction financing (acquisition date to application date), the LTV / CLTV is based on the lesser of (i) the current appraised value of the property and (ii) the total acquisition costs

Ineligible transactions

- Refinance of a land contract is considered a purchase and ineligible for a rate & term refinance
- See Recently Listed Properties section for additional constraints

Minimum Loan Amount

- $150,000

Mortgage Insurance

- Mortgage insurance is not required

Multiple Financed Properties

- The maximum number of financed residential 1-4 unit properties to any one borrower or guarantor is limited to 20.
- The maximum number of financed residential 1-4 unit properties to any one borrower or guarantor that are serviced by us is limited to 10 and the maximum aggregate unpaid principal balance of such financed residential 1-4 units properties serviced by us is limited to $7.5M.
- The financed property and UPB limits in this section include all residential 1-4 unit mortgages serviced by us, mortgages disclosed on the credit report, and mortgage disclosed on the URLA, bank statements, or elsewhere in the loan file.
- Financed properties other than the subject property require additional reserves. See reserve section.

Non-Arms Length Transactions

- Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Examples of non-arm's length transactions include, but are not limited to, family sales, property in an estate, employer/employee sales, and flip transactions.
- When the property seller is a corporation, partnership, or any other business entity, it must be ensured that the borrower is not an owner of the business entity selling the property.
- Non-arm's length transactions are allowed for the following purchase primary residence transactions only:
    - Renter purchasing from landlord
        - Cancelled checks for the most recent 12-month period evidencing payments were made on time are required. A VOR is not acceptable
    - Purchase between family members
        - If gift of equity transaction, a fully executed gift letter for the gift of equity is required. The equity credit must be reflected on the CD
            - Verification of the earnest money deposit is required, if applicable.
        - Most recent 12-month mortgage history on the existing mortgage is required confirming the family sale is not a foreclosure bailout.
- Builders-related to the transaction are ineligible if:
    - The transaction is a builder refinance, and the builder/developer (or an affiliated entity) has built more than four (4) units in the same subdivision, development, or condominium project as the subject property; or
    - The loan is secured by a newly constructed second home or investment property (purchase or refinance) and the borrower has a relationship or business affiliation with the builder, developer, or seller.

Occupancy

Owner-occupied primary residence

- A primary residence is a property that the borrower(s) currently reside in (refinance) or intend to occupy (within 60 days) as his/her principal residence
- 2-4 unit properties are eligible as primary residences provided they are common for the area and exhibit no unique characteristics that can influence marketability.
    - Loan file must include Fannie Mae Form 3170, 1-4 Family Rider
- Characteristics that may indicate that a property is used as a borrower's primary residence include:
    - Occupancy by the borrower for the major portion of the year
    - Location is relatively convenient to the borrower's principal place of employment
    - Property is the address of record for such activities as federal income tax reporting, voter registration, occupational licensing, and other similar items
    - Borrower may not own an additional single-family residence of equal or greater value than the subject property
        - Utilize value from the 1003. If the borrower owns another single-family residence that is substantially larger than the subject, a LOE from the borrower is required.
    - Property possesses physical characteristics that accommodate the borrower's family

Second Homes

- A property is considered a second home when it meets all of the following requirements:
    - Must be located a reasonable distance away from the borrower('s') principal residence
    - Must be occupied by the borrower(s)) for some portion of the year
    - Must be a 1-unit dwelling
    - Must be suitable for year-round occupancy
    - The borrower(s) must have exclusive control over the property
    - Must not be subject to any timeshare arrangement, rental pools, or other agreements which require the Borrower to rent the subject property or otherwise give control of the subject property to a management firm
    - See Assets section for additional requirements

Investment Properties

- Borrower does not occupy the property
- For non-owner occupied properties with a Guarantor, the individual(s) providing the guaranty must execute the Personal Guaranty Agreement
- The spouse of a guarantor must sign the Consent of Spouse form if the property is in a community property state (AK, AZ, CA, FL, ID, KY, LA, NV, NM, NY, SD, TN, TX, WA and WI)
- All borrowers must execute the Occupancy Certification form indicating they will not occupy the subject property as a principal residence or second home, and will not occupy the property for more than 14 days in any calendar year.

