DU Conforming Fixed & ARM and High-Balance Fixed & ARM

PURCHASE & RATE/TERM REFINANCE		
PRIMARY RESIDENCE		
Property Type	**FRM LTV/CLTV/HCLTV**	**ARM LTV/CLTV/HCLTV**
1 Unit	97%(1)	95%(2)
2 Units	85%	85%
3-4 Units	75%	75%
SECOND HOME		
Property Type	**FRM LTV/CLTV/HCLTV**	**ARM LTV/CLTV/HCLTV**
1 Unit	90%	90%
INVESTMENT PURCHASE		
Property Type	**FRM LTV/CLTV/HCLTV**	**ARM LTV/CLTV/HCLTV**
1 Unit	85%	80/85/85%
2-4 Units	75%	75%
INVESTMENT RATE/TERM REFINANCE		
Property Type	**FRM LTV/CLTV/HCLTV**	**ARM LTV/CLTV/HCLTV**
1-4 Units	75%	75%

CASH-OUT REFINANCE		
PRIMARY RESIDENCE		
Property Type	**FRM LTV/CLTV/HCLTV**	**ARM LTV/CLTV/HCLTV**
1 Unit	80%	80%
2-4 Units	75%	75%
SECOND HOME		
Property Type	**FRM LTV/CLTV/HCLTV**	**ARM LTV/CLTV/HCLTV**
1 Unit	75%	75%
INVESTMENT		
Property Type	**FRM LTV/CLTV/HCLTV**	**ARM LTV/CLTV/HCLTV**
1 Unit	75%	75%
2-4 Units	70%	70%

Notes – Specific to Certain Transactions
1. **LTV, CLTV, and HCLTV Ratios Greater than 95%:** These transactions are not permitted for high-balance loans or loans with a non-occupant co-borrower. Must be one-unit principal residence. At least one borrower on the loan must have a credit score. For purchase transactions, at least one borrower must be a first-time home buyer. For limited cash-out refinances, Fannie Mae must be the owner of the existing mortgage. For 95.01 to 97%LTV, the CLTV ratio can be up to 105% if the subordinate lien is a Community Seconds loan. Reserves requirement will be determined by DU. All other standard Selling Guide policies apply. 2. Limit capped @ 90% max LTV/CLTV/HCLTV for rate/term refi.

Notes – Exceptions to ALL Programs	
Cash- Out Transactions	The transaction must be used to pay off existing mortgages by obtaining a new first mortgage secured by the same property or be a new mortgage on a property that does not have mortgage lien against it. If the property was purchased within the prior six months, the borrower is ineligible for a cash-out transaction unless the loan meets the delayed financing exception. Properties that were listed for sale must have been taken off the market on or before the disbursement date of the new mortgage loan. The property must have been purchased or acquired by the borrower at least six months prior to the disbursement date of the new mortgage loan except if the lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership) OR the delayed financing requirements are met.

Student Loan Cash-Out	The student loan cash-out refinance feature allows for the payoff of student loan debt through the refinance transaction with a waiver of the cash-out refinance LLPA if all of the following requirements are met:
	• The loan must be underwritten in DU. DU cannot specifically identify these transactions, but will issue a message when it appears that only subject property liens and student loans are marked paid by closing. The message will remind lenders about certain requirements below; however, the lender must confirm the loan meets all of the requirements outside of DU.
	• The standard cash-out refinance LTV, CLTV, and HCLTV ratios apply. Refer to the LTV matrix on page 1.
	• At least one student loan must be paid off with proceeds from the subject transaction with the following criteria:
	    o proceeds must be paid directly to the student loan servicer at closing;
	    o at least one borrower must be obligated on the student loan(s) being paid off, and
	    o the student loan must be paid in full - partial payments are not permitted.

Student Loan Cash-Out (continued)	• The transaction may also be used to pay off one of the following:
	  ○ an existing first mortgage loan (including an existing HELOC in first-lien position); or
	  ○ a single-closing construction-to-permanent loan to pay for construction costs to build the home, which may include paying off an existing lot lien.
	• Only subordinate liens used to purchase the property may be paid off and included in the new mortgage. Exceptions are allowed for paying off a PACE loan or other debt (secured or unsecured) that was used solely for energy improvements.
	• The transaction may be used to finance the payment of closing costs, points, and prepaid items. With the exception of real estate taxes that are more than 60 days delinquent, the borrower can include real estate taxes in the new loan amount as long as an escrow account is established, subject to applicable law or regulation.
	• The borrower may receive cash back in an amount that is not more than the lesser of 2% of the new refinance loan amount or $2,000. The lender may also refund the borrower for the overpayment of fees and charges due to federal or state laws or regulations, or apply a principal curtailment.
	• Unless otherwise stated, all other standard cash-out refinance requirements apply
	
	As noted above, the LLPA is waived for loans that meet the student loan cash-out refinance requirements.

Delayed Financing	Borrowers who purchased the subject property within the past six months (measured from date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the following requirements are met. 1. The original purchase transaction was an arms-length transaction. 2. For this refinance transaction, the borrower(s) must meet Fannie Mae's borrower eligibility requirements as described in B2-2-01, General Borrower Eligibility Requirements (07/28/2015). The borrower(s) may have initially purchased the property as one of the following: a natural person; an eligible *inter vivos* revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust; an eligible land trust when the borrower is the beneficiary of the land trust; or an LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%.

