

# COMMUNITY EXPANDED PRIME

## MATRIX

		PRIMARY RESIDENCE		SECOND HOME & INVESTMENT	
Loan Amount	FICO	Purchase/Rate&Term	Cash Out	Purchase/Rate&Term	Cash Out
≤ \$1,500,000	740	89.99%	75%	80%	75%
	680	85%	75%	80%	75%
	660	80%	70%	75%	70%
≤ \$2,000,000	700	80%	70%	75%	70%
	680	75%	65%	70%	65%
≤ \$2,500,000	720	80%	70%	75%	70%
	680	75%	65%	70%	65%
≤ \$3,000,000	720	75%	70%	70%	65%
	700	70%	65%	70%	65%
< \$3,500,000	700	70%	N/A	N/A	N/A

## Eligibility

<b>AUS</b>	Manual Underwriting only
<b>Age of documentation</b>	All documentation must be no more than 120 days from the Note Date
<b>Appraisal</b>	<p>Full appraisal required on all transactions:</p> <ul style="list-style-type: none"> <li>• Property must be appraised within the 12 months that precede the date of the note and mortgage <ul style="list-style-type: none"> <li>◦ Appraisals equal to or over 4 months old at time of note &amp; mortgage require a recertification of value provided on a 1004d <ul style="list-style-type: none"> <li>▪ When value has declined, a new appraisal is required</li> </ul> </li> </ul> </li> <li>• <u>Note:</u> The appraisal recertification must occur within the 4 months that precede the date of the note</li> </ul> <p>Secondary Appraisal review required on all transactions:</p> <ul style="list-style-type: none"> <li>• Clear Capital AVM or like product (AVM must contain a value and comparative sales data to support the valuation result)</li> <li>• Clear Capital CDA or like product</li> <li>• FNMA Collateral Underwriter review with a score of 2.5 or less (must include a copy of the Submission Summary Report)</li> <li>• Field Review</li> <li>• Second Full Appraisal (appraisals must be completed by different, independent appraisers and the lower of the two appraised values used to determine value)</li> <li>❖ CLEAR CAPITAL CDA, FIELD REVIEW OR FNMA COLLATERAL UNDERWRITER REVIEW WITH SCORE OF 2.5 OR LESS REQUIRED ON THE FOLLOWING TRANSACTIONS: <ul style="list-style-type: none"> <li>➢ LTV &gt; 80%</li> </ul> </li> <li>❖ SECOND FULL APPRAISAL REQUIRED ON THE FOLLOWING TRANSACTIONS: <ul style="list-style-type: none"> <li>➢ Approved loan amount exceptions (when exceeding max loan amount available per matrix)</li> <li>➢ Loan amounts &gt; \$2,000,000</li> <li>➢ Flip transactions (see guides for specific requirements)</li> </ul> </li> </ul> <p>Secondary Appraisal Tolerance:</p> <ul style="list-style-type: none"> <li>• 10%</li> <li>• For review value is more than 10% below the appraised value, the lower of the two values must be used. <ul style="list-style-type: none"> <li>◦ ML may choose to order an additional review of a higher-level review</li> </ul> </li> <li>• If the review product does not provide a value, an additional review product of a higher-level must be ordered</li> <li>• If two appraisals are required, the lower of the two values or the purchase price must be used. If there is a variance greater than 10% between both appraisals, the property is considered ineligible</li> </ul>
<b>Assets</b>	<p>Borrowers must document a minimum of 5% of the sales price of their own funds on a purchase transaction</p> <ul style="list-style-type: none"> <li>• A minimum borrower contribution of 10% must be documented on the following transactions:</li> </ul>

