		ELIGIBILITY MATRI	X		
Units	Occupancy	Loan Amount	Credit Score	CLTV	DTI
		\$500,000	760	90%¹	
		\$500,000	740	85%¹	
		\$500,000	720		45%
		\$400,000	700	80%	
1 Unit	Primary Residence	\$350,000	680		
		\$150,000	660	75%	
¹Texas 50(a)(6) products are limited to	80% CLTV			•

		ELIGIBILITY MATRIX			
Units	Occupancy	Loan Amount	Credit Score	CLTV	DTI
		\$300,000	720	80%	
1 Unit	Second Home	\$250,000	680	75%	45%
		\$150,000	660	70%	

ELIGIBILITY MATRIX					
Units	Occupancy	Loan Amount	Credit Score	CLTV	DTI
		\$300,000	720	75%	
1 Unit	Investment Property	\$250,000	700	70%	45%

		ELIGIBILITY MATRIX	(
Units	Occupancy	Loan Amount	Credit Score	CLTV	DTI
		\$500,000	760	75%	
		\$400,000	720	80%	
1 Unit	Primary Residence	\$350,000	760	85%¹	45.01% – 50%
		\$300,000	700	75%	
¹Texas 50(a	a)(6) products are limited to	80% CLTV			

Page **1** of **56** Published 11.10.2025



Торіс	Guideline
1. Overview	A closed-end second mortgage is a loan where you can borrower against the equity in
	your home. The funds are disbursed in full when the loan closes and is subordinate to
	the first mortgage lien.
	Client must be approved to originate this product.
2. Loan Terms	15, 20, and 30-year terms only
	P&I: Mortgage Interest must be calculated monthly.
	Any other method such as Daily Simple Interest (DSI) to calculate P&I is ineligible.
3. Program Codes	Description
	Closed End Second Standalone 15 Year
	Closed End Second Standalone 20 Year
	Closed End Second Standalone 30 Year
	Closed End Second Standalone 15 Yr TXA6
	Closed End Second Standalone 20 Yr TXA6
	Closed End Second Standalone 30 Yr TXA6
4. Eligible First Lien	The first lien must be seasoned a minimum of 6 months, measured from the Note date of the existing first lien to the Note date of the new closed end second loan.

Page **2** of **56** Published 11.10.2025



5. Ineligible First Liens	 Properties owned free and clear (no 1st lien) are ineligible
	Loans in active forbearance or deferment
	HELOC
	Interest Only features
	Loans with negative amortization feature
	Reverse Mortgages
	Outstanding terms greater than 30 years
	Balloon loans with a maturity date before the maturity date of the second subject lien
	Private first liens
6. Property Financing	No more than two mortgage liens on a single property (i.e., the first lien and the new
	second lien). Financing that is subordinate to the second lien is not permitted
7. Subordinate Lien	Pay off other existing junior liens on the property required, for example, municipal, other property liens, solar panel
	liens.
	Note: If the solar panels are leased (no lien on subject), follow standard Fannie Mae requirements.
8. HPML	Permitted with the following requirements:
	A full interior/exterior appraisal (Form 1004/1073)
	Refer to section 8A.2 for the underwriting guidelines for additional information
9. Rebuttable Presumption	Permitted with the following requirements:
- I Justin Pilon	
	All federal and state HPML loan requirements are met

Page **3** of **56** Published 11.10.2025



10. Underwriting	Annual Delegated and New Delegated Commenced darks
	Approved Delegated and Non Delegated Correspondents
	All loans must be manually underwritten
	 Any guidelines not stated in this Guide must comply with <u>Fannie Mae Selling</u> <u>Guide</u>
	A maximum four (4) borrowers permitted
	A comprehensive fraud report is required – ie. Drive, Corelogic
11. Income	Tax Transcripts
	Tax transcripts for personal tax returns for the most recent 2 years are required when tax returns are used to document borrower's income, or any loss and must match the documentation in the loan file
	Borrower(s) obtained tax transcripts are not permitted
	Refer to underwriting guidelines for additional information.
12. Assets and Reserves	No asset verification is required unless assets are required for:
	Cash to Close; or
	Payoff of Debt; or
	Utilizing assets as an income source (i.e., Capital Gains or Dividends and Interest)
	When assets are required, the most recent two (2) months statements are required.
	Reserves are not required.
13. Documentation	Full documentation
	Required Documents
	o 1008
	 Mortgage Statement for Subject Property 1st lien to confirm mortgage is not an ineligible 1st lien (see section 5 for list of ineligible 1st liens)
	 If unable to confirm eligible 1st lien, obtain original 1st mortgage note
	Condominiums – warranty form and all supporting documentation
	Ability to Repay Attestation
	 Closing Documents- must follow all federal and state document requirements and any required documents for 2nd lien loans

Page **4** of **56** Published 11.10.2025



14. Qualifying Rate	Note rate
15. Occupancy	Primary residence
	Second Home
	Investment Properties
16. Minimum Loan Amount	Minimum loan amount \$50,000
	Texas Minimum loan amount \$75,000
	Wyoming Minimum loan amount \$75,001
	Maximum loan amount \$500,000
	 Maximum combined loan amount (total amount of 1st and 2nd liens combined) \$3,000,000
	 Use the current balance of the first lien and the loan amount for the subject transaction to calculate the combined loan amount
17. Properties Listed for Sale	Properties listed for sale within six months of the application date are ineligible
18. Eligible Borrowers	U.S. Citizen
	Permanent resident alien
	Inter Vivos revocable living trust
19. Ineligible Borrowers	Non-occupant co-borrowers
	Non-permanent resident aliens
	First Time Homebuyers
	See underwriting guidelines for additional details
20. Power of Attorney	Not permitted
21. Eligible Property Types	• 1-unit
	Condo: Fannie Mae and Freddie Mac warrantable-see Condominium Guidelines
	o Condos -minimum 400 square feet
	• PUD
	Maximum 10 acres
	Minimum 750 square feet

Page **5** of **56** Published 11.10.2025



22. Payment History	Inclusive of all liens regardless of position
	Applies to all mortgages on all financed properties
	 At least one of the borrowers must have a minimum 12-month payment history with 0x30x12
	When the existing lien is not seasoned for 12 months, the prior mortgage or rent history is required to complete the full 12-month payment history.
	When no borrower on the application has a 12-month housing history, the application is ineligible.
23. Number of Financed	Maximum ten (10) financed properties, including the subject property
Properties	
24. Geographic Restrictions	Not eligible in TN
25. Texas Restrictions	• TX 50(a)(6) Maximum CLTV 80%
	TX 50(a)(6) Primary Residence Only
	 12-month seasoning for any current Texas Section 50(a)(6) loan (first or second mortgage)
	Only one outstanding Texas Section 50(a)(6) loan on a property at any given time
	All other Texas 1 st lien transactions that are not TX 50(a)(6)
	6 months seasoning is required

Page **6** of **56** Published 11.10.2025



26. Appraisal	Primary Valuation Requirements:
	• Loan amount ≤ \$350,000
	 AVM with Property Data Inspection
	 AVM must be dated within 60 days of the Note Date
	 Property Date Inspection must be dated within 120 days of the Note Date
	 Refer to section 8A.2 for requirements of the Property Data Inspection.
	 Approved AVM providers require a Forecast Standard Deviation (FSD) score
	Clear Capital - ≤ 0.13
	 ICE CA (formerly Collateral Analytics) - ≤ 0.10
	 Homegenius Real Estate - ≤ 10
	 House Canary - ≤ 0.10
	• CoreLogic - ≤ 13
	 VeroValue - ≤ 0.10, or
	 Exterior appraisal (Form 2055), or
	 Full interior/exterior appraisal (Form 1004/1073)
	• Loan amount > \$350,000
	 Full interior/exterior appraisal (Form 1004/1073)
	HPML Non QM – regardless of loan amount
	 Full interior/exterior appraisal (Form 1004/1073
27. Declining Market	Properties located within a declining market are not permitted
28. Mortgage Insurance	NA NA

Page **7** of **56** Published 11.10.2025



29. Ineligible Loan Feature	29. li	neligi	ble Lo	oan F	eature
-----------------------------	--------	--------	--------	-------	--------

The following are not eligible:

- Amortization recast
- Assumptions
- Prepayment penalty
- Temporary buydown
- Escrow Holdbacks

Underwriting Guidelines

CONTENTS

1A.1 Ability to Repay (ATR)	11
1A.2 Age of Documentation	12
1A.3 Occupancy Types	13
1A.3(a) Primary Residence	13
1A.3 (b) Second Home	13
1A.3 (c) Investment Property	14
1A.4 Borrower Eligibility	14
1A.4(a) U.S. Citizens	14
1A.4(b) Permanent Residents	14
1A.4(c) Inter Vivos Revocable Living Trust Requirements	15
1A.4(d) Spousal Property Rights	16
1A.4(e) Ineligible Borrowers	16
1A.4(f) Certification of Trust	17
1A.4(g) Title Requirements	17
1A.4(h) Legal Documents and Riders	17
2A.1 Single Family Residence	18
2A.2 Condominium	18



2A.3 Planned Unit Development (PUD)	18
2A.4 Accessory Dwelling Units	18
2A.5 Multiple Financed Properties	19
2A.6 Ineligible Property Types	20
Credit Score Requirements	20
3A.1 Minimum Tradeline Requirements	21
3A.2 Disputed Tradelines	21
3A.3 Frozen Credit	22
3A.4 Housing History	22
3A.5 Credit Events	22
3A.6 Credit Inquiries	23
3A.7 Inquires and Undisclosed Debt	23
Section 4 Liabilities	23
4A.1 Revolving Debt	23
4A.2 Installment Debt	23
4A.3 Income Taxes and Payment Plans	24
4A.4 Open 30-Day Charge Accounts	24
4A.5 Home Equity Lines of Credit (HELOC) – Subject Property	25
4A.6 Student Loans	25
4A.7 Contingent Liabilities	25
4A.8 Business Debt in Borrower's Name	26
4A.9 Court-Ordered Assignment of Debt	26
5A.1 Eligible Assets	27
5A.2 Joint Assets	27
5A.3 Large Deposits	27
5A.4 Checking, Savings, Money Market Accounts and CDs	27
5A.5 Publicly Traded Stocks, Bonds, Mutual Funds	27
5A.6 Retirement Accounts	27
5A.7 Cash Value of Life Insurance and Annuities	27