Delayed Financing *(continued)*	3. The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale.) The preliminary title search or report must confirm that there are no existing liens on the subject property. 4. The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property). 5. If the source of funds used to acquire the property was an unsecured loan or a loan secured by an assets other than the subject property (such as HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining form the original loan must be included in the debt-to-income ratio calculation for the refinance transaction. **Note:** Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan. 6. The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the current appraised value). 7. All other cash-out refinance eligibility requirements are met. Cash-out pricing is applicable.
Multiple Financed Properties	Borrowers of second homes or investment properties who own up to four (6) financed properties are subject to additional reserve requirements. Fannie Mae's standard eligibility policies apply (for example, LTV ratios and minimum credit scores). **Maximum Properties Overlay:** Maximum 6 financed and 10 total (including commercial) properties are permitted. • Applications with >2 Businesses (up to 4 maximum) will be labelled under the **AGNP** (Agency Portfolio) program series.
Mortgage Insurance	Loans with MI may have higher FICO requirements than what is required by DU.

Fixed Rate Program Description
The DU Agency Fixed product provides for a fixed interest rate and level payments for the life of the loan. Loans may only be originated in first lien position.

Available Products & Terms
Product Term
10 Year Fixed Rate
15 Year Fixed Rate
20 Year Fixed Rate
25 Year Fixed Rate
30 Year Fixed Rate

ARM Program Description

A variable rate mortgage product – without negative amortization – whereby the interest rate and payment is adjusted in accordance with a specified index.

- **5/1, 7/1, & 10/1:** A fixed-to-adjustable rate product that provides for an initial fixed rate period and a variable rate with annual interest rate and payment adjustments thereafter.

Available Products & Terms

Product	Term	Initial Fixed Rate Period	Rate/adjustment after initial fixed rate period
5/1 Libor ARM	30yr	5 years	Annually
7/1 Libor ARM	30yr	7 years	Annually
10/1 Libor ARM	30yr	10 years	Annually

Program Details

Min/Max Loan Amount	$75k to maximum FNMA *conforming* limit		
Minimum FICO score	620		
Mortgage Insurance	Standard MI coverage is required an all loans unless stated otherwise in the specific program description. The LTV reflected here is for MI purposes only. Refer to the appropriate LTV matrix for the maximum LTV that applies to the occupancy and process selected.		
	LTV	**Property**	**30 year term**
	90.01 $\leq$ 95%	1-2 Units	30%
	85.01 $\leq$ 90%	1-2 Units	25%
	80.01 $\leq$ 85%	1-2 Units	12%

<table>
<tr><td>Qualifying Rate</td><td colspan="5">• 5/1 LIBOR – Higher of Note Rate + 2% or Fully Indexed Rate
• 7/1 & 10/1 LIBOR – Higher of Note Rate or Fully Indexed Rate</td></tr>
<tr><td>Qualifying Ratio</td><td colspan="5">As Determined by DU</td></tr>
<tr><td rowspan="5">Interested Party Contributions</td><td>Occupancy</td><td colspan="2">LTV/CLTV</td><td colspan="2">Max Contribution</td></tr>
<tr><td>Primary Residence or Second Home</td><td colspan="2">≤ 75%</td><td colspan="2">9%</td></tr>
<tr><td>Primary Residence or Second Home</td><td colspan="2">75.01 - 90%</td><td colspan="2">6%</td></tr>
<tr><td>Primary Residence or Second Home</td><td colspan="2">> 90%</td><td colspan="2">3%</td></tr>
<tr><td>Investment</td><td colspan="2">All CLTV ratios</td><td colspan="2">2%</td></tr>
<tr><td>Note Rate Limitations</td><td colspan="5"><u>5/1 LIBOR:</u> Note rates may not be lower than 2% below the fully indexed rate
<u>7/1 & 10/1 LIBOR:</u> Note rates may not be lower than 3% below the fully indexed rate</td></tr>
<tr><td rowspan="4">Rate Caps & Margins</td><td rowspan="2">Product</td><td colspan="3">Interest rate Caps</td><td rowspan="2">Margin</td></tr>
<tr><td>First</td><td>Subsequent</td><td>Life</td></tr>
<tr><td>5/1 ARM</td><td>2%</td><td>2%</td><td>5%</td><td rowspan="2">2.250%</td></tr>
<tr><td>7/1 & 10/1 ARM</td><td>5%</td><td>2%</td><td>5%</td></tr>
<tr><td>Interest Rate & Payment Change Dates</td><td colspan="5">The interest rate and payment adjusts every 12 months following the initial fixed rate period.</td></tr>
</table>

High-Balance Program Description

This is a full documentation program to be used for the origination of High-Balance loans available as a result of the Home Economic Recovery Act (HERA) of 2008 for Desktop Underwriter® (DU®) underwritten loans. The new loan amounts are applicable to high cost areas only as determined by the Federal Housing Finance Agency (FHFA). The loan amounts must be greater than the current maximum Agency Conforming Loan Limits and may not exceed the High Cost Loan Limit established by FHFA.