	<ul style="list-style-type: none"> <li>○ Primary residence with unverifiable housing history</li> <li>○ Second home</li> <li>○ Investment property</li> </ul> <p>Note: Business Assets may be used to meet the borrower's minimum contribution</p> <p>Assets must be seasoned for 60 days or sourced, and verified with one of the following:</p> <ul style="list-style-type: none"> <li>● Most recent 2 months' account statements, or most recent quarterly account statement, indicating opening and closing balances, and reflecting a consecutive 60 days of asset verification</li> <li>● If account summary page provides the required information, additional pages are not required</li> <li>● Written Verification of Deposit (VOD), completed by the financial institution <ul style="list-style-type: none"> <li>○ Must include the current and average balances for the most recent 2 months o</li> <li>○ Large disparities between the current balance and the opening balances will require additional verification or supporting documentation</li> </ul> </li> <li>● Account statements must provide all of the following information: <ul style="list-style-type: none"> <li>○ Borrower or guarantor as the account holder</li> <li>○ Account number</li> <li>○ Statement date and time period covered</li> <li>○ Current balance in US dollars</li> </ul> </li> </ul> <p>Note: Large and/or unusual deposits may require additional documentation including letter of explanation, third party documentation, etc</p> <p><b>See guidelines for all Eligible asset account requirements</b></p> <p>Eligible:</p> <ul style="list-style-type: none"> <li>● Borrowed Funds secured by an asset</li> <li>● Business Assets</li> <li>● Depository accounts</li> <li>● Earnest money/Cash deposit on sales contract</li> <li>● Gift Funds</li> <li>● Gift of Equity</li> <li>● Foreign Assets</li> <li>● Life Insurance</li> <li>● Like-Kind Exchange</li> <li>● Net proceeds from sale of real estate</li> <li>● Rent credit for lease with purchase option</li> <li>● Retirement accounts</li> <li>● Sale of Personal Assets</li> <li>● Secondary/Subordinate Financing (institutional seconds only) <ul style="list-style-type: none"> <li>○ Ineligible on Investment properties</li> </ul> </li> <li>● Spousal Accounts</li> <li>● Stock Options</li> <li>● Stocks, Bonds, Mutual Funds</li> <li>● Trust accounts</li> <li>● Virtual Currency</li> </ul> <p>Ineligible:</p> <ul style="list-style-type: none"> <li>● Cash-on-hand</li> <li>● Sweat equity</li> <li>● Gift or grant funds which must be repaid</li> <li>● Down payment assistance programs</li> <li>● Unsecured loans or cash advances</li> <li>● Section 8 Voucher Assistance</li> <li>● Proceeds of SBA/PPP loans or any other government assistance</li> </ul>
<p><b>Borrower Eligibility</b></p>	<p>Eligible:</p> <ul style="list-style-type: none"> <li>● U.S. Citizen</li> <li>● Permanent resident alien</li> <li>● Non-Permanent Resident Aliens (w/ US Credit)</li> <li>● Inter Vivos revocable living trust</li> </ul> <p>Ineligible:</p> <ul style="list-style-type: none"> <li>● LLCs, partnerships, or corporations</li> <li>● Non-occupant co-borrowers</li> <li>● Co-signer(s)</li> <li>● Foreign Nationals</li> </ul>

