	Last Updated May 14, 2018

Prime

Credit Grade	Purchase and Rate/Term Refinance		Cash-Out Refinance	
Mortgage History	A+, 0x30 last 24	A, 0x30 last 12, 0x60 last 24	A+, 0x30 last 24	A, 0x30 last 12, 0x60 last 24
Doc Type	Full	Full	Full	Full
Credit Score	LTV	LTV	LTV	LTV
760+	95[1]/90	95[1]/90[1]	95[1]/90[2]/85	95[1]/90[2]/85
740	95[1]/90	95[1]/90[1]	90[2]/85	90[2]/85
720	95[1]/90	95[1]/90[1]	90[2]/85	90[2]/85
700	85	85	80	80
680	85	85	80	80
660	75	75	70	70
640	75	75	70	70
620	75	75	70	70
600	75	75	70	70
Other LTV Caps				
Doc Type	Full	Full	Full	Full
2nd and Investor (NOO)	85	75	80	70
2-4 Units	85	85	80	80
Max CLTV	*** SAME AS LTV ***			
Max Loan Balance	Credit Score >= 720: \$2.5M, Credit Score < 720: \$2.0M			
Min Loan Balance	\$100K			

[1]95% Purchase/ R&T Refi / Cash-Out Refi CLTV Guidelines Overlays

- **Above overlays only apply when LTV/CLTV is 90.01-95%**
- Minimum Credit Score of 720 required for Purchase and Rate/Term Refinance transactions
- Minimum Credit Score of 760 required for cash-out refinance transactions
- **Maximum 35% DTI**; Full Documentation only (Appendix Q)
- Primary Residence Only. SFR, PUDs, and Warrantable Condos Only
- Maximum combined loan balance = \$1,500,000
- Cash-out refinance transactions requires 12 months ownership seasoning.
- First Time Home Buyer permitted with restrictions. See First Time Homebuyer Guidelines

[2]90% Cash-Out Refi CLTV Guideline Overlays

- **Above overlays only apply when LTV/CLTV is 85.01-90%**
- Minimum credit score of 720 required
- **Maximum 35% DTI ;** Full Documentation only (Appendix Q)
- Primary Residence only, SFR, PUDs, and Warrantable Condos Only
- Maximum combined loan balance = $1,500,000
- Cash-out refinance transactions require 12 months' ownership seasoning
- First Time Home Buyer permitted with restrictions. See First Time Homebuyer Guidelines

Interest Only Guideline Overlays

- Minimum Credit Score of 680 required
- Prime Credit Programs – All Occupancy Types Allowed

First Time Homebuyer Guideline Overlays

- SFR, PUDs, and Warrantable Condos Only
- 9 months PITIA reserves required for A+ Grade, 6 months PITIA reserves required for Grade A
- Non-occupant co-borrowers not permitted

Non-Warrantable Condos

- Max program LTV/CLTV and loan amounts apply
- Please refer to the Guidelines for details

Maximum Loans to One Borrower

- Maximum Loans to One Borrower Sold to us:
  - The aggregate dollar amount of all loans sold or serviced by us may not exceed $4Million.
- Maximum properties One Borrower May Own (Limited up to 15 total properties owned regardless if property is free and clear excludes commercial and land properties):
  - We offer two options for Borrowers that own multiple properties. They include:
    1. If the loan is secured by the Borrower's principal residence
    2. If the loan is secured by the Borrower's second home or an investment property:
       - May have up to 10 financed properties (incl. principal residency) OR
       - May own or have financed up to 15 properties so long as the subject transaction has a maximum LTV/CLTV of 70% (or the program maximum, whichever is less)

CREDIT GRADE MATRIX		
Program	**Prime**	
Credit Grade	**A+**	**A**
Doc Types Offered	Full Documentation	Full Documentation
Doc Expiration	Note: All credit documents including the appraisal must **be no more** than 60 days from date initially submitted to Investor.	
Mortgage/ Housing History	0X30 in the past 24 months	0X30 in the past 12 months 0X60 in the past 24 months
Minimum Credit Score	600	600
Bankruptcy History[1] (Multiple Bankruptcies are Ineligible)	Chapter 7: 4 years from discharge date Chapter 13 and Chapter 11 personal: 4 years from discharge date to application date *Multiple BK's not allowed within 15 years from application date	Chapter 7: 3 years from discharge date Chapter 13 and Chapter 11 personal: 2 years from discharge date to application date *Multiple BK's not allowed within 15 years from application date
Prior Loss Mitigation[2]	4 years prior to application date	2 years prior to application date
Foreclosure History[3] (Multiple Foreclosures are Ineligible)	7 years *Multiple Foreclosures not allowed within 15 years from application date	3 years *Multiple Foreclosure not allowed within 15 years from application date
Maximum DTI	Up to 50% Min 720 credit score, LTV <= 80 43% Max for LTV > 80% or Interest Only 35% max for LTV > 90% on purchase and R&T 35% max for LTV > 85% on cash-out	Up to 50% Min 680 credit score 43% Max > 80% or Interest Only 35% max for LTV > 90% on purchase and R&T 35% max for LTV > 85% on cash-out
Adverse Credit	All delinquent credit that will impact title – including delinquent taxes, judgments, charge-off accounts, tax liens and mechanic's lines – must be paid off prior to or at closing	
Residual Income	DTI > 43% require household residual income $\geq$ \$3500 DTI $\leq$ 43% require residual income of: • \$800 for the primary borrower / \$200 for each additional family member	DTI > 43% require household residual income $\geq$ \$2500. DTI $\leq$ 43% require residual income of: • \$800 for the primary borrower / \$200 for each additional family member
Reserves (All Reserves requirements are calculated by determining the Subject Property PITIA and adding other property PITIAs as applicable)	6 months PITIA reserves for all LTVs <= 80% 9 months PITIA reserves required for: • LTV > 80%, **or** • loan amounts > \$1,000,000, **or** • second home, 2-4 unit, investment, and First -time Homebuyer 6 months PITIA reserves required for each additional financed property (Up to a maximum of 36 months). If the total # of financed x 6 months reserves for each exceed a total of 36 months, the highest PITIA from the financed properties will be utilized to calculate reserves up to 36 months.	3 months PITIA reserves for all LTVs <= 80% 6 months PITIA reserves required for LTV > 80%, loan amounts > \$1,000,000, second home, 2-4 unit, investment, and First -time Homebuyer 2 months PITIA reserves required for each additional financed property (Up to a maximum of 24 months). If the total # of financed x 6 months reserves for each exceed a total of 24 months, the highest PITIA from the financed properties will be utilized to calculate reserves up to 24 months.

Refinance Rate and Term	The Appraised Value can be used as the value amount for calculating the LTV/CLTV ratios.
Maximum Cash-out	• No limit • Minimum 6 months' ownership seasoning required for cash-out transactions
Establishing LTV/CLTV Cash-out Refinance <= 90% LTV/CLTV	• Minimum 12 months' ownership seasoning to use appraised value for LTV/CLTV. • If the ownership seasoning is less than 12 months, the lower of the purchase price or the appraised value will be used to determine LTV/CLTV.

[1] Consumer Credit Counseling Service ("CCCS") is considered the same as Chapter 13 bankruptcy.
[2] Loss Mitigation includes non-foreclosure actions such as Deed-in-lieu, NOD, Pre-Foreclosure Sale, Short Sale, Short Refinance and Modification. Multiple Loss Mitigation events are allowed.
[3] Foreclosure limitations apply to formal foreclosure filings; In the instanced when the borrower has been or is currently delinquent for 120 days or longer and the lender has not initiated formal actions, the 120 day plus delinquency will be treated as a foreclosure for grading purpose.
NOTE: Derogatory is based on application date.