This fact sheet covers loans that receive an "Approved/Eligible" recommendation from DU. Fannie Mae has aligned the eligibility of high-balance mortgage loan with Fannie Mae's standard eligibility requirements with LTV, CLTV, and HCLTV ratios up to a maximum of 95%. High-balance loans must meet all standard Fannie Mae Eligibility and underwriting requirements, as outlined in Fannie Mae Selling Guide. The following guidelines apply to all high-balance mortgage loans:

- **Loans must be conventional first-lien mortgages only**
- **Loans must meet the LTV, CLTV, and HCLTV ratios as outlined in eligibility matrix**
- **All borrowers must have a credit score**
- **All loans must be underwritten through DU**

- **Exceptions to policy are not permitted**

<table>
<tr><th colspan="2">Program Details</th></tr>
<tr><td>Available Markets</td><td>Determined by DU
Refer to the Loan Limit Lookup table at https://www.fanniemae.com/singlefamily/loan-limits
Users are responsible for ensuring that individual mortgage loans do not exceed maximum county loan limits.</td></tr>
<tr><td>Available Products</td><td>Fixed Rate Fully Amortizing: 30-Year and 15-year only
LIBOR ARM Fully Amortizing: 5/1, 7/1 and 10/1
Ineligible:
Interest Only Products
Any product not listed above as eligible
Loans that were submitted to LP and/or received a Caution or A-Minus recommendation</td></tr>
<tr><td>Loan Purpose</td><td>Purchase, Rate/Term Refinance, Cash-Out Refinance</td></tr>
<tr><td>Property Type</td><td>1-Unit (including Condominiums, & PUDs)
2-4 Unit (including 2-unit PUDs)</td></tr>
<tr><td>Occupancy</td><td>Primary Residence, Second Home, Investment</td></tr>
<tr><td>Maximum Loan Amount and county Eligibility</td><td>Refer to the Loan Limit Lookup table on the following link to determine maximum loan amount and county eligibility: https://www.efanniemae.com/sf/refmaterials/loanlimits/xls/loanlimref.xls
The maximum High Balance loan amount is based on the property location (by city/county) and the number of units. In addition, High-Balance loan amounts are determined by high cost areas and are above the general conforming loan amounts.
Below is a table of the general maximum and the permanent high balance maximum agency loan amounts.
<table>
<tr><th rowspan="2">Units</th><th rowspan="2">General</th><th>High Balance Loans</th></tr>
<tr><th>Perm High Cost</th></tr>
<tr><td>One</td><td>$484,350</td><td>$726,525</td></tr>
<tr><td>Two</td><td>$620,200</td><td>$930,300</td></tr>
<tr><td>Three</td><td>$749,650</td><td>$1,124,475</td></tr>
<tr><td>Four</td><td>$931,600</td><td>$1,397,400</td></tr>
</table>
</td></tr>
</table>

Subordinate Financing	• This program is eligible for subordinate financing • Community Seconds are not permitted
Minimum Borrower Contribution	• **80% or less LTV/CLTV or HCLTV 1-4 principal residence or second home:** Minimum borrower contribution from borrower's own funds is not required. All funds needed to complete the transaction can come from a gift. • **Greater than 80% LTV/CLTV or HCLTV 1 unit principal residence:** Minimum borrower contribution from borrower's own funds not required. All funds needed to complete the transaction can come from gift. • **Greater than 80% LTV/CLTV or HCLTV two-to four- unit principal or second home:** Borrower must make a 5% minimum borrower contribution from his or her own funds. [1]After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves.
Ineligible Transactions	• LTV/CLTV greater than 95% • Refinance transactions where subject property is listed for sale at the time of disbursement of new mortgage loan • Loans not meeting the credit score, LTV, or loan amount guidelines or erroneous credit data • DU Refer with Caution findings • All products or programs not shown as eligible
Ineligible Credit Standards	• Non-traditional credit or borrowers with no Fico score • At least one borrower has no credit score and another borrower has credit score • Mortgage/Rental Delinquency: More than 0x60 days late on any mortgage or rental payment within last 12 months • Borrower is a party to lawsuit • Bankruptcy, Foreclosure, Deed-in-Lieu of Foreclosure, Pre-foreclosure/Short Sale, and Charge-Off of a Mortgage Account seasoning requirement not met
Bankruptcy (Chapter 7 Or Chapter 11)	A four-year waiting period is required, measured from the discharge or dismissal date of the bankruptcy action. **Exceptions for Extenuating Circumstances not allowed**

[1] If the borrower receives a gift from a relative or domestic partner who has lived with the borrower for the last 12 months, or from a fiancée, the gift if considered the borrower's own funds and may be used to satisfy the minimum borrower contribution requirement as long as both individuals will use the home being purchased as their principal residence.

Bankruptcy (Chapter 13)	A distinction is made between Chapter 13 bankruptcies that were discharged and those that were dismissed. The waiting period required for Chapter 13 bankruptcy actions is measured as follows: • Two years from the discharge date, or • Four years from the dismissal date The shorter waiting period based on the discharge date recognizes that borrowers have already met a portion of the waiting period within the time needed for the successful completions of a Chapter 13 plan and subsequent discharge. A borrower who was unable to complete Chapter 13 plan and received a dismissal will be held to a four-year waiting period. **Exceptions for Extenuating Circumstances is not allowed**
Multiple Bankruptcy Filings	For a borrower with more than one bankruptcy filing within the past seven years, a five-year waiting period is required, measured from the most recent dismissal or discharge date. **Note:** The presence of multiple bankruptcies in the borrower's credit history is evidence of significant derogatory credit and increases the likelihood of future default. Two or more borrowers with individual bankruptcies are not cumulative, and do not constitute multiple bankruptcies. For example, if the borrower has one bankruptcy and the co-borrower has one bankruptcy this is not considered a multiple bankruptcy. **Exceptions for Extenuating Circumstances not allowed**
Foreclosure	A seven-year waiting period is required, and is measured from the completion date of the foreclosure action as reported on the credit report or other foreclosure documents provided by borrower. **Note:** When both a bankruptcy and foreclosure are disclosed on the loan application, or when both appear on the credit report, the bankruptcy waiting period will be applied if appropriate documentation to verify that the mortgage loan in question was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting period must be applied. DU identifies prior foreclosures for mortgage accounts including first and second liens, home improvement loans, HELOCs, and mobile homes loans as a foreclosure with Remarks Code in the credit report associated with the trade-line OR a Current Status or Manner of Payment (MOP) code "8" **Exceptions for Extenuating Circumstances not allowed**