	<ul style="list-style-type: none"> <li>• ITIN Borrowers</li> <li>• Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction</li> <li>• Residents of any country not permitted to transact business with US companies are ineligible (as determined by any U.S. government authority)</li> <li>• Trusts or Land Trusts (trusts may qualify for ownership vesting only)</li> <li>• Borrowers less than 18 years old</li> </ul>
<b>Cash Out</b>	<p>Cash-Out Proceeds may be used for reserve requirements</p> <p>Max Cash out:</p> <ul style="list-style-type: none"> <li>• \$1,000,000</li> <li>• &gt;\$500,000 <ul style="list-style-type: none"> <li>○ 720+ score</li> <li>○ LTV ≤60%</li> </ul> </li> </ul>
<b>Credit</b>	<p>Refer to guidelines for full credit requirements</p> <p>Standard:</p> <ul style="list-style-type: none"> <li>• 3 tradelines reporting for 12+ months or</li> <li>• 2 tradelines reporting for 24+ months all with activity in the last 12 months;</li> <li>• Max 0x60x12 reporting on acceptable tradelines</li> </ul> <p>Qualifying FICO: <b>Primary Wage Earner</b></p> <ul style="list-style-type: none"> <li>• Middle score if 3 agency scores are provided or;</li> <li>• Lower score when only 2 agency scores are provided</li> </ul>
<b>Deed Restrictions</b>	<p>Deed restrictions are only allowed for:</p> <ul style="list-style-type: none"> <li>• Age Restricted Communities</li> </ul> <p>Deed restrictions must be reviewed to ensure all of the following requirements are met:</p> <ul style="list-style-type: none"> <li>• Appraisal supports property is common and typical for the market area</li> <li>• Deed restriction must not impair or restrict the first mortgage holder's legal rights in the event of a default (or cure), foreclosure, or any other default measure</li> <li>• Declarations must not contain any provisions that would require the first mortgage holder to send a notice of default or foreclosure to any third party</li> <li>• Deed restriction must not require the lender to provide notification to the governing authority of any delinquency or default</li> </ul>
<b>Documentation</b>	<p>Personal Bank Statements:</p> <ul style="list-style-type: none"> <li>• 12 or 24 months complete personal bank statements from the same account (transaction history printouts are not acceptable)</li> <li>• Verification borrower has owned and business has been in existence for 2 years</li> <li>• Verification of business existence required within 10 business days of closing</li> <li>• Ocrulus Self Employment Analysis must be completed</li> </ul> <p>Business Bank Statements:</p> <ul style="list-style-type: none"> <li>• 12 or 24 months complete personal bank statements from the same account (transaction history printouts are not acceptable)</li> <li>• Required Expense Statement documentation applicable to Calculation Option chosen</li> <li>• Verification borrower is minimum 25% owner of business: <ul style="list-style-type: none"> <li>○ Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent</li> <li>○ All non-borrowing owners of the business must provide a signed and dated letter acknowledging the transaction and confirming the borrower's access to the account for income-related purposes</li> <li>○ Qualifying Income must be multiplied by the ownership percentage to determine the owner's portion of income allowed for the transaction</li> </ul> </li> <li>• Verification borrower has owned and business has been in existence for 2 years</li> <li>• Verification of business existence required within 10 business days of closing</li> <li>• Ocrulus Self Employment Analysis must be completed</li> </ul>
<b>Debt to Income Ratio</b>	<ul style="list-style-type: none"> <li>• Max 50%</li> </ul>
<b>Employment</b>	<p>Personal &amp; Business Bank Statements:</p> <ul style="list-style-type: none"> <li>• Borrower must be self-employed for at least 2 years.</li> <li>• Business must be in existence for at least 2 years</li> </ul>

	<ul style="list-style-type: none"> <li>• All parties listed on each bank account must be included as borrowers on the loan</li> <li>• Statements must be consecutive and reflect the most recent months available (transaction history printouts are not acceptable)</li> <li>• Statements must support stable and generally predictable deposits. Unusual deposits must be documented</li> <li>• Multiple bank accounts may be used, but a combination of Personal Bank Statement Documentation and Business Bank Statement Documentation is prohibited</li> <li>• Evidence of a decline in earnings may result in disqualification</li> <li>• NSF activity in the past 12 months must be satisfactorily explained by the borrower. Excessive NSF or overdraft activity may preclude the borrower from bank statement eligibility</li> </ul>
<b>Escrow/Impounds</b>	Required for HPML loans
<b>Financed Properties</b>	<p>No limit on the number of other properties borrowers may currently have financed.</p> <p>May not exceed \$10M aggregate with a maximum of ten loans for each individual borrower.</p>
<b>First-Time Home Buyers</b>	<p>First-Time Home Buyer is defined as a borrower who had no ownership interest in a residential property during the preceding 5-year period.</p> <ul style="list-style-type: none"> <li>• Allowed on primary residence and second home transactions only <ul style="list-style-type: none"> <li>○ Must have 6 months of PITIA reserves for the subject property</li> </ul> </li> </ul>
<b>Flip Transactions</b>	<p>When the subject property is being resold within 365 days of its acquisition by the seller and the sales price has increased more than 10%, the transaction is considered a “flip”. To determine the 365-day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) should be used.</p> <p>Flip transactions are subject to the following requirements:</p> <ul style="list-style-type: none"> <li>• All transactions must be arm’s length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction.</li> <li>• No pattern of previous flipping activity may exist in the last 12 months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan.</li> <li>• The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing.</li> <li>• No assignments of the contract to another buyer.</li> <li>• If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower must be obtained.</li> <li>• An additional appraisal product is required. See Appraisal section</li> </ul> <p>Flip transactions must comply with the HPML appraisal rules in Regulation Z.</p> <p>A second appraisal is required in the following circumstances:</p> <ul style="list-style-type: none"> <li>• Greater than 10% increase in sales price if seller acquired the property in the past 90 days</li> <li>• Greater than 20% increase in sales price if seller acquired the property in the past 91-180 days</li> </ul>
<b>Geographic Restrictions</b>	<p>Primary &amp; Second Homes</p> <ul style="list-style-type: none"> <li>• Not eligible in MA and WV</li> </ul> <p>All Occupancies:</p> <ul style="list-style-type: none"> <li>• Not eligible in HI – lava zones 1 &amp; 2</li> </ul>
<b>Hazard Insurance</b>	<p>Policy must be effective for at least 60 days after the date of funding (does not apply to condominium project insurance policies).</p> <p>Refer to guidelines for full requirements on all property types and Insurance types</p> <p>Evidence of Insurance may be provided in one of the following forms:</p> <ul style="list-style-type: none"> <li>• Policy</li> <li>• Certificate of Insurance (COI)</li> </ul> <p>Evidence of Insurance must provide the following information:</p> <ul style="list-style-type: none"> <li>• Names of borrowers reflect the same as the names on the note</li> <li>• Property address agrees with the note/security instrument</li> <li>• Mailing address is the same as property address</li> </ul>