INCOME DOCUMENTATION OVERVIEW

<table>
<tr><th></th><th>Employment/Income</th><th colspan="2">Eligible Borrowers</th><th>QM/Non-QM Eligibility</th><th>Grade Eligibility</th></tr>
<tr><td rowspan="2">Full Documentation</td><td rowspan="2">• The Borrower's application (1003) must include all sources and amounts of income
• Borrowers must have completed two years of employment with the same employer or in a similar line of work
• If self-employed, the Borrower must have the same business entity for two years
• Self-employed Borrowers must be able to document ownership for that period of time</td><td>Salary/Wage Earner</td><td>Self-Employed</td><td rowspan="2">QM and Non QM programs available</td><td rowspan="2">All Grade Levels</td></tr>
<tr><td><u>Required:</u>
• Pay stubs for the most recent 30-day period showing year-to-date income, two years IRS W-2 forms and 2 years tax returns.
• WVOE showing earnings for the past two years and YTD earnings (if using bonus, overtime, commission, and other type of income other base income)

<u>In addition:</u>
• Verbal verification of employment within 10 business days prior to the Note Date
• Signed, and processed 4506T
• Required to order 4506T</td><td><u>Required:</u>
• Two years personal tax returns with all schedules
• Two years business tax returns with all schedules
• Twenty-five percent (25%) or more ownership interest in an S Corp, also requires two years S Corporation tax returns.

<u>In addition:</u>
• Evidence of self-employment in the same business for the past two years
• Verbal verification of employment within 15 business days prior to the Note Date
• Signed, and processed 4506T
• Required to order 4506T</td></tr>
</table>

Please refer to the Daily Rate Sheet for product eligibility and pricing specifics						
Product		**30 Yr FRM**	**30 Yr I/O**	**40 Yr I/O**	**15 YR FRM**	
Product Code		F30	F30I	F40I	F15	
Description		Fully amortizing mortgage loan with an interest rate that is fixed over the entire 30 year term	Fully amortizing mortgage loan that pays interest only during the first 10 years and amortizes down over the remaining 20 years	Fully amortizing mortgage loan that pays interest only during the first 10 years and amortizes down over the remaining 30 years	Fully amortizing mortgage loan with an interest rate that is fixed over the entire 15 year term	
Initial Fixed Rate Term (Mos.)		Not applicable	120	120	Not applicable	
Repayment Type	**Principal & Interest**					
	Interest Only	Not Available	10 Yr I/O Term Only	10 Yr I/O Term Only	Not Available	
Term		360	360	480	180	
Amortization Term		**360**	**240**	**360**	**180**	
Borrower Qualification		Borrowers qualify at the note rate based on fully amortizing Principal & Interest payment	Borrowers qualify at the note rate based on fully amortizing Principal & Interest payment during the principal repayment period over 240 months. Borrowers **will not** be qualified on the interest only payment amount.	Borrowers qualify at the note rate based on fully amortizing Principal & Interest payment during the principal repayment period over 360 months. Borrowers **will not** be qualified on the interest only payment amount	Borrowers qualify at the note rate based on fully amortizing Principal & Interest payment	
Index		Not applicable				
Periodic Rate Change Term (Mos.)		Not applicable				
Lifetime Floor		Not applicable				
Temporary Buydown		Temporary Buydowns Not Permissible in any product or program				
Assumability		Mortgage loans are not assumable in any product or program				

Please refer to the Daily Rate Sheet for product eligibility and pricing						
Product		**5/1 ARM**	**7/1 ARM**	**10/1 ARM**	**10/1 ARM IO**	**10/1 ARM IO**
Product Code		A525	A723	A1020	A1020I	A1030I
Description		Fully amortizing hybrid mortgage loan with an interest rate that is fixed for 5 years and then changes to an ARM with the rate changing every year for the rest of the term of the loan.	Fully amortizing hybrid mortgage loan with an interest rate that is fixed for 7 years and then changes to an ARM with the rate changing every year for the rest of the term of the loan.	Fully amortizing hybrid mortgage loan with an interest rate that is fixed for 10 years and then changes to an ARM with the rate changing every year for the rest of the term of the loan.	Fully amortizing hybrid mortgage loan that pays interest only during the first 10 years then changes to an ARM with the rate changing every year for the rest of the term of the loan and amortized down over the remaining 20 years	Fully amortizing hybrid mortgage loan that pays interest only during the first 10 years then changes to an ARM with the rate changing every year for the rest of the term of the loan and amortized down over the remaining 30 years
Initial Fixed Rate Term (Mos.)		60	84	120	120	120
Repayment Type	**Principal & Interest**	Available in all Programs	Available in all Programs	Available in all Programs	Available in all Programs	Available in all Programs
	Interest Only	Not Available	Not Available	Not Available	10 Yr I/O Term Only	10 Yr I/O Term Only
Term		360	360	360	360	480
Amortization Term		360	360	360	240	360
Index		12 Month Libor	12 Month Libor	12 Month Libor	12 Month Libor	12 Month Libor
Periodic Rate Change Term (Mos.)		12 Months	12 Months	12 Months	12 Months	12 Months
Periodic Rate Cap Adj.		2% - 2% - 5%	5% - 2% - 5%	5% - 2% - 5%	5% - 2% - 5%	5% - 2% - 5%
Lifetime Cap		Start Rate + 5%	Start Rate + 5%	Start Rate + 5%	Start Rate + 5%	Start Rate + 5%
Lifetime Floor		Start Rate	Start Rate	Start Rate	Start Rate	Start Rate
Margin		See Daily Rate Sheet	See Daily Rate Sheet	See Daily Rate Sheet	See Daily Rate Sheet	See Daily Rate Sheet
Look Back Period		45 days	45 days	45 days	45 days	45 days
Conversion Option		Not allowed	Not allowed	Not allowed	Not allowed	Not allowed
Borrower Qualification		Borrowers qualify at the higher of the fully indexed rate or the initial note rate plus the periodic adjustment (2%)*	Borrowers qualify at the higher of the fully indexed rate or the initial note rate *	Borrowers qualify at the higher of the fully indexed rate or the initial note rate *	Borrowers qualify at the higher of the fully indexed rate or the initial note rate using the fully amortizing Principal and Interest payment during the principal repayment period. Borrowers will not be qualified on the interest only payment amount.*	Borrowers qualify at the higher of the fully indexed rate or the initial note rate using the fully amortizing Principal and Interest payment during the principal repayment period. Borrowers will not be qualified on the interest only payment amount.*
Temporary Buydown		Temporary Buydowns Not Permissible in any product or program				
Mortgage Insurance		Mortgage Insurance is not required or permitted				
Assumability		Mortgage Loans are not assumable in any product or program				
Disclosure		The Seller must ensure that any description of the Lender's program furnished to Borrowers complies with applicable state and federal laws and regulations.				

* The fully indexed rate generally can be calculated using any index value that was in effect within the 45-day period preceding the date that the applicable disclosure (i.e., LE or CD) is generated. For example, if a Loan Estimate is generated on April 1,2018, the fully indexed rate can be determined using any index value that has been in effect since February 15, 2018. However, if a disclosure is generated after the loan already has been consummated (e.g., a CD issued in connection with a post-closing cure), the 45-day period should be measured from the date of consummation.