Deed-in-Lieu of Foreclosure, Pre-foreclosure/Short Sale, and Charge-Off of a Mortgage Account	A four-year waiting period is required from the completion date as reported on the credit report or other documents provided by the borrower. • **A deed-in-lieu of foreclosure** is a transaction in which the deed to real property is transferred back to servicer. These are typically identified on the credit report through Remarks Codes such as "Forfeit deed-in-lieu of foreclosure." • **A pre-foreclosure sale or short sale** is the sale of a property in lieu of a foreclosure resulting in a payoff of less than the total amount owed, which was pre-approved by the servicer. These are typically identified on the credit report through Remarks Codes such as "Settled for less than full balance." • **A charge-off of a mortgage account** occurs when a creditor has determined that there is little (or no) likelihood that the mortgage debt will be collected. A charge-off is typically reported after an account reaches a certain delinquency status, and is identified on the credit report with a manner of payment (MOP) code of "9." **Exceptions for Extenuating Circumstances not allowed**
Higher-Priced Mortgage Loans (HPML)	Not permitted
Debt-to-Income Ratio	• DU determines the maximum allowable DTI ratio based on the overall risk assessment of the loan casefile. • The mortgage insurance company may have lower debt to income ratio requirements (refer to the Mortgage Insurance section of this fact sheet for details as well as the individual MI companies guidelines).
Alimony/ Child Support/ Separate Maintenance Payments	When the borrower is required to pay alimony, child support, or maintenance payments under a divorce decree, separation agreement, or any other written legal agreement—and those payments must continue to be made for more than ten months—the payments must be considered as part of the borrower's recurring monthly debt obligations. However, voluntary payments do not need to be taken into consideration and an exception is allowed for alimony. For alimony obligations, the lender has the option to reduce the qualifying income by the amount of the alimony obligation in lieu of including it as a monthly payment in the calculation of the DTI ratio. If the lender exercises this option, a copy of the divorce decree, separation agreement, court order or equivalent documentation confirming the amount of the obligation must be obtained and retained in the loan file. **Note**: For loan casefiles underwritten through DU, when using the option of reducing the borrower's monthly qualifying income by the monthly alimony payment, enter the adjusted income figure as the income amount in DU.

Business Debt in Borrower's Name	When a self-employed borrower claims that a monthly obligation that appears on his or her personal credit report is being paid by the borrower's business, the lender must confirm that it verified that the obligation was actually paid out of company funds and that this was considered in its cash flow analysis of the borrower's business. The account payment does not need to be considered as part of the borrower's individual recurring monthly debt obligations if: • the account in question does not have a history of delinquency, • the business provides acceptable evidence that the obligation was paid out of company funds (such as 12 months of canceled company checks), and • the lender's cash flow analysis of the business took payment of the obligation into consideration. The account payment does need to be considered as part of the borrower's individual recurring monthly debt obligations in any of the following situations: • If the business does not provide sufficient evidence that the obligation was paid out of company funds. • If the business provides acceptable evidence of its payment of the obligation, but the lender's cash flow analysis of the business does not reflect any business expense related to the obligation (such as an interest expense—and taxes and insurance, if applicable—equal to or greater than the amount of interest that one would reasonably expect to see given the amount of financing shown on the credit report and the age of the loan). It is reasonable to assume that the obligation has not been accounted for in the cash flow analysis. If the account in question has a history of delinquency. To ensure that the obligation is counted only once, the lender should adjust the net income of the business by the amount of interest, taxes, or insurance expense, if any, that relates to the account in question.
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) and the creditor does not release the borrower from liability, the borrower has a contingent liability. The lender is not required to count this contingent liability as part of the borrower's recurring monthly debt obligations. • The lender is not required to evaluate the payment history for the assigned debt after the effective date of the assignment. The lender cannot disregard the borrower's payment history for the debt before its assignment.