- For cash out transactions with prepayment penalties, cash out proceeds the borrower must provide an LOE detailing the purpose and use of the proceeds.
- For all transactions with prepayment penalties:
    - All individuals signing the note or providing a personal guaranty must execute a Business Purpose & Occupancy Affidavit.
- Loan file must include Fannie Mae Form 3170, 1-4 Family Rider
- See Additional Criteria section for additional requirements

Prepayment Penalty

Acceptable Prepayments

- A prepayment penalty is acceptable on investment properties where permitted by applicable law and regulations
- Total points, fees, and APR may not exceed current state and federal high-cost threshold
- **Not allowed on primary residence or second homes or investment property cash out transactions where the proceeds will be used for personal use**
- Acceptable prepayment penalty structures are:

	Ohio (OH 1-2 Unit Only)	Michigan (MI Only)	Remaining Eligible States
5 Year Fixed	1% -1%-1%-1%-1%		5%-5%-5%-5%-5%
4 Year Fixed	1%-1%-1%-1%		5%-5%-5%-5%
3 Year Fixed	1%-1%-1%	1%-1%-1%	5%-5%-5%
2 Year Fixed	1%-1%	1%-1%	5%-5%
1 Year Fixed	1%	1%	5%

Prepayment conditions

- Prepayment Penalty Period commences on the Note Date and ends on the Nth year anniversary of the Note Date, where N is the Prepayment Penalty Period in Years selected at closing, ranging from 1-5 years.
- A prepayment penalty fee will apply in the event any unscheduled principal is received (a Curtailment) within the Prepayment Penalty Term, **including when the loan is paid off in full for any reason.**
- The prepayment penalty fee is equal to the Prepayment Penalty Percent in effect at the time of the prepayment, which may change each year on anniversary of the Note Date, multiplied by the Curtailment amount

State restrictions

- Prepayment penalties are not allowed in AK, MD, MN, NM
- MI: Prepayment penalty allowed to 1% of unpaid principal; maximum 3 year term.
- IL: Prepayment penalties only allowed on loans made to LLCs, General Partnerships, Limited Partnerships, and Corporations
    - Cook County: Only allowed where Loan Amount > $250K (all state restrictions also apply)

- NJ: Prepayment Penalties are only allowed on loans made to an S-Corp or C-Corp.
- OH: Prepayment penalty to 1% of unpaid principal allowed on 1 or 2 unit properties; 5-year maximum term (minimum loan amount adjusts annually). Standard requirements apply for 3–4-unit properties.
- PA: Penalties not allowed on 1-2 unit properties with loan amounts less than $319,777 (Adjusts annually)
- RI: The borrower must provide explicit written consent to the prepayment penalty provisions prior to the note date.

Properties - Eligible

- Single Family Detached
- Single Family Attached
- PUDs
- Low-rise and High-rise condominiums (see Condominium section)
- Leasehold Properties
- 2-4 Units - See Additional Criteria section above
- Rural properties provided the following are met:
    - No Cash-Out
    - Primary Residence - Max 75% LTV/CLTV
    - Second Home - Max 70% LTV/CLTV
    - Investment Properties are not eligible

Properties – Ineligible

General Property Types - Ineligible

- Manufactured or Mobile homes
- Properties with fractional ownership
- Units in a co-op development
- Vacant land or land development properties
- Mixed-Use properties (including those with daycare, doctor's office, etc.)
- Unique Properties
- Dome or geodesic properties / Earth berm homes / Log homes
- Houseboats
- Barndominiums
- Theme Park Resort Properties
- Builder model leaseback

Size, Acreage, and Zoning - Ineligible

- Single Family properties < 700 sq. ft.
- Properties > 20.00 acres (no truncating allowed)
- Properties zoned agricultural, commercial, or industrial
- Zoning Violations

Agricultural / Rural Use - Ineligible

- Properties with agricultural features
    - e.g., Vineyards, Farms, Hobby Farms, Ranches, Orchards, Equestrian Facilities, Working Farms

Condominium Project features - Ineligible

- Condotels
- Units subject to timeshare arrangements
- Condo projects with registration services or restrictions on owner's ability to occupy
- Live / Work Condos
- Assisted Living / Continuing Care Facilities
- Any project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, habitability, or functional use of the project
- Any project that requires Private Transfer Fees as a part of the transaction, and those fees do not benefit the association

Property Condition / Appraisal

- Condition rating of C6 on the appraisal are ineligible

Ineligible Use Restrictions

- Properties used for the cultivation, distribution, manufacture, or sale of marijuana
- Properties used as boarding houses, bed/breakfast, or single room occupancy
- Properties used as healthcare facilities (e.g., assisted living, elder care, recovery/treatment)
- Properties used as group homes

Multi-Unit / Ownership Restrictions

- Multi-family units where a single deed conveys ownership of more than one, or all of the units
- Properties with more than 4 units
- Multiple dwellings on a single lot (legal ADU acceptable, limited to one)

Membership / Legal / Land Restrictions

- Properties with mandatory Country Club Memberships
- Properties on Native American Land (Reservations) or Hawaiian Home Lands

Geographic Restrictions

- Hawaii properties located in lava zones 1 and/or 2

Energy Financing Restrictions

- Properties with solar panels and other energy efficient items financed with a PACE or HERO loan are not eligible unless the loan is paid off at or prior to closing.