Appraisal Valuation Summary

	First Liens			
Seller Appraisal Requirements	§ 1 Full Appraisal[1] if Combined Loan Amount ≤ $1.5 M	**NOTE: Property flipping requires two (2) appraisals.**		
	§ 2 Full Appraisals[1] if Combined Loan Amount > $1.5 M[3]			
	§ Condominiums require HOA Certification Form			
Clear Capital Required Products	§ Collateral Desktop Analysis (CDA)[2]	**NOTE: If CDA note value is declining, the loan is ineligible.**		
Clear Capital Escalation	§ If the CDA returns a value that is ≤ 5% of the Appraised Value[4], the Appraised Value[4] can be used to establish the LTV/CLTV.			**Additional Costs and Turn Times** **Turn Time and BPO Cost:** 1 day - $175 2 day - $140 3 day - $115 5 day - $99 If there is a need to order a **Reconciliation of Three Reports**, it will take an additional 3 days after you place the order. **The cost is $75.** **NOTE: Turn time starts on the following day from the initial request.**
	§ If CDA returns a value that is > 5% but ≤10% of the Appraised Value[4], three options are available:			
	1) The CDA value can be used to establish the LTV/CLTV, however the LTV/CLTV maximum is the lower of the program maximum or 70%, whichever is less.			
	2) A Clear Capital Broker Price Opinion (BPO) and Clear Capital Value **Reconciliation of Three Reports** may be ordered. In the case where two Appraisals were required, the two Appraisals and the CDA can be used to the Value Reconciliation of Three Reports. The reconciled value determined by Clear Capital will be used to determine LTV/CLTV. ** Broker/Borrower to pay if required **			
	3) A Clear Capital Field Review may be ordered. The lowest value between the Original Full Appraisal, Clear Capital CDA, and Clear Capital Field Review will be used to determine LTV/CLTV. ** Broker/Borrower to pay if required. Please contact appraisal desk for pricing and to assist with the field review order **			
	§ If the CDA returns a value that is "Indeterminate" or > 10% of the Appraised Value, a Clear Capital Broker Price Opinion (BPO) and Clear Capital Value Reconciliation of Three Reports must be ordered. The reconciled value determined by Clear Capital will be used to determine LTV/CLTV. ** Broker/Borrower to pay if required **			
	§ If the Clear Capital CDA returns a value is greater than the Appraised Value[4], the Appraised Value[4] will be used to determine LTV/CLTV.			

1. "Full Appraisal" refers to a Uniform Residential Appraisal Report (URAR). This includes a FNMA 1004 and FHLMC 70
2. The Collateral Desktop Analysis (CDA) must include the MLS data
3. The CDA will be completed on lower of the two appraisals.
4. The "Appraised Value" is the value determined from the original appraisal(s) obtained by the Seller.

Topic	General Guidelines
Early Paid Off Policy (EPO)	EPO timeline is 6 months (180 days) from closing date of the loan.
States Restriction	• Texas: No Cash-Out in Texas. This is not limited to just TX A6. • Hawaii (Ohana Units Allowed as long as it is legal, and there is no rental income. There must be 2 similar comps.)

Financed Properties	• Exposure to a single borrower not to exceed $4,000,000 or 10 properties;
	• Limited up to 15 total properties owned regardless if property is free and clear excludes commercial and land properties.
	• For all loans, the borrower's primary residence, the subject property and any properties owned separately by a Co-Borrower must be included in the total number of properties owned
	• A borrower may finance or own multiple properties. We offer two options for borrowers that own multiple properties. They include:
	• If the loan being sold to us is secured by the Borrower's primary residence, max allowed is up to 15 financed properties.
	• If the loan being sold to us is secured by the borrower's second home or an investment property:
	  ▪ The borrower may have up to ten financed properties (including their primary principal residence, OR
	  ▪ The Borrower may owned or have financed up to 15 number of properties if the Loan being sold to us has a maximum LTV/CLTV that does not exceed the lesser of the program maximum or 70%.
	• The number of loans to one borrower in any single market area is limited to two. The term "single market area" refers to the physical location of the property – meaning two or more homes owned by the same borrower within a several block radius, defined neighborhood, or lending area.
	• The following are excluded from these limitations:
	  ▪ Properties owned free/clear
	  ▪ Joint or total ownership in property this is held in the name of a corporation, even if the borrower is the owner of the corporation. However, if the borrower is individually obligated on the note, it must be included.
	  ▪ Ownership in a multi-family property (5+ units)
	  ▪ Ownership in commercial property
	  ▪ Ownership in timeshares
	  ▪ Ownership in unimproved land
	
	More stringent lending practices will be implemented in cases where the Borrower's loan documents exhibit escalation of late payments and multiple refinances. New investors that have made multiple real estate acquisitions (more than 50% of the properties purchased) in the past 12 months may require additional review, documentation, or be ineligible for purchase.
	
	If the borrower has refinanced the subject property twice in the past twelve (12) months, the borrower is ineligible for another refinance.

<table>
<tr><th>Topic</th><th>General Guidelines</th></tr>
<tr><td>Tax Returns / 4506T</td><td>
Required for personal and business income (if applicable).
If most recent year’s tax transcript , for the income used to qualify, is not available, the income may be verified by one of the following:
Official stamped return by the IRS as received; OR
Evidence that the return was electronically received (must reflect refund or amount owed to the IRS).
In addition, evidence of a refund check or payment made must be supplied.

Allowable age of Federal Income Tax Returns
The “most recent year’s tax return is defined as the last return scheduled to have filed with the IRS.

<table>
<tr><th>If Today’s Date is:</th><th>Then the Most Recent Year’s Tax Return would be:</th></tr>
<tr><td>February 15, 2017</td><td>2015</td></tr>
<tr><td>April 15, 2017</td><td>2016</td></tr>
<tr><td>December 15, 2017</td><td>2016</td></tr>
</table>
For business tax returns, if the Borrower’s business uses a fiscal year (a year ending on the last day of any month except December), the Lender may adjust the dates in the above chart to determine what year(s) of business tax returns are required.

In all cases, the tax returns for the current year are required as of June 30, rather than October 15th. If the Borrower has filed an extension and does not file by June 30th, the Loan is ineligible. However, if the borrower filed an extension and has since filed the returns and tax transcripts (or stamped IRS returns) are available then the Loan would be eligible for submission.
</td></tr>
<tr><td>Non-ARMs Length Transaction</td><td>
A non-arm’s length transaction is a transaction between family members, co-workers, friends or anyone associated with the transaction such as the listing agent, mortgage lender or broker.

Non-Arms’ length transactions are not eligible for purchase except for Gift of Equity (GOE) or inherited properties. Examples of non-arm’s length transactions include but are not limited to:
Relatives: Relatives are defined as individuals related by blood, marriage, adoption, or legal guardianship. Transactions between an individual and their spouse, parent, sibling, grandparent, aunt, uncle, cousin, stepparent or stepchild, regardless of whether the relationship is by blood, adoption, marriage, or legal guardianship are considered non-arm’s length. The definition also includes domestic partners and fiancées.
A purchase and sale transaction between relatives, including the estate of a deceased family member unless the transaction is a probate sale.
A financing transaction between relatives, such as the processing or origination of a Loan for a relative by an employee of the Seller.
Parents purchasing and financing a property for a child who then wants to refinance to pay-off the parents
Employer/Employee
A purchase and sale transaction between an employer and an employee.
A financing transaction between an employer and an employee, including a Loan originated by the Seller for the Seller’s employee, contractor, or principal.
Landlord/Tenant
A purchase and sale transactions between a landlord and tenant, including lease option purchase options.
A financing transaction between a landlord and tenant, such as the processing or origination of a Loan for a tenant when the landlord is an employee of the Seller.
</td></tr>
</table>

Topic	General Guidelines

Non-ARMs Length Transaction (continued)	• **Home Builders**
	  ▪ Purchase transactions where the Borrower is the owner of, or is employed by the homebuilder who has constructed the subject property.
	  ▪ Transactions where the principals of construction companies are involved in the sale and financing of the subject property, with the exception of qualifying builder owned lending operation transactions.
	• **Real Estate Brokers/Agents:** A transaction where the Borrower or a relative of the Borrower, is a licensed real estate broker or agent employed in the real estate industry and is involved in the financing or sale of the subject property, regardless of whether he/she receives a sales commission. This includes a Borrower or a relative of the Borrower.
	  ▪ Acting as the property seller's agent under a listing agreement with the seller of the property;
	  ▪ Acting as his/her selling agent for a real estate broker;
	  ▪ Acting as both the listing agent and as the seller agent (dual representation); and
	  ▪ A transaction where the Borrower acts as his/her own real estate agent (buyer's agent) in the purchase of a property will be considered arm's length.
	  Only Allowed if: A buyer / borrower who is a Real Estate broker and is representing themselves as the Buying Agent on a Purchase Transaction is acceptable.
	• **Third Party Service Vendors:** A transaction where the Borrower is also a principal of a third-party vendor, such as a settlement agent, escrow company, title company, appraisal company, or credit reporting company providing such service for the subject Loan.**Seller Employees**
	  ▪ A Borrower who is employed by the Seller of the Loan (i.e. no employee loans)
	• **Seller Financed**
	  ▪ The payoff of a loan currently financed by the Seller
	Interfamily Transfer
	• The HUD-1 must reflect the gift of equity as part of the transaction or the purchase price.
	• The property must be owner occupied.
	