5A.8 Business Funds	28
5A.9 Unacceptable Sources of Funds	28
6A.1 Stability of Income	29
6A.2 Declining Income	29
6A.3 Stability of Employment	29
6A.4 Gaps of Employment	30
6A.5 Prior Military or Education Experience	30
6A.6 Unacceptable Sources of Income	30
7A.1 General Requirements	30
7A.2 Tax Transcripts	31
7A.3 Verbal Verification of Employment (VVOE) Requirements: Wage Earner	31
7A.4 Verbal Verification of Employment (VVOE) Requirements: Self Employment	32
7A.5 Written Verification of Employment (WVOE)	33
7A.6 Wage Earning Income	33
7A.7 Salaried Income	33
7A.8 Fluctuating Hourly, Variable Hourly, and Part-Time Income	34
7A.9 Commission Income	34
7A.10 Overtime and Bonus Income	34
7A.11 Alimony, Child Support, Separate Maintenance	34
7A.12 Borrowers Employed by a Family Member	34
7A.13 Capital Gains Income	35
7A.14 Disability Income	35
7A.15 Dividends and Interest Income	35
7A.16 Employment Offers and Contracts	35
7A.17 Foreign Income	36
7A.18 K-1 Income/Loss on Schedule E of the 1040s	36
7A.19 Non-Taxable Income	36
7A.20 Note Income	37
7A.21 Rental Income	37



7A.22 Restricted Stock (RS), Restricted Stock Units (RSUs) and Stock Options- Performed Based	37
7A.23 Restricted Stock (RS), Restricted Stock Units (RSUs) and Stock Options – Time Based	39
7A.24 Retirement Income	40
7A.25 Royalty Income	40
7A.26 Self-Employed Income General Requirements	41
7A.27 Sole Proprietorship (Includes Schedule C and Schedule F)	41
7A.28 Partnership/S-Corporation	42
7A.29 C-Corporation	43
7A.30 Secondary Self-Employment Income	43
7A.31 Self-Employed Co-Borrower Income	43
7A.32 Social Security Income	43
7A.33 Teacher Contractors and Income	43
7A.34 Temporary Leave Income	44
7A.35 Trust Income	46
8A.1 General Appraisal Requirements	46
8A.2 Primary Valuation Requirements	46
8A.3 Valuation Waterfall	47
8A.4 Properties Located in a Disaster Area	48
9A.1 Condominiums Warrantable	49
9A.2 Planned Unit Development (PUD)	50
9A.3 Ineligible Condominium and PUD Projects	51

Section 1 Loan Eligibility

1A.1 Ability to Repay (ATR)

No mortgage loan may be originated under the programs unless the loan satisfies the "Ability to Repay" provisions dictated by the CFPB in 12 CFR Part 1026.43 (also known as Qualified Mortgage Rule). For each loan, the Correspondent Lender must make reasonable and good faith determination, based on verified

and documented information, that the borrower has a reasonable ability to repay the loan according to its terms. Generally, the underwriters will evaluate, at a minimum, the following eight factors in making this determination:

- current or reasonably expected income or assets
- current employment status
- the monthly payment on the covered transaction
- the monthly payment on any simultaneous loan
- the monthly payment for mortgage-related obligations
- current debt obligations, alimony, and child support
- the monthly debt-to-income ratio or residual income
- credit history

For any loan that is designated as "Qualified Mortgage Loan" having a rebuttable presumption of compliance with the "Ability to Repay" requirement under the Qualified Mortgage Rule, the underwriting determination must show that the borrower has sufficient residual income or assets to meet living expenses after taking into account the borrower's income and debt obligation.

The Income documentation must support the Ability to Repay requirements (ATR).

1A.2 Age of Documentation

Topic	Age of Documentation
Age of Credit Documents	The age of credit documentation used to determine eligibility must be no more than 90 days from the Note Date.
Age of Collateral Documentation	 AVM must be dated within 60 days of the Note Date Property Data Inspection when AVM used as the valuation must be dated within 120 days of the Note Date
	 Appraisal products (effective date) must be no older than 180 days from Note Date. After 120 days, an acceptable 1004-D, recertification of value is required. HOA Questionnaires must be no older than 180 days from the Note Date

Page **12** of **56** Published 11.10.2025



 O&E report must be dated within 60 days of the Note Date
 Title Policy must be dated within 120 days of the Note Date

1A.3 Occupancy Types

The feasibility of a borrower occupying the subject property must be considered when the borrower indicates the property will be their primary residence. A full explanation is required for any red flags or inconsistencies noted in the last 12 months.

1A.3(a) Primary Residence

A primary residence is a property that at least one (1) borrower occupies as their primary residence and typically occupies or will occupy for the majority of the year. The property location is generally convenient to the borrower's principal place of employment.

A borrower may not maintain more than one primary residence at any given time.

1A.3 (b) Second Home

A second home is a one-unit property that the borrower occupies for some portion of the year in addition to their primary residence.

All of the following applies:

- The subject property must be suitable for year-round occupancy;
- The borrower must have exclusive control over the property;
- The subject must not be a rental property or a timeshare agreement; and
- Cannot be subject to any agreements that give a management first control over the occupancy of the property.

Reporting rental income on the borrower's individual income tax returns does not contradict second home status but must be minimal and may not be used for qualification.

Transactions where the property is being purchased for occupancy by someone other than the borrower will be considered an investment property.

Page **13** of **56** Published 11.10.2025

1A.3 (c) Investment Property

An investment property is owned but not occupied by the borrower, regardless of revenue generation. The property must be suitable for year-round rental and occupancy.

1A.4 Borrower Eligibility

Any person signing an application for a loan is a borrower.

- All borrowers must sign the Note;
- All borrowers must have a social security number;
- An Individual Tax Identification Number (ITIN) is not permitted; and
- Each borrower must be an individual.

U.S. citizenship is not required for mortgage eligibility; however, all borrowers must have lawful residency in the U.S. Non-U.S. citizens without lawful residency in the U.S. are not eligible.

1A.4(a) U.S. Citizens

A citizen of the United States or of a United States Possession or Territory are eligible borrowers.

U.S. citizens are eligible for financing.

Income earned outside of the U.S. and not claimed on the borrower's U.S. tax returns are ineligible for qualifying purposes.

Alien Registration Receipt Card (USCIS Form I-551, green card), or

1A.4(b) Permanent Residents

Permanent Residents documentation requirements:

•	A passport stamped processed for I-551, Tempo	orary evidence of lawful admission for permanent
	residence. Valid until	, Employment authorized. It must evidence the
	holder has been approved for, but not issued, a	Permanent Resident card.

• If the Permanent Resident Card is expiring within six (6) months of the Note Date, include a copy of the United States Citizenship and Immigration Services (USCIS) Form I-90 (Application to Replace Permanent Resident Alien Card) filing receipt.

Page **14** of **56** Published 11.10.2025



1A.4(c) Inter Vivos Revocable Living Trust Requirements

An inter vivos (living) revocable trust is a trust that an individual creates during his or her lifetime, becomes effective during its creator's lifetime, and can be changed or canceled by the creator at any time, for any reason, during that individual's lifetime. The company will accept vesting in an inter vivos revocable trust for a second lien mortgage that is secured by a one-family primary residence, so long as the following eligibility criteria is satisfied.

- The inter vivos revocable trust must be established by a natural person, it may be established solely by one individual or jointly by more than one individual.
- No inter vivos revocable trusts that permit powers of attorney will be permitted.
- A copy of the fully executed trust agreement with all amendments must be provided to verify the terms
 of the trusts.
 - An inter vivos revocable trust will be considered eligible vesting if it meets the following requirements:
 - The trust must be established by a written document during the lifetime of the individual establishing the trust, to be effective during his or her lifetime.
 - The trust must be one in which the individual establishing the trust has reserved to himself or herself the right to revoke the trust during his or her lifetime.
 - The primary beneficiary of the trust must be the individual establishing the trust. If the trust is established jointly by more than one individual, there may be more than one primary beneficiary; provided, that the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage. For owner-occupied properties, at least one individual establishing the trust must occupy the security property and sign all applicable mortgage loan documents.
 - The trust document must name one or more trustees to hold legal title to, and manage, the property that has been placed in the trust. The trustees must include either the individual establishing the trust (or at least one of the individuals if there are two or more) or an institutional trustee that customarily performs trust functions in (and is authorized to act as trustee under the laws of) the relevant state.
 - The trustee(s) must have the power to mortgage the security property for the purpose of securing a loan to the party (or parties) who are the "borrower(s)" under the mortgage or deed of trust note.
 - The mortgage and trust documents must meet Fannie Mae eligibility criteria including title and title insurance requirements, as well as applicable state laws that regulate the making of loans to inter vivos revocable trusts.
 - Title to the mortgaged property may be vested: solely in the trustee(s) of the inter vivos revocable trust, or jointly in the trustee(s) of the inter vivos revocable trust and in the name(s) of the individual borrowers(s), or in the trustee(s) of more than one inter vivos revocable trust.
 - The title insurance policy (or ownership report, where applicable) must ensure full title protection to the seller and must state that title to the mortgage

Page **15** of **56** Published 11.10.2025



property is vested in the trustee(s) of the inter vivos revocable trust. Moreover, if there is a title insurance policy, it must not list any exceptions with respect to the trustee(s) holding title to the mortgaged property or to the trust.

- Title held in the trust must not dimmish the mortgagee's rights as a creditor, including the right to have full title to the security property vested in the mortgagee should foreclosure proceedings have to be initiated to cure a default under the terms of the related mortgage.
- The mortgage must be underwritten as if the individual establishing the trust (or at least one of the individuals, if there are two or more) were the borrower (or-coborrower)

1A.4(d) Spousal Property Rights

Certain states require spousal signatures on second mortgage transactions in order to protect a Seller's rights as a creditor. The spouse or domestic partner of any person who has an interest in the property is required to sign the security instrument if his or her signature is necessary under applicable law to waive any property rights he or she has by virtue of being the borrower's spouse or domestic partner.

Individual situations should follow the direction and instructions of the issuing title commitment provider as signatory requirements can vary.

Non-Borrower Spouse

All owners of the homestead and their spouses must consent to the extension of credit by executing the deed of trust. Non-borrower spouses, regardless of their ownership interest in the homestead property, have the right to cancel a loan transaction.