Debts Paid by Others	Certain debts can be excluded from the borrower's recurring monthly obligations and the DTI ratio: • When a borrower is obligated on a non-mortgage debt -- but is not the party who is actually repaying the debt -- the lender may exclude the monthly payment from the borrower's recurring monthly obligations. This policy applies whether or not the other party is obligated on the debt, but is not applicable if the other party is an interested party to the subject transaction (such as the seller or realtor). Non-mortgage debts include installment loans, student loans, revolving accounts, lease payments, alimony, child support, and separate maintenance. • When a borrower is obligated on a mortgage debt- but is not the party who is actually repaying the debt- the lender may exclude the monthly mortgage payment from the borrower's recurring monthly obligations if the party making the payments is obligated on the mortgage debt. In order to exclude non-mortgage or mortgage debts from the borrower's DTI ratio, the lender must obtain the most recent 12 months' cancelled checks (or bank statements) from the other party making the payments that document a 12-month payment history with no delinquent payments.
Deferred Installment Debt	Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For deferred installment debts other than student loans, if the borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, the lender must obtain copies of the borrower's payment letters or forbearance agreements so that a monthly payment amount can be determined and used in calculating the borrower's total monthly obligations. For information about deferred student loans, see Student Loans below.
Home Equity Lines of Credit	When the mortgage that will be delivered to Fannie Mae also has a home equity line of credit (HELOC) that provides for a monthly payment of principal and interest or interest only, the payment on the HELOC must be considered as part of the borrower's recurring monthly debt obligations. If the HELOC does not require a payment, there is no recurring monthly debt obligation so the lender does not need to develop an equivalent payment amount.
Garnishments	All garnishments with more than ten months remaining must be included in the borrower's recurring monthly debt obligations for qualifying purposes.

Installment Debt	All installment debt that is not secured by a financial asset—including student loans, automobile loans, personal loans, and timeshares—must be considered part of the borrower's recurring monthly debt obligations if there are more than ten monthly payments remaining. However, an installment debt with fewer monthly payments remaining also should be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet his or her credit obligations. **Note:** A timeshare account should be treated as an installment debt regardless of how it is reported on the credit report or other documentation (that is, even if reported as a mortgage loan).
Lease Payments	Lease payments must be considered as recurring monthly debt obligations regardless of the number of months remaining on the lease. This is because the expiration of a lease agreement for rental housing or an automobile typically leads to either a new lease agreement, the buyout of the existing lease, or the purchase of a new vehicle or house.
Loans Secured by Financial Assets	When a borrower uses his or her financial assets—life insurance policies, 401(k) accounts, individual retirement accounts, certificates of deposit, stocks, bonds, etc.—as security for a loan, the borrower has a contingent liability. The lender is not required to include this contingent liability as part of the borrower's recurring monthly debt obligations provided the lender obtains a copy of the applicable loan instrument that shows the borrower's financial asset as collateral for the loan. If the borrower intends to use the same asset to satisfy financial reserve requirements, the lender must reduce the value of the asset (the account balance, in most cases) by the proceeds from the secured loan and any related fees to determine whether the borrower has sufficient reserves.
Open 30-Day Charge Accounts	Open 30–day charge accounts require the balance to be paid in full every month. For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, lenders must verify borrower funds to cover the account balance. The verified funds must be in addition to any funds required for closing costs and reserves. If the borrower paid off the account balance prior to closing, the lender may provide proof of payoff in lieu of verifying funds to cover the account balance.

<table>
<tr><td>Revolving Charge/ Lines of Credit</td><td>Revolving charge accounts and unsecured lines of credit are open-ended and should be treated as long-term debts and must be considered part of the borrower's recurring monthly debt obligations. These tradelines include credit cards, department store charge cards, and personal lines of credit. Equity lines of credit secured by real estate should be included in the housing expense.

If the credit report does not show a required minimum payment amount and there is no supplemental documentation to support a payment of less than 5%, the lender must use 5% of the outstanding balance as the borrower's recurring monthly debt obligation.

For DU loan casefiles, if a revolving debt is provided on the loan application without a monthly payment amount, DU will use the greater of $10 or 5% of the outstanding balance as the monthly payment when calculating the total debt-to-income ratio.</td></tr>
<tr><td>Student Loans</td><td>If a monthly student loan payment is provided on the credit report, the lender may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the lender may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower.

If the credit report does not provide a monthly payment for the student loan, or if the credit report shows $0 as the monthly payment, the lender must determine the qualifying monthly payment using one of the options below.
If the borrower is on an income-driven payment plan, the lender may obtain student loan documentation to verify the actual monthly payment is $0. The lender may then qualify the borrower with a $0 payment.
For deferred loans or loans in forbearance, the lender may calculate a payment equal to 1% of the outstanding student 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.</td></tr>
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Unreimbursed Employee Business Expenses (2106)	The lender must determine whether the borrower has unreimbursed employee business expenses for the following scenarios: • when a borrower has commission income that represents 25% or more of the borrower's total annual employment income, or • when an automobile allowance is included in the borrower's monthly qualifying income. The lender must determine the borrower's recurring monthly debt obligation for such expenses by developing a 24–month average of the expenses, using information from the borrower's IRS Form 1040 including all schedules (Schedule A and IRS Form 2106). Automobile depreciation claimed on IRS Form 2106 should be netted out of this calculation. - For both of the above scenarios when calculating the total debt-to-income ratio, the monthly average for unreimbursed expenses should be subtracted from the borrower's stable monthly income. Automobile lease or loan payments are not subtracted from the borrower's income; they are always considered part of the borrower's recurring monthly debt obligations.
Past-Due, Collection, and Charge-Off of Non-Mortgage Accounts	Accounts that are reported as past due (not reported as collection accounts) must be brought current. • For one-unit, principal residence properties, borrowers are not required to pay off outstanding collections or non-mortgage charge-offs—regardless of the amount. **Note**: If the lender marks the collection account Paid By Close in the online loan application, DU will issue a message in the DU Underwriting Findings report stating that the collection must be paid. • For two- to four-unit owner-occupied and second home properties, collections and non-mortgage charge-offs totaling more than $5,000 must be paid in full prior to or at closing. • For investment properties, individual collection and non-mortgage charge-off accounts equal to or greater than $250 and accounts that total more than $1,000 must be paid in full prior to or at closing.