	Interfamily transfers are considered Purchase transactions. For an interfamily transfer to be eligible for purchase by us, the appraisal must support the value, **AND**:
	• Existing liens on the property must be current.
	• Full Documentation loans only.
	• The HUD-1 must reflect the gift of equity as part of the transaction or the purchase price.
	• For owner occupied properties, the maximum LTV/CLTV is 80% or the program maximum, whichever is lower.
	
	Family members are defined as parents, grandparents, siblings, spouses, children, aunts and uncles

Topic	General Guidelines
Rent back the Current Residence	The Borrower may rent back their current home for up to 30 days from the closing sale date.
Borrower Eligibility	**Eligible:** Us Citizen, Permanent Resident Alien, Non-Permanent Resident Alien A non-permanent resident alien is a person who is not a U.S. citizen but resides in the United States under the terms of a Visa: • A non-permanent resident alien may be eligible if they maintain a current G-1 to G-5, H-1, L-1, or E-1 Visa and they can provide a copy of the Visa with underwriting documentation. **NOTE: Maximum 4 borrowers per transaction**.
Non-Occupant Co-Borrower	A Non-Occupant Co-Borrower (co-signer) is an individual who will not be living in the Mortgaged Property, but whose income and/or assets have been used to qualify for the loan. The co-signed must sign the Note. Although the Non-Occupant Co-Borrower does not reside in the Mortgaged Property, he or she is jointly responsible (with the Primary Borrower) for repaying the loan. If the Loan Program allows for a Non-Occupant Co-Borrower, the loan is subject to the following conditions: **Mortgage Loan:** • Owner occupied or second vacation home • Full Documentation only • The Primary (occupant) Borrower's credit profile will be used for grade determination, but other credit events are seasoned the same for both borrowers (BK, FC, Loss Mit, mortgage history, etc.). Example: If the primary borrower have no derogatory credit but the non-occupant have a short sale seasoned for 3 years, pricing will be downgraded to A. • Primary Borrower must have a DTI of no more than 60% • The combined incomes for all borrowers must meet guidelines. • A minimum of 5% of the down payment must come from the Primary (occupant) Borrower's own funds. A down payment of 100% gift funds is allowed at LTVs less than 80% or the program maximum, whichever requires the greater down payment. Secondary financing is not allowed on Non-Occupant Co-Borrower or Non-Owner Occupied transactions. Closing costs may also be in the form of a gift. **Non-Occupant Co-Borrower:** • Individual cannot be the Primary Borrower, and must be a close family member such as a parent, child, grandparent, or sibling. Credit must meet the minimum credit standards for the grade assigned to the loan • Must provide income and asset documentation to be used for loan qualification • Must be vested on the Mortgaged Property for a minimum of six months for a Rate/Term Refinance and twelve months for a Cash-Out Refinance transaction • Up to two Non-Occupant Co-Borrowers allowed
Assets – Reserves	**Refer to credit grade**

Topic	General Guidelines

Gift Funds	• Allowed after 5% from own funds
	• All gift is allowed if LTV is 80% or less
	• Allowed on owner occupied and second home transactions only
	• Gift funds from foreign sources are unacceptable
	• Gift funds may not be used to meet reserve requirements
	• Gift funds requirements:
	  ▪ Signed gift letter
	    ○ must indicate the donor's relationship to the borrower
	    ○ donor's address and phone number
	    ○ subject property address
	    ○ dollar amount of the gift
	    ○ certification that it is a gift with no repayment required
	  ▪ Receipt of funds*
	  ▪ Proof of the donor's ability to provide the funds
	    ○ Need two months bank statements and source any non-payroll deposits
	    ○ Must be sourced and seasoned for 60 days
	
	Examples of acceptable proof of receipt of funds are a bank statement showing the deposit or a copy of the cashier's check.
	
	If the Borrower received 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 is considered the Borrower's own funds and may be used to satisfy the minimum Borrower contribution requirement if all individuals occupy the property.
	
	Gift funds are not permitted from any donor that is a party to the transaction (except gifts of equity from the Seller) or is a real estate builder, developer, or in the business of owning, financing, or selling real estate.

Asset Documentation	In addition to documenting minimum PITI reserve requirements, all borrowers must disclose and Lender must verify all other liquid assets. Fannie Mae guidelines prevail regarding sources and types of assets as well as assets which are not eligible for closing costs and/or reserves.
	
	• Account statements should cover most recent 60 days period.
	• VOD must be dated within 30 days of loan application date.
	• Stocks/Bond/Mutual Funds - 70% of stock accounts can be considered in the calculation of assets for closing and reserves. Need to provide:
	  ▪ A statement from the brokerage company indicating ownership of the securities and verifying the sale.
	  ▪ Verification from the bank where the securities were sold or redeemed.
	  ▪ Copies of the sale documents
	  ▪ For Bond – a copy of the bond redemption tables (for value verification), and proof of liquidation, is required for government bond proceeds.
	• Vested retirement account funds (401(K) IRA, SEP, KEOUGH):
	  ▪ If the borrower is < 59.5 years old – 55% of vested value
	  ▪ If the borrower is > 59.5 years old – 65% of vested value
	• Self-Employed borrowers
	  ▪ All funds must be seasoned with the source of funds for any large deposits fully document and explained

<table>
<tr><th>Topic</th><th>General Guidelines</th></tr>
<tr><td>Asset Documentation (continued)</td><td>

<li style="list-style:none">
The use of business funds for down payment, closing costs and reserves is allowed for sole proprietors, partnerships, S-corporations and corporations. When using these funds, each transaction must be analyzed in order to determine the Borrower’s percentage of ownership in the business, validate the Borrower’s ability to access business funds without any detrimental effect to the business and to ensure there is strength and stability within the business.
CPA / Third Party letter is required to confirm that the use of the funds is not detrimental to the business and that the funds are not borrowed.

<u>Ownership Verification</u>
Borrower’s ownership or interest in the business must be confirmed by documentation such as a business license or corporate or partnership tax returns.

Sole Proprietor: Verification that the Borrower has 100% ownership of the business, for example using the tax returns provided or a copy of the business license.
Partnership: Borrower must be a general partner and verification of the percent of ownership is required. Verification of the ability to withdraw funds to the extent of the percentage of ownership and approval of the other general partners is required. The percentage of ownership can be validated using the U.S. Partnership Return of Income (IRS Form 1065) and the Partner’s Share of Income, Credits, Deductions, etc. (IRS Schedule K-1) for filing income tax returns for the partnership.
Corporation: Verification that the Borrower is 100% owner of the corporation or if the Borrower is not a 100% stockholder verification of the percent of ownership. In addition, verification of the ability to withdraw funds to the extent of the percentage of ownership is required, along with approval of the stockholders with a corporate resolution. The Borrower’s percentage of ownership can usually be determined from the Compensation of Officers section of the corporate tax return.