1A.4(e) Ineligible Borrowers

- Non-occupant co-borrowers
- Non-permanent residents
- First Time Homebuyers
- Foreign Nationals
- Borrowers with diplomatic immunity
- Land trusts
- IL Land Trust
- Irrevocable trusts
- Bank trusts
- Qualified Personal Residence trusts
- Blind trusts
- Real estate trusts
- Limited partnerships, general partners, corporations, and limited liability companies
- Borrowers with only an ITIN

Page **16** of **56** Published 11.10.2025



1A.4(f) Certification of Trust

For properties in California, a CA Trust Certification completed by the borrower or the borrower's attorney is acceptable in lieu of the full trust documents. The title commitment is still required.

Should any portion of the trust certificate be found inaccurate or in disagreement with the title report, *this exception cannot be applied,* and the complete trust documents must be provided. This exception to trust documentation is ONLY for properties located in California.

1A.4(g) Title Requirements

Loan amounts less than or equal to \$250,000

- Owner and Encumbrance Property Report dated within 60 days of the note date.
- Property Tax Information required to be verified

Loan amounts greater than \$250,000

• Full ALTA Loan Policy – dated within 120 days of the note date.

1A.4(h) Legal Documents and Riders

See the Fannie Mae Selling Guide B8-5-02 for the following Riders and documents:

- Revocable Trust Rider (Sample Language)
- Signature Requirements for Mortgages to Inter Vivos Revocable Trusts
 - o Signature Requirements for California
 - o Use of a Signature Addendum to Note for Mortgages to Inter Vivos Revocable Trusts
 - Form of Signature Required on Mortgage Note for an Institutional Trustee and for an Individual Trustee Who is Not Both a Settlor and a Credit Applicant
 - Form of Signature Requirement on Mortgage Note for an Individual Trustee Who is Both a Settlor and a Credit Applicant
 - o Form of Signature Required on Security Instrument for All Trustees
 - o Form of Settlor/Credit Applicant's Signature Acknowledgment Required on Security Instrument
 - Optional Limitation on Trust liability

The following trusts are not permitted:

- Blind Trusts
- Community Land Trusts
- Irrevocable Trusts
- Land Trusts

Page **17** of **56** Published 11.10.2025



Section 2 Property Types

2A.1 Single Family Residence

A detached, semi-detached, or attached single-family dwelling, including town homes and row homes.

2A.2 Condominium

A condominium is a unit in a project in which each unit owner has title to his or her individual unit, an undivided interest in the project's common areas, and in some cases, exclusive use of certain limited common areas.

A condominium project is created according to local and state statutes. The structure is two or more units with the interior airspace individually owned. The balance of the property (land and building) is owned in common by the individual unit owners.

To be considered warrantable, condominium projects must meet all applicable <u>Fannie Mae</u> or <u>Freddie Mac</u> Selling Guide requirements.

2A.3 Planned Unit Development (PUD)

A PUD is a project or subdivision that consists of common property and improvements that are owned and maintained by an HOA for the benefit and use of the individual PUD units. For a project to qualify as a PUD, all the following requirements must be met:

- Each unit owner holds title to the lot and the improvements on the lot;
- The HOA holds title to the common elements;
- The unit owners have a right to the use of the common elements; and
- The unit owners pay a fee to the HOA to maintain the common elements for their benefit.

Zoning is not a basis for classifying a project or subdivision as a PUD. Units in project or subdivisions simply zoned as PUDs that include the following characteristics are not defined as PUD projects.

These projects:

- Have no common property and improvements,
- Do not require the establishment of and membership in an HOA; and
- Do not require payment of assessments.

2A.4 Accessory Dwelling Units

Page **18** of **56** Published 11.10.2025



An accessory dwelling unit is typically an additional living area independent of the primary dwelling unit and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilizes, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit and analyze any effect it has on the value or marketability of the subject property. If the property contains an accessory unit, the property is eligible under the following conditions:

- The property is a one-unit
- The property contains only one accessory unit, multiple accessory units are not permitted.
- Accessory unit cannot be a manufactured home.
- The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use.
- The borrower qualifies for the mortgage without considering any rental income from the accessory unit. If it is determined that the property contains an accessory dwelling unit that does not comply with zoning, the property is eligible under the following additional conditions:
 - The seller confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property.
 - o The use conforms to the subject neighborhood and to the market.
 - The property is appraised based upon its current use.
 - The appraisal must report that the improvements represent a use that does not comply with zoning.
 - The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least three comparable properties that have the same non-compliant zoning use

2A.5 Multiple Financed Properties

Financed properties held in the name of an LLC or other corporation, commercial properties, timeshares and unimproved land can be excluded from the calculation of number of properties financed.

Properties held in the name of the LLC or other corporation where the borrower is personally obligated on the mortgage cannot be excluded from the calculation.

Definitions of Ownership

- Partial or joint ownership is considered the same as total ownership in the property
- 1-4 unit residential properties, where the borrower is personally obligated on the mortgage(s)
- Applies to the total number of financed properties, not the number of mortgages on the property
- Is cumulative for all borrowers (though jointly financed properties are counted as one)

Page **19** of **56** Published 11.10.2025



2A.6 Ineligible Property Types

The following are ineligible property types:

- 2-4 units
- Non-warrantable condominiums
- Cooperatives
- Timeshares
- Unique Properties
- Log Homes
- Condotels
- Houseboats
- Manufactured homes
- Agricultural property (working farm or ranch)
- Mixed-use properties
- Commercial Properties
- Properties greater than 10 acres
- Island of Hawaii Properties in Lava Zones 1 and 2
- Properties on Indian Reservations
- Properties in litigation
- Properties held as a leasehold
- Properties with C5 or C6 Condition Rating
- Properties with less than 750 square feet
 - o Condos with less than 400 square feet
- Properties used as agricultural or zoned for, commercial, or industrial
- Timeshares
- Community Land Trust

Section 3 Credit

Credit Score Requirements:

A minimum of 2 credit scores are required for each borrower. Rapid re-scores are not allowed unless the re-score is the result of an error on the credit report. Errors must be confirmed by the creditor.

Credit		
Number of Borrowers	Number of Scores	Methodology Applied
	Present per Borrower	

Page **20** of **56** Published 11.10.2025



1	1	Ineligible
1	2	Lower of 2 as represented
1	3	Middle of 3 as represented
2 or more	1	Ineligible
2 or more	2	Determine lowest score for each borrower, lowest score of that result is representative score
2 or more	3	Determine middle score for each borrower, lowest score of that result is representative score

3A.1 Minimum Tradeline Requirements

The credit tradelines utilized, whether a joint or individual report, must show one of the following:

• Minimum of three (3) tradelines regardless of timeline with at least one of the tradelines being open with a date of last activity within six (6) months from the current date and reported for at least the past 12 months.

OR

• A current mortgage history paid as agreed for the past 36 months.

Notes:

- The minimum required tradelines must have had no significant adverse credit, such as charge-offs or collections.
- Authorized user accounts, jointly held with a co-borrower may be considered in the minimum tradeline requirements for both borrowers.
- Borrowers are not permitted to open a new tradeline after application to meet the minimum tradeline requirement.

3A.2 Disputed Tradelines

All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation authenticates the dispute.

Page **21** of **56** Published 11.10.2025

Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded.

Disputed tradelines do not need to be resolved/removed from the credit report.

3A.3 Frozen Credit

Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required.

3A.4 Housing History

- 0x30x12
- If borrower's mortgage history is less than 12 months, prior rental housing or prior mortgage history required.
- Borrowers without a 12-month housing history are ineligible.

3A.5 Credit Events

- Past Due Accounts: must be brought current.
- Collection Accounts or Charge-Offs: must be paid off at, or prior to closing if account is >\$1,000
 or if aggregate of accounts exceeds \$2,500.
- Judgments, and Liens (including tax liens): must be paid off at, or prior to closing.
- Bankruptcies (Chapters 7, 11, 13): Must be seasoned for 4 years from application date; borrowers with multiple bankruptcies are ineligible.
- Foreclosure or Pre-Foreclosure (120+ days delinquent): Must be seasoned for 4 years from application date.
- Deed-in-Lieu of Foreclosure: must be seasoned for 4 years from application date.
- Short Sale: must be seasoned for 4 years from application date.
- Notice of Default (NOD): must be seasoned for 4 years from application date.
- Forbearance Agreements: Borrower(s) must have completed/exited the forbearance agreement and made no less than 4 months acceptable payments prior to the application date.
- The 12-month housing history requirement would include pre-forbearance and post-forbearance payments.

 The months during forbearance are not considered in meeting the 12-month requirement.
- No waiting period required if the borrower(s) accepted but didn't use the forbearance plan.

Page **22** of **56** Published 11.10.2025

3A.6 Credit Inquiries

Recent credit inquiries within 90 days of the credit report date not resulting in a new account on the credit report will require a letter of explanation from the borrower. If additional credit was obtained, a verification of the debt must be acquired, and the new debt must be included in the DTI.

SECTION 4 LIABILITIES

4A.1 Revolving Debt

- The monthly payment on revolving accounts with a balance must be included in the borrower's DTI, regardless of the number of months remaining.
- If the credit report does not reflect a payment and the actual payment cannot be determined, a minimum payment may be calculated using the greater of \$10 or 5% of the account balance.
- Payments reflected on a credit report may only be excluded if the account is documented
 as paid in full and closed. Debts being paid off with the CES transaction are not required
 to be closed.
- Revolving debt may be paid off to qualify before or at closing. Documentation must be
 provided to evidence the revolving debt has been paid off in the closing package (i.e.,
 evidence of the debt being paid off and 2 months bank/asset statements. If paid off at
 closing, the debt payoff must be reflected on the final Closing Disclosure).
- Gift funds may not be used to pay off accounts for qualifying.

4A.2 Installment Debt

- Installment debts with less than 10 months remaining can be excluded from the DTI.
- Lease payments must be included in the DTI regardless of months remaining.
- Real estate owned by the borrower where the borrower is not on the Note may be excluded from the DTI.
- Property tax, insurance and HOA dues on the property must be documented and the full amount included in the DTI.
- PITIA on real estate owned pending sale must be included in the DTI
- Payment related to a 401(K) loan do not need to be included in total debt obligation.