	<ul style="list-style-type: none"> <li>• Policy Number</li> <li>• Loan Number</li> <li>• Name of insurance company</li> <li>• Insurance Agent information</li> <li>• Effective and expiration dates of coverage</li> <li>• Premium Amount</li> <li>• Coverage amount and deductible</li> <li>• Loss payee clause as applicable</li> <li>• Signed and dated by agent</li> </ul> <p>Deductible:</p> <ul style="list-style-type: none"> <li>• Maximum 5% deductible</li> </ul>
<b>HPML</b>	Permitted
<b>Income</b>	Income will be calculated through Orculus  Refer to guidelines for all income requirements
<b>Interest Only</b>	Interest-only loans qualify using the fully amortized payment calculated over the fully amortizing period, based on the greater of the note rate or the fully indexed rate  Max 80% LTV  IO Features: <ul style="list-style-type: none"> <li>• 30 year fixed &amp; 5/6 ARM <ul style="list-style-type: none"> <li>○ 10 year - IO period</li> <li>○ 20 year - Amortized period</li> <li>○ 30 year – Maturity</li> </ul> </li> </ul>
<b>Interested Party Contributions</b>	<b>Up to 6% for closing costs</b>
<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>• Minimum loan amount \$100,000</li> <li>• Maximum loan amount \$3,500,000 <ul style="list-style-type: none"> <li>○ Maximum combined loan amount (total amount of 1st and 2nd liens combined) \$3,000,000</li> <li>○ Use the current balance of the first lien and the loan amount for the subject transaction to calculate the combined loan amount</li> </ul> </li> </ul>
<b>Loan Terms</b>	Fixed rate: <ul style="list-style-type: none"> <li>• 30 year</li> <li>• 5/6 ARM; <ul style="list-style-type: none"> <li>○ Greater of Note rate or the Fully indexed rate is used for qualifying</li> <li>○ Fully indexed rate is calculated by adding the margin to the index</li> </ul> </li> <li>• Interest only option (see interest only section)</li> </ul>
<b>Loan to Value</b>	Max LTV's <ul style="list-style-type: none"> <li>• 89.99% - Condominium</li> <li>• 80% - Non Warrantable Condominium</li> <li>• 80% - 2-4 Unit; Rural properties</li> <li>• 80% Interest Only</li> </ul>
<b>Non-Arms Lenth Transactions</b>	Non-arm's length transactions include, but are not limited to, the following: <ul style="list-style-type: none"> <li>• Family member sales</li> <li>• Renters purchasing from current landlord</li> <li>• Buyer trading properties with the seller</li> <li>• Property seller foreclosure bailouts</li> <li>• Existing buyer relationship with loan officer, real estate agents, closing agent, appraiser, builder, or developer</li> </ul> <p>Non-arm's length transactions are subject to all of the following requirements:</p> <ul style="list-style-type: none"> <li>• Primary residence only</li> <li>• Relationship must be fully disclosed</li> <li>• An appraisal review product is required</li> <li>• Borrower to provide a written explanation stating relationship to the seller and reason for purchase</li> <li>• Borrower to provide a copy of the canceled earnest money check paid to the property seller</li> </ul>