Other accounts – accounts such as annuities, trust funds and hedge funds may be utilized. Documentation must be provided to show that the funds are available to the Borrower and under what conditions the funds may be withdrawn. If being used for reserves, annuities are treated the same as retirement accounts.
Borrower funds secured by Assets subject to the following requirements:

The loan must be secured by an asset owned by the borrower, such as a certificate of deposit, stock, bond, real estate (other than the mortgage property), life insurance policy, savings account or bridge loan.
The loan must be from an institutional lender.
The DTI ratio calculation must show that the borrower is qualified to pay the additional debt.
A copy of the executed note reflecting the terms and proof of the receipt of the funds must be provided.

Sale of Real Property; If the source of funds to close is proceeds from the sale of real estate owned by the borrower, the amount of net proceeds must be documented with a copy of the final HUD-1 along with the receipt of the proceeds by the borrower.

Ineligible assets and sources of funds:

Stocks held by privately held corporations
Stock options
Non-vested restricted stock
Windfall assets (i.e., inherited funds, proceeds from a lawsuit, lottery winnings)
Cash-Out refinance proceeds
Non-financial assets (collectibles, stamps, coins, artwork, etc.) unless liquidated
Custodial accounts

</td></tr>
</table>

Topic	General Guidelines
Housing and Debt-To-Income Ratios	• Escrow accounts • 529 accounts • Accounts pledged as collateral on another loan • Below investment grade corporate and municipal bonds • Cash value of life insurance • Foreign assets **Qualifing rate for monthly housing expense calculation:** • Fixed Rate Loans qualified using the fully amortized payment calculated at the note rate • Adjustment Rate (ARM) loans qualified using the higher of the fully indexed rate or the initial note rate puls the periodic adjustment (2%) • Intererst Only Loans qualified at the note rate based on the fully amortizing principal & interest payment during the principal repayment period. Borrowers will not be qualified on the interest only income. **For equity lines of credit (as applicable), the monthly payment used for qualfiication shouldbe based on the greater of:** • The payment noted on the credit OR • 1% of the maximum current available draw **The DTI ratio includes the monthly housing expenses plus the following charges:** • Revolving charges (if no payment is showing on the credit report, use 5% of the outstanding balane) • Installement debt with 10 or more remaining payments if the inclusion of this installment debt would cause the borrower's DTI to be > 5% over the program allowance, up to a max DTI of 60%, additional compensating factors and/or documentation would be required to offset the risk • Real estate loans • Real estate net rental losses from all investment properties owned • Automobile loans • Automobile leases (msut be included into the DTI even if fewer than 10 payments remain) • Net rental losses from real estate owned • Alimony, child support, or maintenance payments with 10 or more remaining payments • Joint obligations, if applicable, for divorced or separated borrowers • Student loans, weather deferred, in forebearance, or in repayment (not deferred) • Monthly paid charge accounts, such as an AMEX account, payment will not be included but outstanding balance amount will be netted out of available assets **Installment Debts** • The monthly payment may be excluded from the DTI calculation if there are less than 10 monthly payments remaining to pay the debt in full and the payment is not substantial. • If there are less than 10 payments remaining and payment is substantial (exceeds 5% of the borrower's qualifying income), the debt must be included into borrower's DTI calculation • Installment debt that is paid in full prior to or at closing may be excluded from the DTI provided the HUD-1 reflets the payoff. • If an installment debt does not show on credit report, a credit supplement or loan statement is required

Topic	General Guidelines
Housing and Debt-To-Income Ratios (continued)	**Revolving Debt** The minimum required payment as stated on the credit report or current statement should be used in calculating the DTI unless as noted below. Revolving debt **may not** be paid down for qualificaton purposes but may be paid off. The following debts must be considered as a recurring monthly debt obligation: • The credit report balances suggest that more than 10 payments remain to be paid regardless of whether the loan application indicates the debts will be paid off at or prior to closing • The credit report does ont show a required minimum payment amount and there is no supplemental documentation to support a payment of less than 5%. In this situation, an amount equal to a minimum of $10.00 or 5% of the outstanding balance must be used as the borrower's reocurring monthly debt obligation • If a revolving or open acount is to be paid off, a monthly payment on the current outstanding balance should not be considerd as a long-term debt. **Alimony/Child Support/Separate Maintenance Obligations** • Monthly alimony, child support or separate maintenance fees with 10 or more payments remaing must be included into the DTI **Divorce debt** opened jointly with a former spouse will be considered an obligation of the borrower unless a legal separation agreement or divorce decree is provided to prove the former spouse is responsible for the debt, otherwise it wil be counted. **Co-signed debts / Contingent Liabilities** If the Borrower is a co-signer or guarantor on any loans, those liabilities must be indicated on the application. Debts that have been co-signed by the Borrower may be excluded from the Borrower's DTI under the following scenarios. In every situation, the debt must be paid current and as agreed for at least the previous 12 monnths. • Satisfactory documentation is provided to provie that the primary debtor has been making the payments on a regular basis. At least 12 consecutive months of canceled checks from the primary debtor are required. • Property resulting from buyout of former co-owner (i.e. divorce). The loan file must include evidence of transfer of ownership. • Mortgage assumed by third-party without a release of liability. A copy of the formal assumption agreement and evidence of transfer of ownership should be in the loan file. Do not include payment history and assuption does not need to release the borrower from liability. • Court ordered debts – a copy of the court order assigning the debt to another party is requried • Co-signed accounts paid by a third-party, with 12 months of cancelled checks evidencing payment by the third-party. If these requirements cannot be satisfied, then the liability must be indicated on the application and considered as a monthly debt payment for mortgage eligibility purposes. Co-signed debts must be paid satisfactorily (0x30), or they will be counted as adverse credit. **Business Debts** for which the borrower is personally liable must be included in the debt calculation. This includes business paid personal debts, unless proof of payment by the business is established. If the account is new, it must be included. These debts may be excluded if a minimum of 12 months of consecutive cancelled checks from the business are provided. The borrower must own the business 100% **Retirement / Savings plan loans** may be excluded from the DTI provided the borrower can repay the debt by liquidating the assets. The value of he asset must be reduced by the amount of the debt when calculating total assets and/or reserves.

Topic	General Guidelines

Housing and Debt-To-Income Ratios (continued)	**Student Loans**
	• Deferred student loans are included in the DTI as a long-term obligation. Student loans can be counted in credit depth as long as they are in repayment and not being deferred. Student loans listed as delinquent must be brought current.
	• If no payment is shown on the credit report for a student loan payment, then proof of payment should be provided by student loan lender. If payment is unable to be determined, use 1% of the unpaid balance.
	• If a student loan is charged off or in colletion, the following must be provided:
	  ▪ A copy of repayment agreement and six months of cancelled checks **OR**
	  ▪ If not in repayment evidence it won't affect title
	Interest and Dividend Income may be used if verified through tax returns as stable for two years and if additional verification is obtained as proof that the funds are still on deposit in the financial or investment portfolio account. Income must be proportionately reduced if funds are used to close in a purcahse money transactions.
	Employed by a relative can only go full income docs and must have 2 years history

Ineligible Income	• Foreign income • Contributions or support from family members (other than alimony/child support) • Deferred income not presently available • Educational benefits • Illegal income • One-time capital gains • Projected income • Refund of federal or state income tax • Rental income on a second home or an ineligible second unit • Reimburseable income • Gambling income • Automobile allowances • Per diem income • Unverified sources • Rental income on a second home, accessory unit or an ineligibile second unit • Ownership in a business that is federally illegal • Restriced stock units (RSUs)

Topic	General Guidelines

Departing Residence	If the borrower's current principal residence is going to be rented, the following documentation must be provided or the entire PITIA will be included in the borrower's qualifying ratios. The departing property must have 25% equity position (2055 exterior). A 1007 is only required when there is not a current executed lease. The rental amount must be document with the following:
	• If an executed lease **is not available**:
	  ▪ Rent Survey from the appraiser
	  ▪ 75% of the rental amount will be used
	• If an executed lease **is available**:
	  ▪ Fully executed lease (must be arm's length)
	  ▪ Copy of the check for the first month's rent
	  ▪ Copy of the security deposit slip
	  ▪ Copy of cancelled check for the security deposit

Rental Income	Rental income may be used in qualifying a borrower for a loan. All owner occupied 2-4 unit properties and all investment properties require a rental income analysis to determine positive or negative cash flow. Rental income on a second home is not allowed. One of the following is required to support leases or rental income on the application:
	• Rent survey Form 1007 and Operating Income Statement (FNMA Form 216)
	• Personal 1040s with Schedule E
	Rental Income Calculation
	Income received from rental properties will be calculated using one of the following methods:
	  ▪ **Owned at least one year.** For properties owned for one or more tax years, cash flow can be calculated as follows:
	    ○ Net income from 1040 tax return Schedule E, plus depreciation
	  ▪ **Owned less than one year**. For properties owned less than one tax year, cash flow must be based on 75% of the lesser of actual or market rents
	
	Actual rents must be documented with copies of the signed leases. Net cash flow for properties, other than the subject property, will be calculated using Schedule E from the Borrower's tax returns for the past two years.
	