Page **23** of **56** Published 11.10.2025



- For alimony payments, where the divorce was finalized before January 1, 2019, in lieu of including the debt in the DTI, the alimony payment can be deducted from qualifying income. For divorces finalized on or after January 1, 2019, alimony payments must be treated as a debt.
- Child support payments with less than 10 months remaining do not need to be included in the DTI.
- Installment debt may be paid off to qualify at or before closing.
 - If payoff at closing, evidence the installment debt was paid off must be in the file
 - If payoff prior to closing, document funds used with 2 months bank/asset statements and confirm paid in full
- Gift funds may not be used to pay off debt to qualify.

4A.3 Income Taxes and Payment Plans

If the most recent federal tax return, tax extension, or tax transcripts indicate a borrower owes money to the IRS, the following are required:

- Evidence of payment of taxes due in the form of a cancelled check, credit card statement, bank statement, or screenshot of the receipt from the taxing authority if paid online.
- If taxes due have not been paid, sufficient liquid assets to pay the debt must be documented.
- When a borrower has entered into an installment agreement with the taxing authority to repay delinquent income taxes, the monthly payment amount may be included in the DTI in lieu of requiring payment in full if:
- There is no indication on the credit report, preliminary title commitment, or other loan file documentation that a Notice of Federal Tax Lien has been filed against the borrower in the county in which the subject property is located.
- The following documentation must be obtained:
 - An approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due, and
 - o At least one payment must have been made prior to closing, and
 - Evidence the borrower is current on the payments associated with the tax installment plan. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date.

4A.4 Open 30-Day Charge Accounts

Balances required to be paid monthly are not included in the DTI however verified assets must be reduced by the outstanding balance when calculating funds to close and reserves.

Page **24** of **56** Published 11.10.2025



4A.5 Home Equity Lines of Credit (HELOC) - Subject Property

- HELOCs with a current outstanding balance and no payment reflected on the credit report do not need to have the payment documented however, the payment history must have reported within the past 90 days.
- Existing HELOCs must be paid in full and closed either prior to or at closing.
- For HELOC loans paid off at closing, the line must be closed to any future draws. Requirement on title commitment for payoff and cancellation of HELOC is acceptable to document closing.

4A.6 Student Loans

For all student loans, whether deferred, in forbearance, or in repayment, a monthly payment must be included in the DTI.

If a monthly payment is reflected on the credit report, the reported monthly payment must be used for qualifying.

If the credit report does not reflect a monthly payment, or if it shows \$0 as the monthly payment, the monthly payment may be documented as follows:

Loan payment indicated on student loan documentation verifying monthly payment is based on an income driven plan.

For deferred loans or loans in forbearance:

- 1% of the outstanding loan balance (even if this amount is lower than the actual fully amortizing payment), or
- A fully amortizing payment using the documented loan repayment terms.

4A.7 Contingent Liabilities

When a borrower is obligated on a debt but is not the party who is repaying the debt, the payment may be excluded from the borrower's recurring monthly obligations. This policy is not applicable if the other party is an interested party to the transaction (such as the seller or realtor).

Non-mortgage debt paid by others can be excluded from the DTI if:

- There is no delinquency on the account over the past 12 months.
- 12 months canceled checks or bank statements are provided from the other party making the payments.

Mortgage debt paid by others can be excluded from the DTI if:

The party making the payments is obligated on the mortgage debt.

Page **25** of **56** Published 11.10.2025



- There are no delinquencies in the past 24 months.
- 12 months cancelled checks or bank statements are provided from the other party making the payments.
- The borrower is not using rental income from the property to qualify.
- The referenced property must be included in the count of financed properties.

4A.8 Business Debt in Borrower's Name

When a self-employed borrower claims that a monthly obligation appearing on the credit report is being paid by the borrower's business, the Seller must confirm that the obligation was actually paid out of company funds, and it was considered in its cash flow analysis of the borrower's business.

The payment does not need to be included in the DTI if:

- The account does not have a history of delinquency
- The business provides evidence the obligation was paid out of company funds (such as 12 months cancelled checks)
- The Seller's cash flow analysis of the business took payment of the obligation into consideration.

The payment must be included in the DTI if:

- The business does not provide sufficient evidence that the obligation was paid out of the company funds
- The business provides acceptable evidence of its payment of the obligation, but the Seller's
 cash flow analysis of the business does not reflect any business expense related to the
 obligation.
- The account has a history of delinquency,
- To ensure that the obligation is counted only once, the Seller should adjust the net income of the business by the amount of interest, taxes, or insurance expense, if any, that relates to the account

4A.9 Court-Ordered Assignment of Debt

When a borrower has outstanding debt that was assigned to another party by court order (such as under a divorce decree or separation agreement), the Seller is not required to count the liability as part of the borrower's recurring monthly debt obligations.

The Seller is not required to evaluate the payment history for the assigned debt after the effective date of the assignment. The seller cannot disregard the borrower's payment history for the debt before its' assignment.

Page **26** of **56** Published 11.10.2025



Section 5 Assets

5A.1 Eligible Assets

Eligible assets must be held in a U.S. financial institution and sourced and seasoned for a minimum 60 days.

5A.2 Large Deposits

- Large deposits exceeding 50% of the borrower's total monthly qualifying income or any large deposit
 that is out of the ordinary must be verified and explained by the borrower with the source of such funds
 documented.
- Large deposits that cannot be sourced and explained may be subtracted from the verified asset amount.

5A.3 Checking, Savings, Money Market Accounts and CDs

- 2 complete months bank statements required.
- In lieu of bank statements, use of a Fannie Mae approved asset vendor is acceptable as long as the data includes individual transaction details over a two month period.

5A.4 Publicly Traded Stocks, Bonds, Mutual Funds

- 2 complete months financial statements required
- Evidence of liquidation is required if funds will be used to close transaction.
- Value discounted to 70% for reserves

5A.5 Retirement Accounts

- 2 complete months financial statements required.
- Evidence of liquidation is required if funds are needed to close transaction.
- If borrower is > 59 ½ years old, then 70% of the vested value after the deduction of any outstanding loans.
- If borrower is ≤ 59 ½ years old, then 60% of the vested value after reduction of any outstanding loans.
- Evidence of access to funds required for employer-sponsored retirement accounts.

5A.6 Cash Value of Life Insurance and Annuities

- Most recent statement(s) covering at least a 2-month period.
- 100% of the value can be used unless the account is subject to penalties.
- Evidence of liquidation is required if funds will be used to close the transaction.

Page **27** of **56** Published 11.10.2025



5A.7 Business Funds

Allowed for funds to close only.

Documentation Requirements:

- Personal and business tax returns for the entity the funds are being withdrawn from and a year- to-date
 P&L and balance sheet are required, and either option one or option two below.
- Option One
 - Cash flow analysis required using most recent 3 months business bank statements to determine no negative impact to the business.
 - o Business bank statements must not reflect any NSF or overdrafts.
 - If borrower(s) ownership in the business is less than 100%, the following requirements must be met.

Borrower(s) must have majority ownership of 51% or greater.

The other owner(s) of the business must provide an access letter to the business funds. Borrower(s) percentage of ownership must be applied to the balance of business funds for use by borrower(s).

- Option Two:
 - o A letter from a qualified disinterested third-party CPA can be provided confirming:

The amounts of business assets that can be used must correspond to the borrower's percentage of ownership in the business.

The funds are not a loan, and withdrawal of the funds will not adversely affect the business.

5A.8 Unacceptable Sources of Funds

- Gift Funds
- Proceeds from a personal or unsecured loan
- A cash advance on a revolving charge account or unsecured line of credit
- Foreign assets
- Non-marketable securities
- Profit sharing plans
- Individual Development Accounts
- Pooled Savings
- Salary Advances
- Funds in a custodial or "in trust for" account
- Cryptocurrency

Page **28** of **56** Published 11.10.2025



- Cash on hand
- Loans from non-institutional lenders

Section 6 Employment and Income Stability

6A.1 Stability of Income

Income is a key factor used to determine a borrower's capacity or ability to repay the loan. Supporting documentation must be obtained either from the borrower or directly from borrower's employer or financial institution.

Stable monthly income is the borrower's verified gross monthly income from all acceptable sources, that has been received for at least the past 2 years and can reasonably be expected to continue for at least the next 3 years. For each income source used to qualify the borrower, both the source and the amount of income must be analyzed to determine stability.

When the borrower has less than a 2-year history of receiving income, the underwriter must provide a written analysis to justify the determination that the income used to qualify the borrower is stable.

6A.2 Stable and Predictable Income

Underwriting guidelines emphasize the continuity of a borrower's stable income. The stable and reliable flow of income is a key consideration in mortgage loan underwriting. Individuals who change jobs frequently, but who are nevertheless able to earn consistent and predictable income, are also considered to have a reliable flow of income for qualifying purposes.

To demonstrate the likelihood that a consistent level of income will continue to be received for borrowers with less predictable sources of income, the lender must obtain information about prior earnings. Examples of less predictable income sources include commissions, bonuses, substantial amounts of overtime pay, or employment that is subject to time limits, such as contract employees or tradesmen.

6A.3 Stability of Employment

All borrowers with qualifying income should have a minimum of a two-year employment history.

Page **29** of **56** Published 11.10.2025



6A.4 Prior Military or Education Experience

If a borrower was in the military or in school during the preceding 2 years, the following documentation is required, respectively:

- Military discharge documents, or
- College transcripts

6A.5 Unacceptable Sources of Income

- Any source that cannot be verified
- Income that is temporary
- Rental income (boarder income) received from the borrower's primary residence
- Expense account payments
- Retained earnings
- Deferred compensation
- Rental income from a second home
- Projected income that will begin after Note Date
- Foreign income unless it is declared on personal income tax returns
- Education Benefits
- Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations
- Non-occupant income
- Employment related assets as qualifying income (Asset Depletion)

Section 7 Income Documentation Requirements

7A.1 General Requirements

- 4506-C must be signed and completed for all borrowers.
- Borrowers Authorization form signed by all borrowers.
- The loan file must include an income worksheet detailing income calculations. Income analysis for the borrowers with multiple businesses must show the income/loss details separately, not in aggregate.
- Fannie Mae Form 1084 or Freddie Mac Form 91, or the equivalent is required for self-employed analysis. The most recent forms should be used based on the application date. Form instructions must be followed.