Disputed Credit Report Tradelines	When the credit report contains tradelines disputed by the borrower, DU will first assess the risk of the loan casefile using all tradelines, including those disputed. If DU issues an Approve recommendation using the disputed tradelines, no further documentation or action is necessary. DU will issue a message specific to this scenario. If DU does not issue an Approve recommendation when including the disputed tradelines, DU will re-assess the risk without using the disputed tradelines. If DU is then able to issue an Approve recommendation, the lender must investigate the tradelines to determine whether the borrower is responsible for the accounts or if the account information is accurate or complete. • If the borrower is not responsible for the disputed accounts, the lender must obtain supporting documentation and may deliver the loan as a DU loan. No further action is necessary regarding the disputed tradelines. • If the borrower is responsible for the disputed account, the lender must investigate the information, including determining the aspect of the tradeline that is being disputed. If the borrower is able to provide documentation to disprove any adverse information (such as canceled checks), the lender may deliver the loan as a DU loan. • If the borrower is responsible for the disputed account, the lender must investigate the information, including determining the aspect of the tradeline that is being disputed. If the borrower is able to provide documentation to disprove any adverse information (such as canceled checks), the lender may deliver the loan as a DU loan. The monthly payments for the disputed tradelines must be included in the debt-to-income ratio if the accounts belong to the borrower. **Note**: Tradelines reported as medical debt are not shown in the disreputed tradeline message. Therefore, lenders are not required to investigate disputed medical tradelines.
Judgments and Liens	Open judgments and all outstanding liens that are in the Public Records section of the credit report will be identified in the Underwriting Findings report, and must be paid off at or prior to closing. Documentation of the satisfaction of these liabilities, along with verification of funds sufficient to satisfy these obligations, must also be maintained in the permanent loan file.

Borrower Eligibility	Borrower(s) must be a natural person(s) and have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located. There is no maximum age limit for the borrower. Exceptions to the requirement that borrower(s) be natural person(s) are: Inter vivos revocable trusts
Social Security Number	Each borrower must have a valid Social Security number or Individual Taxpayer Identification Number (ITIN) (in addition to meeting existing legal residency and documentation requirements). • If DU indicates Social Security Number appears to be invalid, lender will verify Social Security Number directly with Social Security Administration using Form SSA-89. If the Social Security number cannot be validated, the loan is not eligible for approval by lender.
Income	**General Income Documentation Requirements** DU indicates the minimum income verification required. However, the level of documentation may not be adequate for every borrower and every situation. Lender will determine whether additional documentation is warranted. DU will require the following documents for: **Base Pay (Salary or Hourly) Income** • A completed Written Verification of Employment (Form 1005), or • The borrower’s recent paystub and IRS W-2 forms covering the most recent one-year period. **Bonus and Overtime Income** Borrowers relying on overtime or bonus income for qualifying purposes must have a history of no less than 12 months to be considered stable. • A completed Written Verification of Employment (Form 1005), or • The borrower’s recent paystub and IRS W-2 forms covering the most recent two-year period. **Commission Income** A minimum history of 2 years of commission income is recommended; however, commission income that has been received for 12 to 24 months may be considered as acceptable income, as long as there are positive factors to reasonably offset the shorter income history. • Commission income < 25% of borrower’s total annual employment: - A completed Written Verification of Employment (Form 1005), or - The borrower’s recent paystub and IRS W-2 forms covering the most recent two-year period.

Income (continued)	• Commission income ≥25% of borrower's total annual employment income: - A completed Written Verification of Employment (Form 1005) or the borrower's recent paystub and IRS W-2 forms covering the most two-year period; and - Copies of the borrower's signed federal income tax returns covering the most recent two-year period. **Secondary Employment Income** Verification of a minimum history of two years of uninterrupted secondary employment income is recommended. However, income that has been received for a shorter period of time (no less than 12 months) may be considered as acceptable income, as long as there are positive factors to reasonably offset the shorter income history. • When the second job is not from self-employment, DU will require the borrower's recent paystub and IRS W-2 forms covering the most recent two-year period. **Self-Employment Income** For DU loan casefiles where two years of the most recent signed personal and two years of the most recent signed business federal income tax returns are required, business tax returns do not have to be provided unless the business is a corporation, an S corporation, a limited liability company, or a partnership and borrower has ≥25% ownership in the entity. Under certain conditions, the requirements for business tax returns may be waived. Note that for DU loan casefiles, only the most recent year of tax returns may be required. **DU Validation Service- "Express Doc"** To opt in to the DU Validation- the broker must select "Express doc" on the loan submission form. If the borrower's income is validated by the DU validation Service, Lender will perform the written verification of employment and will not require the standard income documentation such as paystubs and w2s.