	A positive aggregate monthly cash flow (rental income) will be added to the gross income; negative aggregate monthly cash flow (rental loss) will be added to the total liabilities and used to qualify the Borrower. Room rents are an ineligible source of income. If any of the units in a property are receiving room rents than none of the rental income received for the property may be used as a qualifying income.
	
	Loans for investment properties that generate a negative cash flow will be closely scrutinized and must be appropriate for the Borrower's circumstances.
	
	Rental income received from a family member may not be used as income without copies of a minimum of six month's cancelled rent checks provided by the tenant family member.

Topic	General Guidelines
Standard Trade lines	A borrower(s) without an established credit history is ineligible. A valid and usable score is one that is generated based upon credit history and credit patterns that accurately reflect the borrower's history. It should contain at least: ▪ Three established open and active trade lines: ▪ One reported for a minimum of 24 months ▪ At least one in the last 12 months (defined as last activity within 12 months of credit report date). ▪ At least one of the three established trade lines must have a minimum $2500 high credit limit If the borrower is in college, is a recent college graduate or living with family members and is not paying rent, he or she must meet the minimum credit requirements. Borrower's failing to meet the 3 trade lines criteria but have a minimum of 1 open trade line with 12 months or more reporting history can be considered without exception if the following requirements are met: • 8 or more trade lines reported with at least one being a mortgage trade line AND • Minimum 7 years of established credit history **OR** • 6 months' additional reserves and meets one of the following requirements: ○ DTI < 35%, LTV/CLTV < 70%, or the program maximum, whichever is less. **Unacceptable Trade lines** The following cannot be used to meet the minimum trade line requirement: • Collections • Charge-offs • Public records and derogatory credit, included in or prior to a bankruptcy • Accounts currently over 90 days delinquent • Student loans not currently in repayment • "Authorized User" accounts **Multiple Credit Reports in a File/Expired Credit Reports:** We will use the credit report and corresponding credit scores that were pulled at the time the Borrower made application for the Loan. In the event that the initial credit report expires, the updated credit report will be compared and reconciled to the initial report. Any changes such as new debt, increased credit balances, delinquencies, or major adverse credit may cause the selected credit score for the borrower to be impacted and may cause the credit scored used in the transaction to be lowered. If the credit score should increase but the information on the report is essentially the same, the original score will be used. We do not allow the re-pulling of credit, including Rapid Rescores (check on accuracy of the term) to enhance the Borrower's credit score. In all cases the credit report pulled at application will be used to determine the Borrower's selected credit score and credit grade.

Topic	General Guidelines

Mortgage/Housing History	• Borrowers must have a fully documented, recent, consecutive, 24-month primary housing history.
	• **Borrowers without a primary mortgage or rent history in the last 24-months are ineligible**. This includes situations where the Borrower may have received a "rent holiday," payments lapsed due to divorce/separation, or other instances where the most recent 24-month housing history is not consecutive and complete.
	• The housing history requirements is not required in the following instances:
	  ▪ The borrower is a recent college/technical school graduate and his completed school within the last 12 months. Documentation to support graduation must be supplied (Primary residence only) **OR**
	  ▪ Borrowers who have moved in with family (parents, grandparents, siblings, spouse, children, aunts, and uncles) to save for a new home purchase. The length of time living rent free may not exceed twelve (12) months. A letter of explanation by the Borrower is required and documentation for the months not covered by living rent free must be provided to complete a 24-month history (Primary residence only) **OR**
	  ▪ Borrowers who own their primary residence free and Evidence property is owned free and clear must be documented in the file.
	• Mortgage/housing payment history on any property, regardless of the occupancy or lien status, is considered mortgage/housing history for grading purposes. A copy of the title or credit report must document the free and clear status.
	• If there is a private mortgage holder or the landlord is a private then 24 months cancelled checks or bank statements are required to verify a satisfactory housing history.
	• Any paystubs on a timeshare will be treated as installment debt, regardless of how it is reported on the credit report.
	• Each contractual delinquency must be considered separately (i.e. a first and second lien). If the first lien and the second lien on a property are delinquent, it would be considered two delinquencies in the credit grade determination of the Borrower.
	
	Verification of Mortgage (VOM)
	The following are acceptable for verifying mortgage payments:
	• An institutional verification of mortgage (VOM)
	• Copies of canceled checks (front and bank)
	• Bank Statements
	• A current credit bureau report
	Third -party verification or copies of canceled checks (front and back) are always required for non-arm's length verifications of mortgage (private mortgage, Land Contract/Contract-for-Deed, or Lease Option to purchase).
	
	Verification of Rent (VOR)
	Any of the following documents are acceptable for verifying rent payments:
	• An institutional Verification of Rent form
	• A letter and rating from a property management company
	• Copies of canceled checks (front and back)
	• A credit supplement for a rental rating
	
	Third-party verification or copies of canceled (front and back) are always required for non-arm's length verifications of mortgage (private mortgage, Land Contract/Contract-for-Deed, or Lease Option to Purchase).

<table>
<tr><th>Topic</th><th>General Guidelines</th></tr>
<tr><td>Mortgage/Housing History (continued)</td><td>
To use rental history as a tradeline, the Borrower must verify rent using copies of canceled checks (front and back), provide credit supplement that includes the rental history, or provide an institutional VOR.
If the Borrower does not have a checking account, money orders may be accepted if they are valid and legible, are purchased from a legitimate vendor, and can be validated by conducting a telephone audit with the vendor.
</td></tr>
<tr><td>Loan to Value and Combined loan to value</td><td>

Purchase transactions: loans must use the lesser of the purchase price or the appraised value as the value amount.
Refinance Cash-Out: loans on properties owned less than 12 months must use the lesser of the purchase price or the appraised value
Refinance Rate and Term: the appraised value can be used as the value amount

Payoff of the first mortgage
Payoff of closed end subordinate mortgage(s) that:

Are at least 12 months seasoned
Were used to purchase the Mortgaged Property

Payoff of home equity lines of credit with zero draws within the last 12 months.
Refinance resulting from divorce

The borrower who will be acquiring sole ownership of the property receives no cash-out from the proceeds of the transaction
The borrower provides a copy of the divorce decree or the property settlement agreement reflecting the required buy-out.

Construction to Permanent refinance:
Construction to permanent transaction may be closed as a purchase, or limited cash-out refinance. When a refinance is used, the borrower must have legal title to the lot before he applied for the construction financing and must be named as the borrower for the construction loan.

