

Community Equity Advantage Guidelines

ELIGIBILITY MATRIX					
Units	Occupancy	Loan Amount	Credit Score	CLTV ^{1,2}	DTI
1 Unit	Primary Residence	\$500,000	760	90% ¹	45%
		\$500,000	740	85% ¹	
		\$500,000	720	80%	
		\$400,000	700		
		\$350,000	680	75%	
		\$150,000	660		

¹Texas 50(a)(6) products are limited to 80% CLTV
² CLTV must include any deferred balance on the 1st mortgage

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

¹ CLTV must include any deferred balance on the 1st mortgage

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

¹ CLTV must include any deferred balance on the 1st mortgage

ELIGIBILITY MATRIX					
Units	Occupancy	Loan Amount	Credit Score	CLTV ²	DTI
1 Unit	Primary Residence	\$500,000	760	75%	45.01% – 50%
		\$400,000	720	80%	
		\$350,000	760	85% ¹	
		\$300,000	700	75%	

¹Texas 50(a)(6) products are limited to 80% CLTV
² CLTV must include any deferred balance on the 1st mortgage

Topic	Guideline
1. Overview	<p>A closed-end second mortgage is a loan where you can borrow against the equity in your home. The funds are disbursed in full when the loan closes and is subordinate to the first mortgage lien.</p> <p>Client must be approved to originate this product.</p>
2. Loan Terms	<ul style="list-style-type: none"> • 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	Product 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	<p>The first lien must be seasoned for 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.</p>
5. Ineligible First Liens	<ul style="list-style-type: none"> • Properties owned free and clear (no 1st lien) are ineligible • Loans in active forbearance or deferment • Loans with a deferred balance due to forbearance or modification with a balloon payment due before the maturity of the subject second lien • Loans seasoned less than 4 months from exiting forbearance or modification • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Pay off other existing junior liens on the property required, for example, municipal, other property liens, solar panel liens. <p>Note: If the solar panels are leased (no lien on subject), follow standard Fannie Mae requirements.</p>

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<p>8. HPML</p>	<p>Permitted with the following requirements:</p> <ul style="list-style-type: none"> • A full interior/exterior appraisal (Form 1004/1073) <p>Refer to section 8A.2 for the underwriting guidelines for additional information</p>
<p>9. Rebuttable Presumption</p>	<p>Permitted with the following requirements:</p> <ul style="list-style-type: none"> • All federal and state HPML loan requirements are met
<p>10. Underwriting</p>	<ul style="list-style-type: none"> • Approved Delegated and Non Delegated Correspondents • All loans must be manually underwritten • Any guidelines not stated in this Guide must comply with Fannie Mae Selling Guide • A maximum four (4) borrowers permitted • A comprehensive fraud report is required – i.e.. Drive, Corelogic
<p>11. Tax Transcripts</p>	<ul style="list-style-type: none"> • Refer to the Tax Transcript section of the guide – 6A.2
<p>12. Assets and Reserves</p>	<p>No asset verification is required unless assets are required for:</p> <ul style="list-style-type: none"> • Cash to Close; or • Payoff of Debt; or • Utilizing assets as an income source (i.e., Capital Gains or Dividends and Interest) <p>When assets are required, the most recent two (2) months statements are required. Reserves are not required.</p>
<p>13. Documentation</p>	<ul style="list-style-type: none"> • Full documentation • Required Documents <ul style="list-style-type: none"> • 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
<p>14. Qualifying Rate</p>	<ul style="list-style-type: none"> • Note rate
<p>15. Occupancy</p>	<ul style="list-style-type: none"> • Primary residence • Second Home • Investment Properties