Property Insurance

Follow Fannie Mae policy for items not addressed

- Policies must provide for coverage on a replacement cost basis, except for roofs.
- Roofs must be insured. Policies that provide for coverage on an actual cash value (ACV) basis are acceptable for roofs, personal property, and structures that are not buildings.
- The maximum deductible for all required perils is 5% of the property insurance coverage amount.
- The master property insurance policy must provide coverage on a replacement cost basis, with the exception of roofs

Master Property Insurance for Condominium and *PUD** Projects

- Roofs must be insured. Policies that provide coverage on an actual cash value (ACV) basis are acceptable for roofs, personal property, and certain property elements.
- The master property insurance policy coverage amount must equal at least 100% of the estimated replacement cost value (RCV) of the project improvements, including common elements and residential structures. **One of the following must be used to document coverage sufficiency:**
    - Guaranteed replacement cost coverage, or its equivalent;
    - Extended replacement cost coverage, or its equivalent;
    - A replacement cost value estimate provided by the insurer;
    - The project's insurance risk appraisal; or
    - A statement validating the coverage amount is at least 100% of the RCV of the project's improvements, common elements, and residential structures from the insurer or other applicable professional with appropriate expertise to make such a determination.
- The maximum deductible for all required perils is 5% of the master property insurance coverage amount. Refer to the Fannie Mae Selling Guide for per unit deductible requirements when applicable.

Individual Unit Property Insurance (HO-6)

- The HO-6 policy must provide coverage on a replacement cost basis.
- If the master property insurance policy includes a per unit deductible applicable to a specific required peril, the unit owner's property insurance policy must include coverage for that peril.
- The maximum deductible for all required property insurance perils is the greater of 5% of the property insurance coverage amount or $2,500.

Note: An HO-6 policy cannot be utilized to satisfy insufficient master property insurance coverage. Building Ordinance or Law Coverage cannot be utilized to offset insufficient master property insurance coverage.

* Applies to PUD projects where the project's legal documents provide for a master property insurance policy that covers both the common elements and residential structures.

Flood Insurance

- Flood insurance is required when a loan is secured by a property located in a:

- Special Flood Hazard Area (SFHA); or
- Coastal Barrier Resource System (CBRS) or Otherwise Protected Area (OPA)
- Must meet all Fannie Mae requirements.

Vacant Properties

- Properties that are vacant must have the appropriate hazard insurance policy for vacant properties

Property Flips

Flip Transaction Definition

- When the subject property is being resold within 365 days of its acquisition by the seller and the sales price has increased more than ten (10%), the transaction is considered a “flip”.

Determining the Flip Period

- To determine the three hundred sixty-five (365) day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) should be used

General Flip Transaction Requirements

- Flip transactions are subject to the following requirements:
- All transactions must be arm’s length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction. See Non-Arms Length Transactions section
- No pattern of previous flipping activity may exist in the last 12 months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan
- The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing
- The property seller must be the owner of record
- No assignments of the contract to another buyer
- Appraisal and Value Support Requirements
- Increases in value should be documented with commentary from the appraiser and recent comparable sales.
    - Sufficient documentation to validate the actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable.

Borrower Acknowledgement Requirement

- If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the Borrower must be obtained

Second Appraisal Requirements

- A second appraisal is required, prior to closing, in the following circumstances:
    - Greater than ten (10%) increase in sales price if seller acquired the property in the past 90 days
    - Greater than twenty (20%) increase in sales price if seller acquired the property in the past 180 days
    - The second appraisal must be dated prior to the loan consummation/note date.
    - The Borrower may not pay for the 2nd appraisal

HPML Requirements

- Flip transactions must comply with the HPML appraisal rules in Regulation Z.

Exclusions

- Bank owned REO and Corporate Relocations are eligible and not considered a flip transaction.