Page **30** of **56** Published 11.10.2025



- Tax returns must meet the following requirements when used for qualifying:
 - Personal income tax returns must be complete with all schedules (W2 forms, K1s, etc.) and must be signed. In lieu of a signature, personal tax transcripts for the corresponding year
 (s) may be provided.
- Business income tax returns must be complete with all schedules and must be signed. In lieu of
 a signature, business transcripts for the corresponding year(s) may be provided.

7A.2 Tax Transcripts

Transcripts are required for all borrowers whose tax return income is used to qualify the loan and will be used to validate the income documentation. The transcripts and supporting income documentation must be consistent.

Tax Transcripts

- Tax transcripts for personal tax returns for the most recent 2 years are required when tax returns are used to document borrower's income or any loss and must match the documentation in the loan file.
- Borrower obtained tax transcripts are not allowed.

forms, the following alternative documentation is required:

When the most recent year's tax returns have been filed, and where the IRS has not processed the

For Tax Transcripts:

- Two prior years' tax transcripts
 - o **Example**:
 - Borrower provided 2023 & 2024 tax returns
 - 2024 tax returns have been filed but the IRS has not yet processed the returns
 - o Required transcripts will be for 2022 & 2023
- For the most recent years' tax return, provide proof of e-filing with the IRS. This is generally an
 e-file receipt, or a screen shot from the borrower's online IRS account that confirms receipt of
 the tax returns, and
- Proof of payment in full of tax liability or receipt of refund, as applicable, and
- A processed 4506-C that confirms "no record of return found" with the IRS

7A.3 Verbal Verification of Employment (VVOE) Requirements: Wage Earner

Verbal Verification of Employment (VVOE) is required for all borrowers with qualifying income.

Page **31** of **56** Published 11.10.2025



- If an employer affirmatively states that a borrower's employment is likely to cease, the loan is ineligible for purchase.
- VVOE must be performed within 10 days prior to the Note date. If the VVOE is completed more
 than 10 days before the Note date, a post- closing VVOE is acceptable if it supports the
 information used to qualify the borrower.
- The VVOE should include the following information:
 - Date of contact.
 - Name and title of person contacting the employer
 - Name of employer
 - Start date of employment.
 - Employment status and job title.
 - o Name, phone number, and title of contact person at employer.
 - o Independent source used to obtain employer phone number.
- If the employer uses a third-party employment verification vendor, the Seller must obtain
 written verification from the vendor of the borrower's current employment status within the
 same time frame as the VVOE requirements.

Note: Because third-party vendor databases are typically updated monthly, the verification must evidence that the information in the vendor's database was no more than 35 days old as of the Note date.

7A.4 Verbal Verification of Employment (VVOE) Requirements: Self Employment

Verification of the existence of borrower's self-employment must be verified through a third-party source and no more than 30 calendar days prior to the Note date. If the verification is completed more than 30 calendar days before the Note date, a post-closing verification is acceptable if it supports the information used to qualify the borrower.

- Third party verification requirements:
 - Third party verification can be from a CPA, regulatory agency, or applicable licensing bureau. If a CPA letter is utilized, it must indicate that the borrower has been selfemployed for a minimum of 2 years.
 - o Listing and address of the borrower's business.
 - o Name and title of person completing the verification and date of verification.
 - If the foregoing option is not possible then: Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the Seller verifies self-employment).

Page **32** of **56** Published 11.10.2025



- Evidence of current business receipts within 10 days of the loan closing date (payment for services rendered).
- Seller certification that the borrower's business is open and operating (Seller confirmed through a phone call or other means); or
- Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).

7A.5 Written Verification of Employment (WVOE)

- WVOEs may be required for a borrower's income sourced from commissions, overtime and/or other income when the income detail is not clearly documented on the paystubs.
- A direct electronic verification of employment through a third party vendor is permitted if it contains sufficient information to analyze and calculate the income.

7A.6 Wage Earning Income

Paystubs must meet the following requirements:

- Clearly identify the employee/borrower and the employer.
- Reflect the current pay period and year-to-date earnings.
- Must be computer generated.
- Year-to-date pay with most recent pay period at the time of application.

W2s must be complete and be a copy provided by the employer. W2s must meet the following requirements:

- Clearly identify the employee/borrower and the employer.
- Must be computer generated.

7A.7 Salaried Income

- Most recent YTD paystub with year-to-date earnings of no less than 30 days.
- W2s for the most recent 2-year period.
- VVOE for all borrowers with qualifying income.

Page **33** of **56** Published 11.10.2025



- Salaried borrowers who also own 25% or more of a business or other entity are considered self- employed.
 In addition to the documentation noted in this section, self-employed income documentation must be provided.
- Salaried borrowers who file a Schedule C (sole proprietorship) will be required to provide selfemployment documentation. This includes borrowers who may be filing the Schedule C as a tax write off for accounting purposes.

7A.8 Fluctuating Hourly, Variable Hourly, and Part-Time Income

Follow Fannie Mae Guidelines

7A.9 Commission Income

- Most recent YTD paystub with year-to-date earnings of no less than 30 days.
- 2 years W2s.
- VVOE.
- Stable to increasing income should be averaged over a 2-year period.

7A.10 Overtime and Bonus Income

- Most recent YTD paystub with year-to-date earnings of no less than 30 days.
- VVOE.
- Stable to increasing income should be averaged over a 2-year period.

7A.11 Alimony, Child Support, Separate Maintenance

- Legal agreement such as a divorce decree, court ordered separation agreement, child support agreement, or other legal agreement reflecting the income will continue for at least 3 years beyond the closing date of the loan.
- Evidence of receipt of full, regular, and timely payments for the most recent 12 months.
- 2 years' tax transcripts. See specific requirements under Tax Transcripts section.
 - Not required for Child Support

7A.12 Borrowers Employed by a Family Member

- Most recent YTD paystub with year-to-date earnings of no less than 30 days.
- W2s or tax returns for the most recent 2-year period.
- VVOE.
- 2 years' tax transcripts. See specific requirements under Tax Transcripts section.

Page **34** of **56** Published 11.10.2025



• Borrower's potential ownership in the business must be addressed by obtaining a letter from a qualified disinterested third-party.

7A.13 Capital Gains Income

- Document a 2-year history of positive capital gains income by obtaining copies of borrower's signed and dated federal income tax returns for the most recent 2 years, including IRS form 1040, Schedule D.
- Obtain copies of 2 most recent months or most recent quarterly investment account statements (minimum 2 months' history) reflecting year-to-date activity supporting borrower's asset position and trading activity to ensure the current year's trading activity is consistent with previous year.
- Obtain year-end statements or other documentation corresponding to the tax years analyzed for the capital gains income supporting a current asset position consistent with previous levels.
- Document sufficient assets remain after closing to support continuance of the capital gain income at the level used for qualifying.
- 2 years' tax transcripts. See specific requirements under Tax Transcripts section.

7A.14 Disability Income

- Copy of the policy or benefits statement must be provided to determine current eligibility for disability payments, amounts of payments, frequency of payments, and if there is an established termination date.
- Termination date may not be within 3 years of the Note date.
- Note: Reaching a specific age may trigger a termination date depending on the policy.

7A.15 Dividends and Interest Income

- Tax returns for the most recent 2-year period.
- 2 years' tax transcripts. See specific requirements under Tax Transcripts section.
- Documented assets to support the continuation of the interest and dividend income.
- If any portion of the assets used to generate the interest and/or dividend income are used for down payment and closing costs, the reduction of those assets must be taken into consideration when calculating the income used for qualifying.

7A.16 Employment Offers and Contracts

Start Date Prior to Loan Closing:

Page **35** of **56** Published 11.10.2025



If the borrower is scheduled to begin employment under the terms of an employment offer or contract, an executed copy of the borrower's offer or contract for future employment and anticipated income must be obtained. A paystub that includes sufficient information to support the income used to qualify the borrower based on the offer or contract must be provided prior to delivery of the loan.

Start Date After Loan Closing:

If the borrower will not begin employment until after loan closing, the employment and income from this source is ineligible for qualifying.

7A.17 Foreign Income

- Most recent YTD paystub with year-to-date earnings of no less than 30 days.
- W2s or the equivalent for the most recent 2 years.
- Income must be reported on U.S. tax returns for the most recent 2- year period.
- VVOE.
- Tax transcripts. See specific requirements under Tax Transcript section.
- All income must be converted to U.S. currency.
- All foreign documents must be translated to English

7A.18 K-1 Income/Loss on Schedule E of the 1040s

- If the income is \$0 or positive, stable, and not used for qualifying, the K1 is not required.
- K-1 losses do not need to be considered in qualifying when ownership in the business is less than 25%.
- If the borrower has less than 25% ownership and income is used for qualifying:
 - Verification of Employment requirements apply.
 - Ye ar-to-date income must be verified if the most recent K1 is more than 90 days from the Note date.
- If the borrower has 25% or more ownership and income is used for qualifying:
 - Verification of Employment requirements apply.
 - o Partnership/S-Corp and self-employment documentation requirements apply.
 - o 2 years' tax transcripts. See specific requirements under Tax Transcripts section.

7A.19 Non-Taxable Income

- Income types include child support, military rations/quarters, social security, disability, foster care, etc.
- Documentation must be provided to support continuation for 3 years.
- Income may be grossed up by 25%. If the actual amount of taxes that would generally be paid by a wage earner in a similar tax bracket is more than 25% of the borrower's non-taxable income, that amount may be used to develop the adjusted gross income.

Page **36** of **56** Published 11.10.2025



- Tax returns for the previous 2 years must be provided to confirm income is non-taxable.
- 2 years' tax transcripts. See specific requirements under Tax Transcripts section.

Note: The requirements for Tax Returns and Transcripts does not apply to:

- Child Support; or
- Military Rations/Quarters; or
- Social Security Income: 15% of the income is non-taxable; or
- VA Disability

Examples for Social Security income

Benefit amount: \$1,500

Nontaxable amount: \$1,500 x 15% = \$225

Gross-up amount: \$225 x 25% = \$56 (rounded to the nearest dollar)

Qualifying income: \$1,556 (does not require additional documentation)

7A.20 Note Income

- Copy of the Note must document the amount, frequency, and duration of the payment.
- Note Income must continue for at least 3 years.
- Bank statements to support receipt of Note income since the last filed tax returns.
- Tax returns for the previous 2 years must be provided to evidence Note income.
- 2 years' tax transcripts. See specific requirements under Tax Transcripts section.