	<ul style="list-style-type: none"> <li>• ML must be satisfied that the transaction makes sense and that the borrower will occupy the property</li> <li>• All liens on title to be paid in full and reflected on the settlement statement</li> <li>• Lesser of sales price or current appraised value to be used to calculate the LTV</li> <li>• Borrowers cannot provide services on transaction (closing agent, title agent, appraiser, etc.)</li> <li>• Borrower may not be an owner of a business entity selling the subject property</li> </ul> <p>The following additional requirements apply only to family sales:</p> <ul style="list-style-type: none"> <li>• Payment history for the seller's mortgage on the subject property must be obtained and show no pattern of delinquency within the past 12 months (if applicable)</li> <li>• Verification that the borrower has not been in title to the property in the past 24 months</li> <li>• Gift of equity is permitted.</li> </ul>
<b>Occupancy</b>	Primary Residence, Second Home, Investment properties
<b>Payment Shock</b>	<p>Payment Shock</p> <ul style="list-style-type: none"> <li>• Primary Residence: <ul style="list-style-type: none"> <li>○ Limited to 300% and;</li> <li>○ Calculated as follows:  <math display="block">\text{Payment Shock} = (\text{Proposed Housing Payment} / \text{Present Housing Payment}) * 100</math> </li> </ul> </li> </ul> <p>Payment Shock may be exceeded when one of the following factors is present:</p> <ul style="list-style-type: none"> <li>• Residual Income <math>\geq</math> \$2,500</li> <li>• Debt-to-Income Ratio <math>\leq</math> 35%</li> <li>• Housing Ratio <math>\leq</math> 25%</li> <li>• Reserves exceed minimum required by at least 3 months</li> <li>• Borrowers' own funds contribution exceeds minimum required by at least 5%</li> <li>• All consumer credit paid as agreed in the most recent 12 months</li> </ul> <p>Calculation is based upon the current monthly housing payment and proposed mortgage payment.</p> <ul style="list-style-type: none"> <li>• When the current payment has been made for less than 12 months, the payment made for the longest period during the last 24 months should be used</li> </ul> <p>Payment Shock is not considered for the following:</p> <ul style="list-style-type: none"> <li>• Borrowers who have less than a 12-month housing history</li> <li>• Borrowers who do not have a current housing payment, or</li> <li>• Borrowers who own a home free and clear</li> </ul>
<b>Power of Attorney</b>	<p>Limited Power of Attorney (POA) is acceptable when following requirements are met:</p> <ul style="list-style-type: none"> <li>• POA is specific to the transaction</li> <li>• Recorded with the mortgage/deed of trust</li> <li>• Contains an expiration date</li> <li>• Used only to execute the final loan documents</li> <li>• Borrower who executed the POA signed the initial 1003</li> <li>• No interested party to the transaction (such as property seller, broker, loan officer, realtor, etc.) may act as Power of Attorney</li> </ul>
<b>Prepayment Penalty</b>	<ul style="list-style-type: none"> <li>• Investment Property only</li> <li>• 1 year only <ul style="list-style-type: none"> <li>○ 1% fee of amount prepaid (partial or full prepayment)</li> </ul> </li> </ul>
<b>Properties</b>	<p>Please refer to program guidelines for specific requirements</p> <p>Eligible:</p> <ul style="list-style-type: none"> <li>• SFR</li> <li>• Condominium (low-rise and high-rise)</li> <li>• PUD</li> <li>• Townhomes</li> <li>• 2-4 units</li> <li>• Log Homes</li> <li>• Modular Homes</li> <li>• Site Condominium</li> <li>• Non-Warrantable Condominiums</li> <li>• Maximum 15 acres <ul style="list-style-type: none"> <li>○ 5 acres on investment properties</li> </ul> </li> <li>• Minimum 600 square feet 30 years remaining economic life</li> </ul>