Income (Tax Returns)	Determining the Need for Federal Income Tax Returns Borrower's signed federal income tax returns filed with the IRS for past two years must be provided for the following source of income or employment • Earns 25% or more of his or her income from commissions • Is employed by family members (two years' returns) • Is employed by interested parties to the property sale or purchase; • Receives rental income from an investment property • Receives income from temporary or periodic employment (or unemployment) or employment that is subject to time limits, such as a contract employee or a tradesman; • Receives income from capital gains, royalties, real estate, or other miscellaneous non-employment earnings reported on IRS Form 1099; • Receives income that cannot otherwise be verified by an independent and knowledgeable source; • Uses interest and dividends income to qualify; • Uses tip income reported on IRS Form 4137 that was not reported by the employer on the W-2 to qualify; or • Receives income from sole proprietorships, limited liability companies, partnerships, or corporation, or any other type of business structure in which the borrower has 25% or greater ownership interest. Borrowers with a 25% or greater ownership interest are considered self-employed **Note:** If a borrower's income is validated by the DU validation service, lenders are not required to determine if the borrower is employed by a family member or interested party to the property sale or purchase.
Employment Verification	**Verification of Employment** • **Wage Earner**: Verbal Verification of employment within 10 business days of prior to NOTE date • **Self-Employed**: Documented verification of existence of borrower's business through directory assistance no more than 120 days prior to loan closing • **Military Personnel:** Military Leave and Earnings Statement dated within 30 calendar days prior to the note date OR verification of employment through the Defense Manpower Data Center (https://www.dmdc.osd.mil/appj/mla/)

Multiple Financed Properties	If the mortgage is secured by a second home or an investment property, the Multiple Financed Properties Policy applies. The maximum number of financed properties that are permitted are four (4) financed properties and a total of eight (8) properties owned. The financed property limit • Applies to the number of one-to four residential properties where the borrower is personally obligated on the mortgage(s); • Applies to the total number of properties financed, not to the number of mortgages on the property or the number of mortgages sold to FNMA; • Includes the borrower's principal residence if it is financed; and is cumulative for all borrowers (though jointly financed properties are only counted once) The following property types are not subject to these limitations, even if the borrower is personally obligated on a mortgage on the property: Commercial real estate, • Multifamily property consisting of more than four units, • Ownership in a timeshare, • Ownership in a vacant lot (residential or commercial), or • Ownership of a manufactured home on a leasehold estate not titled as real property (chattel lien on the home) **Reserve requirements** Additionally reserve requirements apply based on the number of financed properties the borrower will have. The borrower must have sufficient assets to close after meeting the minimum reserve requirements. **Calculation of Reserves for Multiple Financed Properties** If the borrower owns other financed properties, additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's principal residence by applying 2% to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties.
Multiple Financed Properties *(continued)*	The aggregate UPB calculation does not include mortgages and HELOCs that are on • The subject property, • The borrower's principal residence, • Properties that are sold or pending sale, and • Accounts that will be paid by closing (or omitted in DU on the loan application) **Note:** DU will also include in the UPB calculation open mortgages and HELOCs on the credit report that are not disclosed on the loan application. **Simultaneous Second Home or Investment Property Transactions** If multiple second home or investment property applications are being processed simultaneously, the same assets may be sued to satisfy the reserve requirement for both mortgage applications. Reserves are not cumulative for multiple applications.

Assets	**Depository Accounts** Funds held in a checking, savings, money market, certificate of deposit, or other depository accounts may be sued for the down payment, closing costs, and financial reserves. The funds must be verified. Unverified funds are not acceptable for the down payment, closing costs, or financial reserves. **Business Assets** Business assets may be an acceptable source of funds for the down payment, closing costs, and financial reserves when a borrower is self-employed and the individual federal income tax returns have been evaluated, including, if applicable, the business federal income tax returns for that particular business (non-Schedule C). The borrower must be listed as an owner of the account. **Evaluating Large Deposits** When bank statements (typically covering the most recent two months) are used, large deposits will be evaluated (defined as a single deposit that exceeds 50% of the total monthly qualifying income) for the loan. **Request for Verification of Deposit** When a Verification of Deposit (Form 1006 or Form 1006(S) is used and depository activity is not included, verification of the source of funds for • Accounts opened within the last 90 days of the application date, and • Account balances that are considerably greater than the average balance reflected on the VOD
Assets (Gift Funds)	A borrower of a mortgage loan secured by a principal residence or second home may use funds received as a personal gift from an acceptable donor. Gift funds may fund all or part of the down payment, closing costs, or financial reserves subject to the minimum borrower contribution requirements below. **Gifts are not allowed on investment property.** **Acceptable Donors** A gift can be provided by: • A relative, defined as a the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, or legal guardianship; or • A fiancé, fiancée, or domestic partner **Note:** The donor may not be, or have any affiliation with the builder, the developer, the real estate agent, or any other interested party to the transaction.