7A.21 Rental Income

Follow Fannie Mae Rental Income for all Occupancy Types

7A.22 Restricted Stock (RS), Restricted Stock Units (RSUs) and Stock Options-Performed Based

History of Receipt:

- Two consecutive years required; it is acceptable to use a rolling 24- month history of receipt vs. calendar years plus year-to-date.
- To be considered for history of receipt, RS and RSU used for qualifying must have vested and been distributed to the borrower from their current employer, without restriction.

Page **37** of **56** Published 11.10.2025

Continuance:

o Documentation must support continuance for at least 3 years.

Documentation Requirements

- o Year-to-date paystubs documenting all year-to-date earnings, including receipt of any RSUs.
- o Two years W2s.
- Verbal Verification of Income ("VVOI")

Or

- Written VOE documenting all year-to-date earnings and the earnings for the most recent 2 calendar years.
- Employment and income verifications obtained through a third-party verification service provider are permitted, provided that the documentation clearly identifies and distinguishes the payout(s) of RS/RSUs.

Additional Documentation Requirements:

- Evidence the stock is publicly traded.
- Documentation verifying that the vesting provisions are performance- based (e.g., RS and/or RSU agreement, offer letter).
- Vesting Schedule(s) currently in effect detailing past and future vesting.
- Evidence of receipt of previous year(s) payout(s) of RS/RSUs (e.g., year-end paystubs, employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds) that must, at a minimum, include the number of vested shares or its cash equivalent distributed to the borrower (pretax).

Calculation of Income:

Based on the form in which vested RSUs are distributed to the borrower (shares or cash equivalent), the Seller must use the applicable method to calculate the monthly income:

- RSU Distributed as Shares:
 - Multiply the 52-week average stock price as of the application date by the total number of vested shares distributed (pre- tax) to the borrower in the past 2 years, then divide by 24.
 - Example: If 200 vested shares were distributed (pre-tax) in the past 2 years and the 52-week average stock price as of the application-received date is \$10, multiply $200 \times 10 then divide by 24 = \$83.33 monthly income.
- o RSU Distributed as Cash Equivalent:

Page **38** of **56** Published 11.10.2025



• Use the total dollar amount distributed (pre-tax) from the cash equivalent of vested shares in the past 2 years and divide by 24.

Note: When the calculation results in declining income from the RS or RSU source, this must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay the debt. The underwriter should provide a written justification for including the declining income for qualifying.

7A.23 Restricted Stock (RS), Restricted Stock Units (RSUs) and Stock Options – Time Based

History of Receipt:

- One year required; it is acceptable to use a rolling 12-month history of receipt vs. calendar years plus year-to-date.
- To be considered for history of receipt, RS and RSU used for qualifying must have vested and been distributed to the borrower from their current employer, without restriction.

Continuance:

o Documentation must support continuance for at least 3 years.

Documentation Requirements

- Ye ar-to-date paystub(s) documenting all year-to-date earnings, including receipt of any RS/RSUs.
- 1-year W2 from the most current calendar year
- VVOI

OR

- Written VOE documenting all year-to-date earnings (including payout(s) of RS/RSUs) as well as earnings for the most recent calendar year.
- Employment and income verifications obtained through a third-party verification service provider are permitted, provided that the documentation clearly identifies and distinguishes the payout(s) of RS/
- RSUs.

Additional documentation requirements:

- Evidence the stock is publicly traded.
- Documentation verifying that the vesting provisions are time-based (RS and/or RSU agreement, offer letter).
- Vesting schedule(s) currently in effect detailing past and future vesting.

Page **39** of **56** Published 11.10.2025



Evidence of receipt of previous year's payout(s) of RS/RSU (e.g., year-end paystub, employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds) that must, at a minimum, include the number of vested shares or its cash equivalent distributed to the borrower (pre-tax).

Calculation of Income

Based on the form in which vested RS or RSUs are distributed to the borrower (i.e., as shares or its cash equivalent), the Seller must use the applicable method(s) below to calculate the monthly income.

- RS or RSU Distributed Shares:
 - Multiply the 52-week average stock price as of the application date by the number of vested shares distributed (pre-tax) to the borrower in the past year, then divide by 12.
 - Example: If 50 vested shares were distributed (pre-tax) in the past year and the 52-week average stock price as of the application date is \$10, multiply 50 x \$10 then divide by 12 = \$41.67 monthly income.
- o RS or RSU Distributed as Cash Equivalent:
 - Use the total dollar amount distributed (pre-tax) from the cash equivalent of vested shares in the past year and divide by 12.

Note: When the calculation results in declining income from the RS or RSU source, this must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay the debt. The underwriter should provide a written justification for including the declining income for qualifying.

7A.24 Retirement Income

All retirement benefits, including annuity retirement benefits must have a minimum continuance of 3 years from the closing date to be considered as qualifying income.

Document verification with any of the following:

- o Distribution or award letter; or
- o Tax returns or tax transcripts from the prior year; or
- Most recent IRS 1099 form; or
- Last 2 months bank statements to document the regular deposit of payments.

7A.25 Royalty Income

Income received from royalty payments may be considered as qualifying income with the following requirements:

Page **40** of **56** Published 11.10.2025



- Evidence of receipt for the most recent 12 months (if payments are received less than monthly,
 24 months is required),
- o Evidence royalty payments are likely to continue for at least 3 years,
- 2 years' personal tax returns, including Supplemental Income and Loss Schedule E,
- 2 years' tax transcripts. See specific requirements under Tax Transcripts section.

7A.26 Self-Employed Income General Requirements

Borrowers who own twenty-five percent (25%) or more of a business or other entity, or where the borrower receives 1099 forms to document income, are considered self-employed and will be evaluated as a self-employed borrower for underwriting purposes regardless of how they are paid through the business (i.e. pay themselves a salary (w-2).

Income calculations should be based on the forms identified in the General Income Documentation Requirements section.

Profit and Loss Statements(P&Ls) and Balance Sheets

- Signed and Dated Year-to-date P&L statements and balance sheets are required if the closing date is beyond 90 days from the end of the last fiscal year.
- P&Ls and balance sheets are not required if the income is positive and not being used for qualifying or if the income is negative and represents less than 5% of the total income.
- o If the tax return for the previous tax year has not been filed, a 12-month P&L statement for that period is required, along with a current balance sheet.
- If the most recent year's tax returns have not been filed by the IRS deadline, the following is required:
 - an executed copy of the borrower's extension requests for both personal and business tax returns.
 - Where a tax amount is owed to the IRS, evidence of proof of payment, or receipt of refund.

A processed 4506-C that confirms "no record of return found" with the IRS is required.

7A.27 Sole Proprietorship (Includes Schedule C and Schedule F)

 2 years' personal tax returns signed on or before the closing date. In lieu of a signature, personal tax transcripts for the corresponding year may be provided.

Page **41** of **56** Published 11.10.2025



- 2 years' tax transcripts. See specific requirements under Tax Transcripts section. The transcripts will be used to validate the income documentation used to underwrite the loan. The transcripts and supporting income documentation must be consistent.
- Year-to-date P&L statement.
- Year-to-date balance sheet. Tax returns for prior year is not a substitute for balance sheet.
- VVOE
- Stable to increasing income should be averaged over 2 years

7A.28 Partnership/S-Corporation

- 2 years' personal tax returns signed on or before the closing date. In lieu of a signature, personal tax transcripts for the corresponding year may be provided.
- 2 years' tax transcripts. See specific requirements under Tax Transcripts section. The transcripts will be used to validate the income documentation used to underwrite the loan. The transcripts and supporting income documentation must be consistent.
- 2 years' K-1sreflecting ownership percentage if counting any income from this source in qualifying (K-1, W2 income, capital gains or interest/dividends) or if Schedule E reflects a loss.
- 2 years' business tax returns (1065s or 1120S) signed if 25% or greater ownership. In lieu of a signature, business tax transcripts for the corresponding year may be provided.
- Due date for business returns for Partnerships and S-Corporations is typically March 15 with an extension for six (6) months or typically September 15. After the extension date has passed, the loan is not eligible without the filed tax return.
- Business returns and year-to-date financials are not required if the income reporting is \$0 or
 positive, not declining and not counted as qualifying income.
- Year-to-date P&L if 25% or greater ownership.
- Year-to-date balance sheet if 25% or greater ownership.
- VVOE
- Stable to increasing income should be averaged for 2 years.

Page **42** of **56** Published 11.10.2025



7A.29 C-Corporation

- 2 years' personal tax returns signed on or before the closing date. In lieu of a signature, personal tax transcripts for the corresponding year may be provided.
- 2 years' tax transcripts. See specific requirements under Tax Transcripts section. The transcripts will be used to validate the income documentation used to underwrite the loan. The transcripts and supporting income documentation must be consistent.
- 2 years' business returns (1120) signed if 25% or greater ownership. In lieu of a signature, business tax transcripts for the corresponding year may be provided.
- Business returns must reflect percentage of ownership for borrower.
- Year-to-date P&L if 25% or greater ownership.
- Year-to-date balance sheet if 25% or greater ownership.
- VVOE.
- Stable to increasing income should be averaged for 2 years.

7A.30 Secondary Self-Employment Income

Follow Fannie Mae Guidelines

7A.31 Self-Employed Co-Borrower Income

Follow Fannie Mae Guidelines

7A.32 Social Security Income

Follow Fannie Mae Guidelines

7A.33 Teacher Contractors and Income

Teachers and school administrators who are employed based on an annually renewed contract, do not need to meet the three (3) year minimum continuance requirement if the following additional requirements are met:

- o Annual contracts are common for the school district.
- o Economic conditions of the area do not pose a threat to the demand for teachers; and
- o The teacher/administrator has a minimum two (2) years of experience.
- The number of paychecks the borrower receives per year must be considered when calculating the income. As an example, for a teacher who receives 10 paychecks per year, qualifying income is calculated as follows:
 - (Monthly salary X 10)/12 = qualifying income

Page **43** of **56** Published 11.10.2025

7A.34 Temporary Leave Income

Temporary Leave from work is generally employee-initiated, short in duration and for reasons including, but not limited to maternity or parental leave, short-term medical disability, or other temporary leave types that are acceptable by law or to the borrower's employer. Borrowers on temporary leave may or may not be paid during their absence from work.