Qualifying Payment

General Requirements

- The qualifying payment is based on the principal and interest payment along with 1/12th of the annual real estate taxes, property insurance, other insurance premiums, and any associated dues.
- The Qualifying payment is based upon the amortization term

Subordinate Financing

- If the subject properties has one or more subordinate liens that will not be paid off on or before closing, the qualifying payment must include the payment on the payment(s) on those subordinate liens
    - If the subordinate lien is a closed end, fixed-rate lien, the monthly payment of the subordinate line must be used
    - If the subordinate lien is a HELOC, monthly payments equal to the minimum payment required under the HELOC terms considering all draws made on or before closing of the subject transaction should be used.

Ratios

- Max DTI 45%

Recently Listed Properties

Refinance Transactions

- Properties that have been listed for sale by the borrower less than or equal to 6 months from the note date may not be currently listed at the time of loan application and will require a LOE signed by the borrower and evidence the listing is cancelled.
    - Multiple listings within 12 months of the note date are ineligible

Reserves

Loan Amount	Min. Reserve Requirements for Subject Property
≤ $1,000,000	3 months
$1,000,001 - $2,000,000	3 months
> $2,000,000	3 months

- Reserves are calculated off the actual P&I (first lien and subordinate financing) plus taxes, insurance, and HOA fees (if any) (PITIA)
- Reserves for Interest-Only loans are based upon the initial interest only payment (ITIA)
- Additional reserves are required for borrowers with additional financed properties other than the subject property
    - Borrowers must document an additional two months reserves for each additional financed property, capped at a total of 12 months reserves for all properties (including subject property). Use the PITIA/ITIA for each additional financed property for calculation purposes.
- Non-occupant co-borrower:
    - Requires an additional 6 months subject property reserves (stacked, not subject to the 12-month cap).
- Departing Residence:
    - Under Contract: If **any** of the requirements in the Credit / Departing Residence / Under Contract section of the product profile are not met, the property is considered an additional financed property and two months reserves are required (stacked, not subject to the 12-month cap).
    - Not under Contract: When an executed sales contract is not in place for the departing residence, additional reserves (using departing PITIA/ITIA) are required (stacked, not subject to the 12-month cap). Reserve requirements are based on the marketing time from the departing residence appraisal:
        - If the marketing time is 6 months or less, additional reserves of 12 months of departing's PITIA/ITIA are required
        - If the marketing time is more than 6 months, additional reserves of 24 months of departing's PITIA/ITIA are required
    - Refer to the Credit section for additional departing residence requirements.
- Refer to the Asset section for documentation requirements
- Cash out proceeds may be used to satisfy the reserve requirement

Residual Income

- Loans scenarios with DTI > 43% or Higher Priced Mortgage Loans (HPML) must meet the residual income test in this section.
- Residual income is Gross Monthly Income minus total monthly debt.

- The Minimum Residual Income is the value in the table below plus an additional $150 per each household member beyond the first two household members. Household members include anyone living in the subject property, including children and other non-borrowers.

Number in Household	Minimum Residual Income
1	$1,500
2	$2,500

Solar Panels

- PACE loans (or any similar loans with payments that are included in property taxes or take lien priority) are not eligible
- Follow all Fannie Mae guidelines

State Restrictions

- Eligible in all Community Wholesale Lending licensed U.S. states
- See Prepayment Penalty Section for investment properties

Subordinate Financing

- Subordinate financing (whether new or existing) allowed on primary residences only
- New institutional subordinate financing is allowed for purchase transactions only.
- Existing subordinate financing is allowed for refinance transactions
- Senior lien may not be Interest Only when subordinate liens are present
- If a subordinate lien is a HELOC, the CLTV must be calculated using the full line amount of the HELOC
- All subordinate lien obligations must be considered and verified, and included in the DTI ratio
- See Qualify Payment for additional requirements

Tax Transcripts

Salaried/Wage-Earnings:

W2 transcripts or 1040 transcripts

- If 1040 transcripts are provided, W2 transcripts are not required
- In the case where taxes have been filed and the wage transcripts are not available from the IRS, the IRS response to the request must reflect “No Record Found” and be present in the loan file
- Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment
- Evidence of any IRS filing extensions must also be present in the loan file

Self-Employed:

1040 tax transcripts/1099 transcripts

- Business tax transcripts not required if net business income is validated on the Borrower's 1040s
- In the case where taxes have been filed and the tax transcripts and/or 1099 transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file
- Must document, that taxes have been filed via evidence of e-filing, tax refund, or proof of payment
- Evidence of any IRS filing extensions must also be present in the loan file
- IRS form 1040 personal and business 4506-C tax transcripts required for the tax return year used for qualifying