Assets (Retirement Acct)	Vested funds from individual retirement accounts (IRA/SEP/Keogh accounts) and tax-favored retirement savings accounts (401K) are acceptable sources of funds for the down payment, closing costs, and reserves. Ownership of the account must be verified and confirmation that the account is vested and allows for withdrawals regardless of current employment status is required. When funds from retirement accounts are used for reserves, funds are not required to be withdrawn from the account(s).
Assets (Stocks, Stock Options, Bonds, and Mutual Funds)	Vested assets in the form of stocks, government bonds, and mutual funds are acceptable sources of funds for the down payment, closing costs, and reserves provided their value and borrower's ownership of account can be verified. • When used for the down payment or closing costs, if the value of the asset is at least 20% more than the amount of funds needed for the down payment and closing costs, no documentation of the borrower's actual receipt of funds realized from the sale or liquidation is required. Otherwise, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented. • When used for reserves, 100% of the value of these assets may be considered and liquidation is not required.
Assets (Stocks, Stock Options, Bonds, and Mutual Funds) *(continued)*	The value of the asset and any related documentation must meet the requirements: **Stocks and mutual funds** • Most recent monthly or quarterly statement from depository or investment firm; or • A copy of the stock certificate, accompanied by the newspaper stock list that is dated as of or near the date of the loan application **Stock options** • A statement that lists the number of options and the option price, and • Using het current stock price to determine the gain that would be realized from exercise of an option and the sale of the optioned stock **Note:** Non-vested stock options are not an acceptable source of funds for the down payments, closing costs, or reserves. **Government bonds** The value of government bonds must be based on their purchase price unless the redemption value can be documented.

IRS 4506-T	**Wage Earner Borrower** A signed IRS Form 4506-T is required on all loans, regardless of documentation type. All borrowers must sign the IRS Form 4506-T at application and closing. If tax returns are used to calculate borrower income, the Form 4506T must be processed prior to loan approval. **Self-Employed Borrower** Fully executed business 4506T form required for all 1120, 1120S, 1065 businesses where borrower has > 25% ownership
Tax Transcripts	**W2 Transcripts** W2 transcripts will be required when using only non-self-employed base wages to qualify. **1040 Transcripts** 1040 Transcripts will be required when borrower is self-employed or using income calculated from tax returns to qualify, such as > 25% commission, rental income, capital gains, interest/dividend. **Note:** The years' requirement is determined by the qualifying income and tax returns required per DU findings.
Appraisal	**Age of Appraisal** • Appraisal Recertification of Value with two additional comparables required 90 days from original report date • New appraisal report required 120 days from original report date **Field Review (High-Balance)** A Field Review is required in addition to DU recommended appraisal • If the property is valued at $1,000,000 or more with an LTV, CLTV, or HCLTV ratio greater than 75%. Field review is required to ensure that the appraisal is an accurate representation of value. If the Field Review results in a different opinion of value than the appraisal, the lowest of the original appraised value, the Field Review value, or the sales price (for purchases) will be used to calculate the LTV ratios. **Appraisal Transfers** Acceptable under CF program **only** with the following • Fully executed Appraisal Transfer Letter • Appraisal Report in XML format • Appraisal Invoice and Appraiser Independence Certification • Lender will verify appraiser is not listed on exclusionary list **Property Inspection Waiver** Determined by DU finding **Eligible Transactions** The PIW offer will be considered for the following transactions: • one-unit properties, including condos; • principal residence, second home, and investment property transactions; • certain limited cash-out and cash-out refinance transactions; and • DU loan casefiles that receive an Approve/Eligible recommendation.

Rental Income	**Eligible Properties** If the rental income is derived from the subject property, the property must be one of the following: • A two-to four-unit principal residence property in which the borrower occupies one of the units, or • A one- to four- unit investment property If the income is derived from a property that is not the subject property, there are no restrictions on property type. For example, rental income from a commercial property owned by the borrower is acceptable if the income otherwise meets all other requirements. **Ineligible Properties** Rental income from borrower's principal residence or second home cannot be used to qualify the borrower. **General Requirements for Documenting Rental Income** If the borrower has a history of renting the subject property or another property, generally the rental income will be reported on IRS Form 1040, Schedule E of the borrower's personal tax returns or on Rental Real Estate Income and Expenses of a Partnership or an S Corporation form (IRS Form 8825) of a business tax return. If the borrower does not have a history of renting the subject property or if the tax returns do not accurately reflect the ongoing income and expenses of the property, fully executed lease agreements may be used. Examples of scenarios that justify a lease agreement are • Purchase transactions; • Refinance transactions in which the borrower purchased the rental property during or subsequent to the last tax return filing; or • Refinance transactions of a property that experienced significant rental interruption such that income is not reported on the recent tax return (for example, major renovation to a property occurred in the prior year that affected rental income). When the subject property will generate rental income, one of the following Fannie Mae forms must be used to support the income-earnings potential of the property: • For once-unit properties: *Single-Family Comparable Rent Schedule (Form 1007)* provided in conjunction with the applicable appraisal report, or • For two- to four-unit properties: *Small Residential Income Property Appraisal Report (Form 1025)*

Mega Agency X (improved pricing & turn-times for eligible AGENCY FIXED submissions)	**<u>Mega Agency X</u>** is a Fannie Mae or Freddie Mac eligible transaction that has the following loan characteristics: • 620 minimum (qualifying) fico score • 80% Max LTV/CLTV • Minimum $75,000 loan amount • Wage earner* and Fixed Income Only – No self-employed** • 2 max REOs (including subject and non-subject REOs) • Occupancy: **Primary residence only** • 2 units maximum • Conforming and High-Balance fixed • DU (Approve/eligible) or LP (Accept/eligible findings required. *Regardless of the quantity of W-2s **No self-employed income: ○ K-1 income with less than or equal to 25% ownership, is acceptable if income is not being used to qualify. ○ No schedule C, K-1 income, LLC, Partnership, regardless of the amount of S/E income for all borrowers are allowed. Conforming Program codes: MAX30, MAX20, MAX15 & MAX10 Hi-Balance Program codes: MAXHB30 & MAXHB15