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16. Minimum Loan Amount	<ul style="list-style-type: none"> • 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: \$3,000,000 <ul style="list-style-type: none"> • Total Amount of 1st and 2nd liens combined <ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Properties listed for sale within six months of the application date are ineligible
18. Eligible Borrowers	<ul style="list-style-type: none"> • U.S. Citizen • Permanent resident alien • Inter Vivos revocable living trust
19. Ineligible Borrowers	<ul style="list-style-type: none"> • Non-occupant co-borrowers • Non-permanent resident aliens • First Time Homebuyers <p>See underwriting guidelines for additional details</p>
20. Power of Attorney	<ul style="list-style-type: none"> • Not permitted
21. Eligible Property Types	<ul style="list-style-type: none"> • 1-unit • Condo: Fannie Mae and Freddie Mac warrantable-see Condominium Guidelines <ul style="list-style-type: none"> ○ Condos -minimum 400 square feet • PUD • Maximum 10 acres • Minimum 750 square feet
22. Payment History	<ul style="list-style-type: none"> • 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 <p>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.</p> <p>When no borrower on the application has a 12-month housing history, the application is ineligible.</p>
23. Number of Financed Properties	<ul style="list-style-type: none"> • Maximum ten (10) financed properties, including the subject property
24. Geographic Restrictions	<ul style="list-style-type: none"> • Not eligible in TN
25. Texas Restrictions	<ul style="list-style-type: none"> • TX 50(a)(6) Maximum CLTV 80%

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	<ul style="list-style-type: none"> • 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 <p>All other Texas 1st lien transactions that are not TX 50(a)(6)</p> <ul style="list-style-type: none"> • 6 months seasoning is required
<p>26. Appraisal</p>	<p>Primary Valuation Requirements:</p> <ul style="list-style-type: none"> • Loan amount ≤ \$350,000 <ul style="list-style-type: none"> ○ AVM with Property Data Inspection <ul style="list-style-type: none"> ▪ AVM must be dated within 60 days of the Note Date ▪ Property Date Inspection must be dated within 120 days of the Note Date <ul style="list-style-type: none"> – Refer to section 8A.2 for requirements of the Property Data Inspection. ▪ Approved AVM providers require a Forecast Standard Deviation (FSD) score <ul style="list-style-type: none"> – 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 <ul style="list-style-type: none"> ○ Full interior/exterior appraisal (Form 1004/1073) • HPML Non QM – regardless of loan amount • Full interior/exterior appraisal (Form 1004/1073)
<p>27. Declining Market</p>	<p>Properties located within a declining market are not permitted</p>
<p>28. Mortgage Insurance</p>	<p>NA</p>
<p>29. Ineligible Loan Features</p>	<ul style="list-style-type: none"> • The following are not eligible: • Amortization recast • Assumptions • Prepayment penalty • Temporary buydown • Escrow Holdbacks

Underwriting Guidelines

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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	<ul style="list-style-type: none"> • 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 • 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.

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.

1A.4(b) Permanent Residents

Permanent Residents documentation requirements:

- Alien Registration Receipt Card (USCIS Form I-551, green card), or
- A passport stamped processed for I-551, Temporary 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.

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

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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 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 diminish 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 co-borrower)

1A.4(d) Spousal Property Rights

Certain states require spousal signatures on second mortgage transactions in order to protect a Seller’s rights as accreditor. 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

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
 - Signature Requirements for California
 - 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
 - Form of Signature Required on Security Instrument for All Trustees
 - 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

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 [Fannie Mae](#) or [Freddie Mac](#) 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

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.
- 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)

2A.6 Ineligible Property Types

The following are ineligible property types:

- 2-4 Units
- **3D Printed Homes**
- Agricultural Property (working farm or ranch)
- **Assisted Living Projects**
- **Barndominiums**
- **Bed and Breakfast Properties**
- **Berm Homes**
- **Boarding House**
- Commercial Properties
- Community Land Trusts
- Condotels
- Cooperatives
- Houseboats
- Industrial Properties
- Illegally Zoned Properties
- Island of Hawaii Properties in Lava Zones 1 and 2
- Leasehold Properties
- Log Homes
- Manufactured Homes
- Mixed-Use Properties
- **Mobile Home**
- Non-Warrantable Condominiums
- Properties greater than 10 acres
- Properties on Indian/Tribal Land
- Properties in Litigation
- Properties with C5 or C6 Condition Rating
- Properties with less than 750 square feet
 - Condos with less than 400 square feet
- **Shouse (Shop + House)**
- Timeshares
- **Tiny Homes**

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 Present per Borrower	Methodology Applied
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.
- 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/**Modification** 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.