- Alt-Doc (Bank statements, Asset Depletion), tax transcripts are not required.
- Tax transcripts will be ordered for any income type when red flags are present or at UW's discretion

Temporary Interest Rate Buydowns

Allowed subject to the following:

- Maximum total interest rate reduction of 3%, max increase per year of 1% (e.g., 3-2-1, 2-1, etc)
- Max buydown period of 36 months
- Fixed rate only
- Investment properties are ineligible
- Must qualify at the standard qualifying rate (see Qualifying Rate section) without benefit of the buydown
  - Must meet all other requirements in this Product Profile, including the IPC limits, and any applicable Fannie Mae guidelines

Title

- A title policy or attorney opinion letter meeting all of Fannie Mae's requirements
- UCC filings must be removed or subordinated
- All judgements or liens affecting title must be paid, including but not limited to PACE liens or other liens on title tied to energy efficient improvements must be removed.
  - Subordination is not acceptable.
- Loans with private transfer fee covenants are ineligible unless such covenants are "excepted transfer fee covenants". Excepted transfer fee covenants are covenants that:
  - Require payment of a private transfer fee to a covered association (homeowner associations, condominiums, etc.) and limits the use of such transfer fees exclusively to purposes which provide a direct benefit to the real property encumbered by the private transfer fee covenants

REVISION HISTORY

MAPLE A MINUS REVISION HISTORY		
DATE	TOPIC	CHANGE
10.22.2026	**Income, Rental**	Accessory Dwelling Units (ADU) • ADU's are now acceptable, and must meet all Fannie Mae Requirements and restrictions. • Manufactured HOME ADUs are ineligible.
	Prepayment Penalty, Acceptable Structures	Added Prepayment Penalty Matrix grid. • State-Specific Restrictions: Ohio (OH) and Michigan (MI) are limited to a 1% prepayment penalty • Standard Structure: All other eligible scenarios are subject to a 5% fixed prepayment penalty.
	Prepayment Penalty, State Restrictions	• Michigan (MI): Updated to permit prepayment penalties up to 1% of unpaid principal, with a maximum 3-year term. • Mississippi (MS): Prepayment penalties are not permitted. • Ohio (OH): Updated to permit prepayment penalties up to 1% of unpaid principal on 1–2 unit properties, with a maximum 5-year term. Standard requirements apply to 3–4 unit properties.
09.04.2026	**Prepayment Penalties in Rhode Island**	• Prepayment penalties are now eligible for business purpose loans in Rhode Island under standard prepayment penalty terms. The borrower must provide explicit written consent to the prepayment penalty provisions prior to the note date.
	Non-Arm's Length Transactions	• Builder-related transactions are ineligible if it is a builder refinance and the builder/developer (or an affiliated entity) has built more than four (4) units in the same subdivision, development, or condominium project. Builder-related transactions are also ineligible if the loan is secured by a newly constructed second home or investment property (purchase or refinance) and the borrower has a relationship or business affiliation with the builder, developer, or seller.

	Borrower Eligibility	For non-permanent resident aliens using an I-797 Form (Notice of Action), guidance has been updated to clarify that I-797A, I-797B, and I-797C forms are also eligible.
	Departing Residence	• For a departing residence under contract, an appraisal report is not required, even if all "Under Contract" requirements have not been met and the PITIA is included in the qualifying ratios. If any "Under Contract" product profile requirements are not met, the property is considered an additional financed property. This requires two months of reserves (stacked, and not subject to the 12-month cap).
	Bank Statement Program	• Greenline and AccountChek are now eligible third-party providers to pull direct source borrower bank account data and perform calculations, subject to the following: o 12-24 months of direct source borrower bank account data is required, including all pages of the accounts. Calculations provided by these firms must meet requirements and remain subject to a re-underwrite.
08.03.2026	Appraisal Requirements	Clarified that Freddie Mac's expanded PDR eligibility for incomplete construction/renovations and C5 property deficiencies is not permitted
	Condominiums	Removed Limited Project Review eligibility and related requirements; updated condo project documentation requirements.

CW Lending will originate in accordance with the applicable underlying Investor requirements unless otherwise noted in the guidelines. CW Lending does not discriminate in any aspect of a credit transaction on the basis of sex, gender identity or expression, sexual orientation, marital status, familial status, race, color, ethnicity, religion, national origin, age, handicap or disability status, income derived from public assistance, military status or the good faith exercise of rights under the Consumer Credit Protection Act.