Cash Recapture: when the borrower wished to recapture monies paid out-of-pocket and to pay off an existing Construction Loan, the loan will be considered a purchase transaction. Evidence of the acquisitions cost of the property will be required. The lower of the total acquisition cost of the property will be required. The lower of the total acquisition cost (lot plus improvements) or the Appraised Value will be used to determine the LTV/CLTV ratios:

Owned less than 12 months: if the lot was purchased less than 12 months prior to the date of the application, the value of the lot will be based on the lower of the purchase price or land value as indicated on the appraisal
Owned at Least 12 months: if the lot has been owned for more than 12 months, the value will be determined by the appraisal.

Construction Loan Payoff: when the borrower does not require cash recapture and the proceeds from the loan are being used to pay off the construction financing and closing costs, the loan will be considered as Rate/Term Refinance transaction. The appraised value will be used to determine the LTV/CLTV ratios.

Inherited Property:
If the subject property was inherited less than 12 months prior to application:

The borrower must have clear title
If the borrower is paying only existing mortgages and heirs with cash-out, the maximum LTV/CLTV is 80%, or the maximum allowed for the grade and program, whichever is less. This will be treated as a Rate and Term refinance
The maximum LTV/CLTV on cash-out refinances where the proceeds for debt consolidation or cash-in-hand is 70% or the maximum allowed for the program, whichever is less
Rate/Term refinances only for non-owner-occupied properties.
Current appraised value is used for LTV/CLTV determination
Buying out additional heirs identified in the related will is allowed. A copy of the will must be provided, along with the buyout agreement signed by all of the beneficiaries identified in the will.

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Topic	General Guidelines
Collections or Charge offs	All collections or charge offs that exceeds $2000 will need to be paid off prior to or at loan closing
Judgment or Liens	• All open judgments, garnishments, and all outstanding liens must be paid off prior to closing. • Borrower can use the proceeds from cash-out to pay off delinquent credit.
Income Tax Liens	All income tax liens (federal, state, local) must be paid off prior to loan closing.
Bankruptcy History	• Loans to borrowers with multiple bankruptcies **are ineligible**. Example, a borrower who filed for bankruptcy in 2009 and later in 2012 is ineligible. • The following **are not** considered multiple bankruptcies: ▪ When a chapter 13 rolls into a Chapter 7 bankruptcy ▪ When individual borrowers each have filed separate bankruptcies ▪ Bankruptcies discharge greater than 15 years from application date ▪ Bankruptcy dismissal dates are treated the same as discharge date If a discharge/dismissal date cannot be established, documentation validating the dates must be provided. REFER TO CREDIT GRADE MATRIX for grade specific restrictions
Foreclosure Seasoning	The following requirements and guidelines apply to foreclosure: • The length of time elapsed since the occurrence or completion of the foreclosure is considered in the grade determination • Applicants who have undergone foreclosure procedures must provide a mortgage / housing history • A borrower with a history of more than one foreclosure is ineligible. For example, a Borrower who had a foreclosure in 2009 and then loses a home through bankruptcy in 2012 is ineligible. • Any repossession or 120-day delinquency on a mobile home, manufactured home or timeshare, even if shown as an installment debt, will be considered a foreclosure • If a foreclosure is included in the bankruptcy, foreclosure timelines / guidelines still apply for grade determination. • Borrowers with multiple foreclosure are ineligible. **It's not considered multiple foreclosures**: ▪ When individual borrowers each have completed separate foreclosures ▪ Foreclosures discharged greater than 15 years from application date • In the instanced when the borrower has been or is currently delinquent for 120 days or longer and the lender has not initiated formal actions, the 120 day plus delinquency will be treated as a foreclosure for grading purpose. REFER TO CREDIT GRADE MATRIX for grade specific restrictions.
Short Sale / Deed in Lieu Seasoning	REFER TO CREDIT GRADE MATRIX for grade specific restrictions.
Forbearance or Modification	REFER TO CREDIT GRADE MATRIX for grade specific restrictions.
Consumer Credit Counseling Services (CCCS)	The CCCS plan must be paid in full. A payment history is required in this situation and if delinquent in the most recent 12 months, the CCCS will be treated as an open Chapter 13 and is ineligible. The date of the CCCS was paid off will be considered the discharge date. If borrower enters into CCCS and subsequently cancels, the seasoning is measured from the cancellation date.

Topic	General Guidelines
Payment Shock	The percentage of payment shock, even when not limited expressly by the loan program will be analyzed to determine the likelihood of the borrower to pay promptly. Generally, payment shock > 150%, may require further review and additional compensating factors and/or documentation may be required.
Second Trust Deeds, Junior Liens and Secondary Financing	• The CLTV ratio of the first and secondary lien must not exceed the limit outline in the program matrix. The CLTV is calculated by adding the principal balance of the First Mortgage with the current principle balance of the subordinated closed-end second lien or the maximum available credit line of a subordinated open-end second lien and then dividing the sum by the Appraised Value of the property. • A copy of the executed second lien note, recorded trust deed, and signed subordination agreement must be provided to confirm the loan amount, terms and lien status • Terms of the subordinate lien must be less than or equal to the term of the First Mortgage • The subordinate lien must have a minimum remaining term of no less than 5 years, unless the financing fully amortizes prior to that time • The financing must not permit the note holder to "call" the financing within the first 5 years following the loan closing • The note rate must be at market rates • The secondary financing must not have a negative amortization feature • The terms of the note must provide for regular monthly payments of at least the interest due with no provisions for future advances or wrap-around terms • Monthly payments on the secondary financing must be included in the borrower's debt-to-income ratio • Payments may be graduated or variable, as long as the annual payment adjustment of the secondary financing does not exceed a 2% interest rate increase • The subordinate lien must be from an institutional lender **Home Equity Lines of Credit** Secondary or subordinate financing that is a Home Equity Line of Credit (HELOC) is subject to the following: • The calculation of the CLTV must include the total usable Home Equity Line of Credit • For qualification purposes, in calculating the monthly housing payment, use the following: ▪ For an existing subordinate lien, use the payment noted on the credit report or monthly statement (1% of the maximum current available draw will be used if the payment is not verified). If there is no balance, then no payment will need to be used. ▪ For a simultaneous Home Equity Line of Credit (originated with a new First Mortgage), use the amount to be drawn at funding. The ATR repayment calculation method for simultaneous loans must be used. **Second Trust Deeds, Junior Liens, and Secondary Financing Documentation** Requirements The following outlines the documentation requirements for secondary financing and junior liens. If the secondary financing is a simultaneous closing, then the following items are required: • A copy of the loan approval from the institution providing the secondary financing prior to closing, **AND** • A copy of the executed note at closing If the secondary financing is a subordinate, then the following items are required. • The terms of the current Second Mortgage (copy of note). • An unsigned copy of the subordination agreement prior to closing, **AND** • A copy of the executed subordination agreement at closing.

Topic	General Guidelines
Escrow Holdbacks	Not allowed
Escrow/Impounds	• New – Flood Insurance: For loans closed on or after January 1, 2016, flood insurance must be escrowed if the loan is secured by a property in a mandatory flood zone, regardless of whether any other funds are escrowed unless paid by a condominium or homeowners association as a common expense. (June 22, 2015, Biggert Waters Joint Final Rule). • This requirement applies irrespective of property state and/or Seller entity type. • All first lien mortgage loans require an escrow impound account for taxes and insurance, unless prohibited by statute. Where prohibited, the option to include an impound account should be offered to the borrower. • LTV > 80% requires impound. • **HPML/HPCT**: Higher-Priced Mortgage Loans (HPML) are eligible for purchase in this program. Impound is required.
Established Relationship – Definition	Immediate Family: Parents, siblings, children, spouse, grandparents, aunts, uncles, domestic partner, fiancé or fiancée
Identity of Interest and Non Arms-Length Transactions	Not allowed except for the following type exceptions: • Gift of equity transaction (GOE) on Owner Occupied transactions only ▪ Existing liens on the property must be current ▪ Full docs only ▪ The HUD-1 must reflect the gift of equity as part of the transaction or the purchase price ▪ For owner occupied transactions only, with max LTV/CLTV at 80% or the program matrix whichever is less • Inherited properties
Title Vesting & Ownership	• Ownership must be fee simple. • Title must be in the Borrower's name (whether individual or entity) at time of application for refinance transactions and on closing date for all transactions.
Power of Attorney	• In certain situations, a specific, special, military, or limited Power of Attorney may be acceptable. • Use of Power of Attorneys is **not** allowed for transactions with any of the following characteristics (not all characteristics may be applicable to this program): cash-out refinance; title taken as trust; Texas (a)(6); identity of interest or non-arms-length transactions;
Property Eligibility	**Property Condition** • Properties with ratings of C5, C6 or Q6 are not allowed unless the issues that caused the ratings are cured prior to docs and the appraiser provides acceptable documentation to show that the property now meets C4 or better condition requirements. ▪ No undisbursed Escrow Holdbacks are permitted - all work must be completed