	<ul style="list-style-type: none"> <li>• Properties with ADU's (see guidelines for specific requirements)</li> <li>• Leaseholds</li> <li>• Properties listed for sale:             <ul style="list-style-type: none"> <li>◦ Must be off the market on or before application date</li> </ul> </li> <li>• Properties in declining markets             <ul style="list-style-type: none"> <li>◦ Max LTV reduced by 5%</li> </ul> </li> </ul> <p>Ineligible:</p> <ul style="list-style-type: none"> <li>• Manufactured Homes</li> <li>• Co-operative Units</li> <li>• Condotels</li> <li>• Farms or Hobby Farms</li> <li>• Mixed-use properties</li> <li>• Assisted Living/Continuing Care Facilities</li> <li>• Boarding Houses</li> <li>• Properties Subject to Rent Control Regulations</li> <li>• Unique Properties (Earth homes, Berm homes, Dome homes, Barndominiums, Shouses, etc)</li> <li>• Properties with C5 or C6 Condition Rating</li> <li>• Properties used as agricultural or zoned for, commercial, or industrial</li> </ul>
<p><b>Qualifying Income</b></p>	<p><u>Personal Bank Statement average:</u></p> <ul style="list-style-type: none"> <li>• Total deposits (minus disallowed deposits) / 12 or 24 months</li> </ul> <p><b><u>Business Bank Statement average:</u></b>          To calculate qualifying income using Business Bank Statement Documentation, choose one of the documentation options below applicable to the Expense Statement method chosen:</p> <p>Option 1: THIRD-PARTY PREPARED EXPENSE STATEMENT</p> <ul style="list-style-type: none"> <li>• The Expense Statement must be prepared, signed, and dated by a third-party Tax Professional (defined as a CPA, Tax Attorney, Enrolled Agent (EA), or Paid Tax Professional (PTIN)), specifying business expenses as a percentage of the gross annual sales/revenue prepared.</li> <li>• The statement must be provided on the Tax Professional's letterhead addressed to the borrower and must not contain any exculpatory language that may compromise the integrity of the information provided.</li> <li>• Net income from the Expense Statement is calculated by determining total deposits per bank statements (minus any disallowed deposits) multiplied by 100 minus the expense percentage provided by CPA or tax preparer, multiplied by the borrower's ownership percentage, and divided by 12 or 24 months.</li> </ul> <p style="text-align: center;"><b>Net Income =</b>  <b><u>Total Eligible Deposits * Borrower Ownership Percentage * (1-Expense Statement Percentage)</u></b>  <b>12/24 months</b></p> <p>Option 2: FIXED EXPENSE RATIO OF 50%</p> <ul style="list-style-type: none"> <li>• Net income is calculated by determining total eligible deposits per bank statements (minus any disallowed deposits) multiplied by 50% after accounting for the borrower's ownership percentage and divided by 12 months.</li> </ul> <p style="text-align: center;"><b>Net Income =</b>  <b><u>Total Eligible Deposits * Borrower Ownership Percentage * 50%</u></b>  <b>12/24 months</b></p> <ul style="list-style-type: none"> <li>• Note: Option 3 cannot be utilized if third-party documentation indicating an expense ratio greater than 50% has been disclosed</li> </ul>
<p><b>Refinance</b></p>	<p>Benefit to Borrower (all refinance transactions)</p> <ul style="list-style-type: none"> <li>• One or more of the following must exist to support the benefit to the borrower:             <ul style="list-style-type: none"> <li>◦ Balloon payoff</li> <li>◦ Title transfer</li> <li>◦ Property retention</li> <li>◦ Rate reduction</li> <li>◦ P&amp;I reduction</li> <li>◦ Debt reduction</li> <li>◦ Uncontrolled cash-out</li> </ul> </li> </ul> <p>Rate/Term Refinance:</p> <ul style="list-style-type: none"> <li>• Current appraised Value to determine LTV</li> </ul> <p>Cash-Out Refinance:</p>