Note: Mandatory leave initiated by an employer, such as a furlough or layoff, is not considered temporary leave regardless of an expected return to work date. For income from unemployment benefits received as a result of mandatory leave initiated by an employer, refer to Fannie Mae guide for Public Assistance Income.

If a lender is made aware that a borrower will be on temporary leave at the time of the loan closing and that borrower's income is needed to qualify for the loan, the lender must determine allowable income and confirm employment as described below.

✓	Temporary Leave-Employment Requirements
	The borrower's employment and income history must meet standard eligibility requirements
	The borrower must provide written confirmation of their intent to return to work.
	The Company must document the borrower's agreed-upon date of return by obtaining, either from the borrower or directly from the employer (or a designee of the employer when the employer is using the services of a third party to administer employee leave), documentation evidencing such date that has been produced by the employer or by a designee of the employer.
	Examples of the documentation may include, but are not limited to, previous correspondence from the employer or designee that specifies the duration of leave or expected return date or a computer printout from an employer or designee's system of record. (This documentation does not have to comply with the Allowable Age of Credit Documents policy.)
	The company must receive no evidence or information from the borrower's employer indicating that the borrower does not have the right to return to work after the leave period.
	The Company must obtain a verbal verification of employment. If the employer confirms the borrower is currently on temporary leave, the lender must consider the borrower employed.
	The Company must verify the borrower's income. The Company must obtain. • The amount and duration of the borrower's "temporary leave income," which may
	require multiple documents or sources depending on the type and duration of the leave period; and

Page **44** of **56** Published 11.10.2025



The amount of the "regular employment income" the borrower received prior to
the temporary leave. Regular employment income includes, but is not limited to,
the income the borrower receives from employment on a regular basis that is
eligible for qualifying purposes (for example, base pay, commissions, and bonus).

Note: Income verification may be provided by the borrower, by the borrower's employer, or by a third-party employment verification vendor.

Requirements for Calculating Income Used for Qualifying

If the borrower **will** return to work as of the first loan payment date, the lender can consider the borrower's regular employment income in qualifying.

If the borrower **will not** return to work as of the first loan payment date, the lender must the lesser of the borrower's temporary leave income (if any) or regular employment income. If the borrower's temporary leave income is less than their regular employment income, the lender may supplement the temporary leave income with available liquid financial reserves. The following are instructions on how to calculate the "supplemental income."

Supplemental income amount: available liquid reserves divided the number of months of supplemental Income

- Available liquid reserves: subtract any funds needed to complete the transaction (down payment, closing costs, other required debt payoff, escrows, and minimum required reserves) from the total verified liquid asset amount.
- *Number of months of supplemental income*: the number of months from the first loan payment date to the date the borrower will begin receiving their regular employment income, rounded up to the next whole number.

After determining the supplemental income, the Company must calculate the total qualifying income.

Total qualifying income = supplemental income plus the temporary leave income

The total qualifying income that results may not exceed the borrower's regular employment income.

Note: These requirements apply if the lender becomes aware through the employment and income verification process that the borrower is on temporary leave. If a borrower is not currently on temporary leave, the lender must not ask if they intend to take leave in the future.

Page **45** of **56** Published 11.10.2025

7A.35 Trust Income

Income from trusts may be used if guaranteed and regular payments will continue for at least 3 years and have been received for no less than six (6) months prior to the application date. Evidence of receipt of trust income must be documented. If received other than monthly or quarterly, age of documentation requirements do not apply. A copy of the trust agreement or trustee statement must show the following:

- o Total amount of borrower designated trust funds.
- Terms of payment.
- o Duration of trust.
- Evidence trust is irrevocable.

If trust fund assets are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawals of the assets will not negatively affect the income.

Section 8 Valuation Requirements

8A.1 General Appraisal Requirements

The following conditions must be met on an appraisal:

- o Value is on an "as-is" basis and not subject to future improvements, with an as-is appraisal or 1004D evidencing completion of any cited repair/improvements.
- o 1004D to be completed and satisfied prior to closing.
- o Condition rating is C1 through C4.
- o C5 and C6 condition ratings are ineligible.
- o Appraisals assigned from another lender are not permitted.
- o Appraisal must be completed for subject transaction; prior appraisals are not permitted.

8A.2 Primary Valuation Requirements

- All loans identified as HPML must follow the appraisal requirements identified in the regulation, including the requirement for a full 1004/1073 appraisal, if applicable.
- Loan amount ≤ \$350,000

Page **46** of **56** Published 11.10.2025



- AVM with Property Data Inspection that is otherwise compliant with FIRREA requirements (AVM must be dated within 60 days of the Note Date, Property Data Inspection must be dated within 120 days of the Note Date)
 - Property Data Inspection is an exterior inspection of the subject property including photos
 of the front of the home, house number, left and right sides, when accessible, of the home,
 street scene, any visible exterior condition concerns. The report must include a description
 of the condition of the home and any repairs needed along with a cost estimate for repairs.
 The report preparer should confirm the current use of the property and current zoning as
 well as commenting on any positive or negative externalities. The report preparer's
 signature and date of the inspection is required
 - AVM score must comply with Fitch AVM approved vendors and PP10 90 FSD requirements noted below:
 - Company Approved AVM Providers
 - Clear Capital ≤ 0.13
 - ICE CA (formerly Collateral Analytics) ≤ 0.10
 - Homegenius Real Estate ≤ 10
 - House Canary ≤ 0.10
 - Corelogic ≤ 13
 - VeroValue ≤ 0.10, or
- o Exterior appraisal (Form 2055), or
- o Full interior/exterior appraisal (Form 1004/1073)
- Loan amount > \$350,000
 - Full interior/exterior appraisal (Form 1004/1073)
- Any HPML Non QM loan, regardless of loan amount
 - Full interior/exterior appraisal (Form 1004/1073)

8A.3 Valuation Waterfall

Validate HPML prior to determining which valuation product and waterfall to select and follow. Full Interior/Exterior (1004/1073) Appraisal

- Required when:
 - o Loan is HPML Non QM, regardless of loan amount, or
 - Loan amount is ≥ \$350,000
 - All Texas transactions

Automated Valuation Model (AVM) with Property Data Inspection

Page **47** of **56** Published 11.10.2025



Approved AVM Providers: Clear Capital, ICE CA, House Canary, Corelogic, VeroValue and Homegenius AVM with Property Data Inspection

- AVM requires an FSD score ≤ to:
 - o Clear Capital ≤ 0.13
 - o ICE CA (formerly Collateral Analytics) ≤ 0.10
 - o Homegenius Real Estate ≤ 10
 - o House Canary ≤ 0.10
 - o Corelogic ≤ 13
 - VeroValue ≤ 0.10
- If AVM FSD score is > than minimum FSD scores, the follow appraisal options are
 - Exterior appraisal (Form 2055)
 - Full interior/exterior appraisal (Form 1004/1073)

8A.4 Properties Located in a Disaster Area

Disaster Policy Overview:

The FEMA Declared Disaster Area Policy applies to all areas eligible for Individual Assistance due to a federal government disaster declaration.

The Disaster Policy will be in effect for transactions during an ongoing disaster and transactions with a Note date within ninety (90) days of the end date of the disaster incident period. The Disaster Policy is also in effect for loans with a post-closing disaster and prior to the date of purchase by the investor.

Disaster Policy Effective Date:

The Disaster Policy becomes effective as of the Incident Period Begin Date for the disaster/event. FEMA publishes the Incident Period along with the Declaration Date once the area is declared. For example, refer to the following dates to understand when property re-inspection requirements apply:

Disaster Incident Period Example:

• Begin Date: March 8

• End Date: March 10 Disaster

Declaration Date: March 17

Effective Date for Disaster Procedures: March 8

Based on the dates noted above in the example, all appraisals/Property Data Inspection performed before March 8 would require the appropriate re-inspection or review. Appraisals/Property Data Inspection

Page **48** of **56** Published 11.10.2025



performed after March 10 would continue to require written certification by the appraiser/inspector that addresses whether the property was free from damage and whether the disaster had any effect on value or marketability. If there was damage, the extent of that damage would need to be addressed.

• If the property is in a zone where a Disaster End Date has not been declared by FEMA, in addition to the above inspection requirements, a date and time stamped area map from a state or county agency or similar, showing the subject property in relation to the disaster area is required to evidence that the property is outside the current known disaster boundaries.

Appraisal and Re-inspection Requirements:

To ensure the property value has not been impacted by the disaster, a post-disaster property inspection is required. The inspection may be performed by the original appraiser, another licensed appraiser, or licensed property inspection company.

- Appraisal performed before the disaster incident begin date: The property re-inspection must identify the following:
 - o Property is free from damage and the disaster had no effect on value or marketability.
 - O If the re-inspection indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidence by Form 1004D/442, Appraisal Update, and/or Completion Report, or other post-disaster inspection report, with photos of interior, exterior, and neighborhood.
- Standard Appraisal Performed After Incident Period End Date of Disaster Appraisal must include written certification by the appraiser that:
- o Property is free from damage and the disaster had no effect on value or marketability. Completion of repairs is required as evidence by Form 1004D/442, Appraisal Update, and/or Completion Report, or other post-disaster inspection report, with photos of interior, exterior, and neighborhood.

Section 9 Property Project Requirements

9A.1 Condominiums Warrantable

General Requirements

o To be considered warrantable, a condominium project must comply with all requirements published in the Fannie Mae Selling Guide. A Condominium Eligibility Questionnaire may be

Page **49** of **56** Published 11.10.2025



required to determine eligibility. Refer to Fannie Mae's Condominium Project Questionnaire – Short Form 1077 or Condominium Project Questionnaire – Full Form 1076, or their equivalents, and as applicable. Condominium Project Review Attached condominiums: Limited review allowed for attached units in established condominium projects.

- Eligible transactions per Fannie Mae guidelines.
- Projects located in Florida are not eligible for Limited Review.
- o Condo Project Manager ("CPM") or Project Eligibility Reviews Service ("PERS") allowed.
- o Full review allowed. Warranty must be to Fannie Mae full review guidelines.
- Projects with 2-4 units, project review is waived. Additional Fannie Mae requirements apply when the project review is waived. Refer to section B4.1-02 of the Fannie Mae Selling Guide for additional information.
- Condominium documents to support condominium eligibility review must be no older than one hundred eighty (180) days from the Note date.