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.
- 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.

Community Equity Advantage Guidelines

- 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
 - 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.

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.
- 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.

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.

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.
 - 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:
 - 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
- Cash on hand
- Loans from non-institutional lenders

Section 6 Employment and Income

6A.1 Income Assessment

Follow [Fannie Mae Guidelines](#) for Manual Underwriting

6A.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 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.

When the most recent year's tax returns have been filed, and where the IRS has not processed the forms, the following alternative documentation is required:

For Tax Transcripts:

- If prior two years' tax transcripts are required - EXAMPLE
 - Borrower provided 2023 & 2024 tax returns
 - 2024 tax returns have been filed but the IRS has not yet processed the returns
 - 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

Section 7 Valuation Requirements

7A.1 General Appraisal Requirements

The following conditions must be met on an appraisal:

- 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.
- Condition rating is C1 through C4.
- C5 and C6 condition ratings are ineligible.
- Appraisals assigned from another lender are not permitted.
- Appraisal must be completed for subject transaction; prior appraisals are not permitted.

7A.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**
 - 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
 - Exterior appraisal (Form 2055), or
 - 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)

7A.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:
 - Loan is HPML Non QM, regardless of loan amount, or
 - Loan amount is \geq \$350,000
 - All Texas transactions

Automated Valuation Model (AVM) with Property Data Inspection

Approved AVM Providers:

- Clear Capital
- ICE CA
- House Canary
- Corelogic
- VeroValue and
- Homegenius AVM with Property Data Inspection

- AVM requires an FSD score \leq to:
 - Clear Capital \leq 0.13
 - ICE CA (formerly Collateral Analytics) - \leq 0.10
 - Homegenius Real Estate \leq 10
 - House Canary - \leq 0.10
 - Corelogic - \leq 13
 - VeroValue - \leq 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)

7A.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:

Community Equity Advantage Guidelines

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 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:
 - Property is free from damage and the disaster had no effect on value or marketability.
 - 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:
 - 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 8 Property Project Requirements

8A.1 Condominiums Warrantable

General Requirements

- 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 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.
- Condo Project Manager (“CPM”) or Project Eligibility Reviews Service (“PERS”) allowed.
- 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.

8A.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.

- 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.
- 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.

8A.3 Ineligible Condominium and PUD Projects

Community Equity Advantage Guidelines

- **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:
 - Projects that include registration services and offer rentals of units daily.
 - Projects with names that include the words "hotel" or "motel".
 - 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-incidentual 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 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.

Community Equity Advantage Guidelines

- Multi -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 9 Title Insurance

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

Revision History		
Section	Update	Date

Community Equity Advantage Guidelines

Eligibility Matrix	Added Sub-bullet for CLTV – CLTV must include any deferred balance on the 1 st mortgage to all grids	04.23.2026 v26.2
5. Ineligible First Liens	Added: <ul style="list-style-type: none"> Loans with deferred balance due to forbearance or modification with a balloon payment due before the maturity of the subject second lien Loans seasoned less than 4 months from exiting forbearance or modification 	
Income Section	Deleted – details in guide	
2A.6 Ineligible Property Types	Updated the list to call out all unique property types and alphabetize the list	
3A.5 Credit Events	Added Modification to the Forbearance Agreement bullet	
Guidelines – Chapter 6 & 7	Updated Employment and Income Stability & Documentation sections to Income Assessment and to follow Fannie Mae for all income and documentation requirements for Manual Underwriting	
6A.2 Tax Transcripts	Removed reference to two years tax returns	
5. Ineligible First Liens	Added: Loans with a deferred balance due to forbearance or modification	02.26.2026 v26.1
24. Ineligible First Liens	Added Tennessee as an eligible state with a statement regarding when eligible for purchase	