	<ul style="list-style-type: none"> <li>• If the subject property was acquired &gt; 12 months from application date, the appraised value must be used to determine loan-to-value.</li> <li>• If the property was acquired ≤ 12 months from application date, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) must be used. The purchase settlement statement and any invoices for materials/labor will be required.</li> <li>• a minimum of 6 months must have elapsed since the most recent mortgage transaction on the subject property (either the original purchase transaction or subsequent refinance). Note date to note date is used to calculate the 6 months</li> </ul> <p>Texas Home Equity Loans must comply with the following parameters: **Refer to guidelines for all requirements**</p> <ul style="list-style-type: none"> <li>• Fixed 30 product (fully amortized only)</li> <li>• Maximum LTV/CLTV 80/80%</li> <li>• 1-unit properties only 3</li> </ul> <p>The following are considered Texas Section 50(a)(6) loans:</p> <ul style="list-style-type: none"> <li>• Loans using proceeds to pay off an existing 50(a)(6) loan (as identified in title work)</li> <li>• Loans using proceeds to pay off federal tax debt liens</li> <li>• Loans using proceeds to pay property tax liens on the property securing the new loan</li> <li>• Loans using proceeds to pay off or pay down debts that are not secured by the homestead property</li> <li>• Loans with any cash back to the borrower</li> </ul> <p>The following are NOT considered Texas Section 50(a)(6) loans:</p> <ul style="list-style-type: none"> <li>• Loans using proceeds to pay current taxes due on the property securing the loan</li> <li>• Loans using proceeds to buy out equity pursuant to a court order or agreement of the parties (usually applies to a divorce settlement)</li> <li>• Loan proceeds used to pay a prepayment penalty assessed on an existing non-50(a)(6) loan, and the prepayment is included in the payoff amount (new loan must have a new title policy issued without exception to the financing of the prepayment fee)</li> <li>• Loans that include the payment of HOA dues, if title company requires them to be paid</li> </ul> <p>RESTRICTIONS:</p> <ul style="list-style-type: none"> <li>• Texas Home Equity loans may not be refinanced more than once a year (&gt;12 months).</li> <li>• There can be only one outstanding 50(a)(6) loan on a property at any given time.</li> <li>• If the borrower has an existing 50(a)(6) second lien and is getting cash-out from the first mortgage, that lien must be paid off.</li> <li>• The 50(a)(6) loan may not be used to acquire the property or to finance construction</li> </ul>
<p><b>Reserves</b></p>	<p>Reserves are measured by the number of months of housing expense a borrower could pay using his or her financial assets.</p> <p>The highest reserve requirement, rather than a cumulative total, should be used when a transaction has multiple required reserves. Net proceeds from cash-out transactions may be used to meet the reserve requirement.</p> <p>6 mos reserves required:</p> <ul style="list-style-type: none"> <li>• Loan amounts up to \$2,000,000</li> </ul> <p>9 mos reserves required:</p> <ul style="list-style-type: none"> <li>• Loan amounts &gt;\$2,000,000 to \$2,500,000</li> </ul> <p>12 mos reserves required:</p> <ul style="list-style-type: none"> <li>• Loan amounts &gt;\$2,500,000 to \$3,500,000</li> </ul> <p>Additional reserves are required when the following situations are present:</p> <ul style="list-style-type: none"> <li>• Multiple Financed Properties: 2 months for each additional property</li> <li>• Use of Rental Income Without a Lease: 3 months in addition to standard requirement</li> <li>• First-Time Homebuyer: 6 months</li> <li>• No Housing History or Less Than 12 Months Verified: 6 months</li> <li>• Use of Rental Income from a Departing Residence: see guidelines for specific requirements</li> </ul>
<p><b>Residual Income</b></p>	<p>Residual income is required for:</p> <ul style="list-style-type: none"> <li>• All primary and second home transactions using the following calculation:</li> </ul> <p style="text-align: center;">Residual Income = Gross Monthly Income – Total Monthly Obligations</p>





	<ul style="list-style-type: none"><li>• Residual Income of \$2,500 is required. An additional \$150 per dependent must also be included<ul style="list-style-type: none"><li>○ The initial 1003 needs to reflect the number of dependents for all borrowers on the transaction</li></ul></li></ul>
<b>Subordinate Financing</b>	Max CLTV = Grid Max LTV (institutional seconds only)
<b>Title Requirements</b>	Full ALTA Loan Policy – dated within 90 days of the note date.