Note: For full warranty, the HOA questionnaire is required unless you provide certification from CPM that the projects is FNMA approved.

Detached condominiums:

 Project review is waived. Additional Fannie Mae requirements apply when the project review is waived. Refer to section B-4.1-02 of the Fannie Mae Selling Guide for additional information.

9A.2 Planned Unit Development (PUD)

PUDs must comply with all requirements published in the Fannie Mae Selling Guide. A PUD Eligibility Letter is not required.

For properties located in a PUD project, the Project Review is waived apart from some basic requirements that must be met.

- o The project is not an ineligible project under this PEG.
- Priority of Common Expense Assessments (HOA fees) must not exceed six (6) months of regular common expense assessments, even if applicable law provides for a longer priority period.
- o Insurance requirements for PUD projects must be met for title, hazard, liability (if a new project) and flood.
- Appraisal must meet all applicable appraisal requirements established by the Fannie Mae Selling Guide.

Page **50** of **56** Published 11.10.2025



9A.3 Ineligible Condominium and PUD Projects

- Projects in litigation: Any project for which the HOA is named as a party to pending litigation or, any project for which the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project is ineligible. Litigation that involves minor matters are not considered ineligible projects; provided, that the pending litigation has no impact on the safety, structural soundness, habitability, or functional use of the project. The following are defined to be minor matters:
 - Non-monetary litigation involving neighbor disputes or rights of quiet enjoyment.
 - Litigation for which the claimed amount is known, the insurance carrier has agreed to provide the defense,
 and the amount is covered by the association's insurance; or
 - The HOA is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due HOA dues
- Condotel: Any project that is managed and operated as a hotel or motel, even though the units are owned individually. Projects with any of the following characteristics are considered hotel-type projects, and are therefore, ineligible:
 - o Projects that include registration services and offer rentals of units daily.
 - o Projects with names that include the words "hotel" or "motel".
 - o Projects that restrict the owner's ability to occupy the unit.
 - Projects with mandatory rental pooling agreements that require the unit owners to either rent their units or to give a management firm control over the occupancy of the units. These formal agreements between the developer, HOA, and/or the individual unit owners, obligate the unit owner to rent the property on a seasonal, monthly, weekly, or daily basis. In many cases, the agreements include blackout dates, continuous occupancy limitations, and other such use restrictions. In return, the unit owner receives a share of the revenue generated from the rental of the unit.
 - Projects that include any of the following: central telephone system, room service, units that do not contain full-sized kitchen appliances, daily cleaning service, advertising of rental rates, restrictions on interior decorating, franchise agreements, central key systems, location of the project in a resort area, projects converted from a hotel or motel.
- Projects with non-incidental business operations owned or operated by the HOA such as, but not limited to, a restaurant, spa, health club, etc.
- Investment securities: projects that have documents on file with the Securities and Exchange Commission, or projects where unit ownership is characterized or promoted as an investment opportunity.
- Common interest apartments or community apartment projects: any project or building that is owned by several owners as tenants-in- common or by a HOA in which individuals have an

Page **51** of **56** Published 11.10.2025



undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment in the building.

- Timeshare or segmented ownership projects.
- Houseboat projects.
- Manufactured housing projects.
- Mult i-dwelling unit condominiums or cooperatives: projects that permit an owner to hold title (or stock ownership and the accompanying occupancy rights) to more than one dwelling unit, with ownership of all his or her owned units (or shares) evidenced by a single deed and financed by a single mortgage (or share loan).
- Condominium projects that represent a legal use of the land if zoning regulations prohibit rebuilding the improvements to current density in the event of their partial or full destruction.
- New projects where the seller is offering sale/financing structures more than permitted limits.
 These excessive structures include, but shall not be limited to, builder/developer contributions, sales concessions, HOA or principal and interest payment abatements, and/or contributions not disclosed on the Closing Disclosure.
- Attached condominium projects where more than fifteen percent (15%) of the total units in a project
 are thirty (30) days or more past due on their HOA dues/maintenance fees. For example, a one
 hundred (100) unit project may not have more than fifteen (15) units that are thirty (30) days or more
 delinquent.
- Newly converted, no-gut rehabilitation condominium conversions are ineligible for financing.
- Condominiums with less than four hundred (400) square feet.

Section 10 Title Insurance

Loan amounts less than or equal to \$250,000

- Owner and Encumbrance Property Report dated within 60 days of the note date
- o Property Tax Information required to be verified

Loan amounts greater than \$250,000

o Full ALTA Loan Policy- dated within 120 days of the note date

Page **52** of **56** Published 11.10.2025



Revision Hist	Revision History		
Section	Update	Date	
Loan Terms	P&I calculation must be monthly	02.21.2025	
	Any other calculation such as Daily Simple Interest (DSI) is ineligible.	v25.1	
Ineligible Property Type	2A.5 – added Community Land Trust as an ineligible property type to support this restriction that is already stated in ineligible borrowers		
Income Documentation Requirements	7A.19 Non Taxable Income – added VA Disability as an addition income type that does not require tax returns or transcripts.		
Appraisal AVM Vendors	Updated Collateral Analytics to reflect ICE CA (formerly Collateral Analytics) due to ICE acquiring this vendor.	05.08.2025 v25.2	
Appraisal – AVM Vendors	Corrected Corelogic to reflect correct decimal point for FSD score		
6A.3 Stability of Employment	Updated: All borrowers with qualifying income should have a minimum of a two-year employment history.		
2A.4 Accessory Dwelling Unit	Added guidelines for ADU		
New Eligibility Grid	Added new grid to allow DTI from 45.0% - 50% with CLTV reduced by 5%	05.19.2025 v25.3	
8A.1 General Appraisal 8A.2Primary Valuation Requirements	Updated to add the following as-is requirements: Value is on an "as-is" basis and not subject to future improvements, with an as-is appraisal or 1004D evidencing completion of any cited repair/improvements. 1004D to be completed and satisfied prior to closing Proto's of the left and right side of the property are required, when accessible.	1	
11. Minimum	Added:	07.24.2025	
Loan Amount	Wyoming \$75,001	v25.4	
2A.2 Condominium	Updated to allow Freddie Mac and added links to the guide for warrantable guidelines for Fannie and Freddie Added Freddie Mac warrantable condo as eligible property type		
Appraisal	Removed the decimal point from Corelogic AVM due to how it is displayed on the report.	_	

Page **53** of **56** Published 11.10.2025

7A.5 Written Verification of Employment	Updated to clarify Digital Verification is acceptable	
7A.24 – Retirement Income	Removed to be clearer from the following statement – including a combination of documentation	
	Updated to reflect: Document verification with any of the following:	
7A.26 SE Income	Updated Policy:	
	Current:	
	 If the tax return for the previous tax year has not been filed, a 12-month P&L statement and balance sheet for that period is required. 	
	New:	
	 If the tax return for the previous tax year has not been filed, a 12-month P&L statement for that period is required, along with a current balance sheet. 	
Matrix	Added new grid for Second Home eligibility	08.11.2025
2. Loan Terms	Added 15 Years	v25.5
3. Programs	Added new product code	
	2591	
15. Occupancy	Added Second Home as eligible occupancy	
1A.3 Occupancy	Added Second Home definition	
Eligibility Grid	Added restriction for TX max LTV – 80%	09.25.2025
3. Product Codes	Added 3 new products to support TX A6 transactions	v25.6
	2594, 2595, 2596	
5. Ineligible 1 st Lien	Properties owned free and clear (no 1st lien) are ineligible	
16. Min loan amount	Added TX to \$75,000 min loan amount	

Page **54** of **56** Published 11.10.2025



25. Texas	Added:	
	• TX 50(a)(6) Maximum CLTV 80%	
	• TX 50(a)(6) Primary Residence Only	
	 12-month seasoning for any current Texas Section 50(a)(6) loan (first or second mortgage) 	
	 Only one outstanding Texas Section 50(a)(6) loan on a property at any given time 	
	All other 1 st lien transactions that are not TX 50(a)(6)	
	6 months seasoning is required for all other Texas loans	
26. Appraisal	Added:	
	Texas – All Transactions require Full interior/exterior appraisal	
Appraisal	For Clarity:	
Sections	Exterior Property Inspection updated to Data Property Inspection	
	Exterior Only appraisal updated to Exterior Appraisal (2055)	
Underwriting	Added eligibility for Non Delegated Correspondents	10.16.2025
Onder writing	Added eligibility for Non Delegated correspondents	v25.7
Eligibility Matrices	Updated Primary Resident Grids for DTI to 45% and DTI to 50% with updated loan amounts and LTV's	10.30.2025 v25.8
	Added New Grid for Investment Properties	
Minimum Loan Amount	Updated to \$500,000	
Number of Financed Properties	Increased from 4 to 10	
 Appraisal	Updated AVM to permit when loan amount ≥ \$350,000	
	Updated full appraisal required when loan amount is > \$350,000	
Occupancy		11.10.2025
Eligibility Grid		v25.9
Occupancy Types	Added Investment Property definition	

Page **55** of **56** Published 11.10.2025

1A4e Ineligible Borrowers	Added First Time Homebuyer
3A.1Minimum Tradeline Requirements	Updated: The credit tradeline utilized, whether a joint or individual must show one of the following: • Minimum of three (3) tradelines regardless of timeline with at least one of the tradelines being open with a date of last activity within six (6) months from the current date and reported for at least the past 12 months. OR • A current mortgage history paid as agreed for the past 36
3A.6 Credit Inquiries	months. Updated from 120 days to 90 days
Joint Assets	Removed
6A.2 Declining Income and Gaps of Employment	Combined into new chapter Stable and Predictable Income and referenced to Follow Fannie Mae Guidelines
7A.2 Tax Transcripts	Updated tax years
7A.8 Fluctuating Hourly, Variable Hourly and Part- Time Income	Updated to Follow Fannie Mae Guidelines
7A.21 Rental Income	Follow Fannie Mae Guidelines
7A.30 Secondary Self Employment Income	Follow Fannie Mae Guidelines
7A.31 Self Employed Co- Borrower Income	Follow Fannie Mae Guidelines
7A.32 Social Security Income	Update to Follow Fannie Mae Guidelines
8A.3 Valuation Waterfall	Added all TX loans require full appraisal

Page **56** of **56** Published 11.10.2025