Topic	General Guidelines
Property Eligibility (continued)	**ELIGIBLE PROPERTY TYPES** • SFR, Condos, townhomes, row homes, 2-4-unit properties • Modular Pre-Cut/Panelized Housing – are treated as SFRs. (Manufactured homes are not eligible, see below) • Planned Unit Development (PUD) – Must meet the requirements in *Fannie Mae Selling Guide B4-2.3-01* not be an ineligible PUD, see *Ineligible PUDs* below. • Leasehold allowed as long as the remaining term of the lease exceeds our loan term by 5 years. At least one comparable must be leasehold. **Maximum Acreage** is at 20 acres. Value should only be given to 5 acres unless it can be shown with comparable sales that higher acreage is typical for the area. Ranches, working farms, orchards, and/or commercial operations of any type are not permitted. **Land Values** Land value and the land-to-value ratio must be reviewed. For areas that are built up at more than 25%, the Mortgaged Property's land-to-value ratio should be consistent with other properties in the area. For areas that are less than 25% built up, the property's land-to-value ratio should not be more than 40% and must be consistent with other properties in the area. **INELIGIBLE PROPERTY TYPES** • Mixed Use properties; including but not limited to properties that have been modified to accommodate home businesses, such as catering, in-home day care, animal boarding facilities, or auto repairs. • Time share units/projects • Unimproved land • Rural Zoned. • Agriculture and agriculturally zoned including properties such as a working farms or ranches. • Properties with more than 20 acres • Properties located on Indian / Native American Tribal land. • Bed and Breakfast properties • Properties not suitable for year-round occupancy regardless of location • Properties not readily accessible by roads that meet local standards. • Factory-built housing: includes Mobile, Manufactured and Modular homes • Condo-hotels • Co-operatives • Unique housing types: includes Earth, Geodesic, and Log homes • Property condition ratings of C5 and C6.

Topic	General Guidelines

Property Eligibility (continued)	• Properties located in a declining market (as determined by the appraisal, CDA, Enhanced BPO, ClearVal, or other third-party valuation performed on the subject property)
	• Properties located in a retirement or senior community with limited age restrictions
	• Properties with any type of litigation
	• Any property with health & safety, habitability or structural issues.
	• Properties in Hawaiian lava zones 1, 2, and 3 as determined by the U.S. Geological Survey Hawaiian Volcano Observatory.
	• Property that does not have full utilities installed to meet all local health and safety standards including but not limited to:
	  ▪ A continuing supply of potable water
	  ▪ A public sewer or certified septic system
	  ▪ Public electricity
	  ▪ Natural or LP gas
	• Properties zoned commercial, industrial or business (where highest and best use is commercial, industrial or business)
	• Condominiums conversions less than 3 years from completion
	• Vacant land
	• Properties appraised “subject to” values without a Completion Certificate (Fannie Mae Form 1004D)
	• Properties with square footage of less than 700 square feet (eligible with 2 acceptable comparable that are within 100 square feet of subject).
	• Earth-sheltered or dome home
	• Properties currently listed for sale, or that have been listed for sale in the past six months are ineligible for a refinance transaction
	• Multi-family properties greater than 4 units
	• Motel conversions
	• Boarding houses & Group homes
	Rural properties
	In addition to one of the above property types, a property may be classified as a rural property if any of the following conditions exists:
	• The property is classified as rural by the appraiser
	• The property is located on a gravel road
	• Two of the three comparable properties used by the appraiser are more than five files from the Mortgage Property
	• Less than 25% of the surrounding market area is developed

Topic	General Guidelines
Condominiums	**Eligible Project Types** Condominium projects with the following characteristics are eligible: • At least 90% of the total units in the project have been conveyed to the unit purchasers • The project is 100% complete, including all units and common elements • The project is not subject to additional phasing or annexation and; • Control of the HOA has been **turned over to the unit owners** **Non-Warrantable Condominiums** Non-warrantable condos are acceptable under the following circumstances. Projects with multiple non-warrantable characteristics are ineligible due to risk layering. • Projects involved in litigation are ineligible • Project must be 80% sold • HOA Budget must include a dedicated line item allocation to replacement reserves of at least 8% of the budget • The project, or the subject's legal phase along with all prior phases, must be substantially complete (up to buyer preference items). All common elements in the project or legal phase must be 100% completed. At least 50% must be sold or under bona-fide contract. • Maximum investor concentration of 60%. Calculation based on total units in current and previous legal phases. • No single entity (an individual, investor group, partnership or corporation) may own more than 20% of the total units in the project • The developer may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period • No more than 20% of total units in a project may be 60 days or more past due on the payment of condominium / association fees • Low-, mid- and high-rise condos are eligible. Complexes over four stories must be common to the area. Projects less than 10 units must be typical and common for the market area. • Maximum 30% of the total space is used for non-residential purposes.
Title Held in a Trust or LLC on Behalf of the Borrower	The borrower must be an individual with the exception of a inter-vivos revocable trusts and limited-liability companies(LLCs) under certain circumstances. Title must be in the Borrower's name as individual, trust or LLC at the time of application for refinance transactions. However, at closing the Loan must be in the name of the Borrower as an individual or acceptable trust. Non-individual legal entities such as corporations, general partnerships, limited partnerships, real estate syndications or investments are not eligible. Title in the name of an LLC at time of application is acceptable. Title must transfer to an individual member of the LLC at closing. The member of the LLC must have a documented minimum of 25% of ownership in the LLC.

Trusts	• Land trusts (such as Illinois Land Trusts) and Community Land Trusts are not permitted.
	• Revocable Inter Vivos "Living" trusts acceptable to Lender.
	    ▪ A copy of the trust agreement is required, except in states where lenders are required by state law to accept a certification of trust or a summary of trust.
	    ▪ Documents for loans where title is taken in a trust cannot be signed with a Power of Attorney.
	    ▪ Loans must meet the requirements in *Fannie Mae Selling Guide B2-2-05 Inter Vivos Revocable Trusts* and *Fannie Mae Selling Guide B8-5-02 Inter Vivos Revocable Trust Mortgage Documentation and Signature Requirements,* which among other things requires that the individuals establishing the Trust ("Borrowers") must sign as both individuals and Trustees.

Topic	General Guidelines
Sales and Financing Concessions	Allowable financing concessions include: • Payments in any form that are related to the financing, for example, discount points, commitment fees, appraisal fees, and origination fees • Contributions related to the mortgage financing charges which traditionally would be paid by the borrower, including but not limited to the payment of discount points, loan fees, commitment fees and/or origination fees, property taxes, and insurance escrows • Cost of other items traditionally paid by the borrower such as application fees, appraisal fees, transfer taxes, tax stamps, attorney fees, surveys, non-reoccurring closing costs and title insurance, **AND** • HOA dues are NOT allowed to be included in an interested party contribution Concessions not addressed above or in excess of the allowed percentage of the purchase price are considered to be a sales concession. The mortgage property sales price must be reduced to reflect the amount of any sales concessions that exceeds the limits below. The LTV ratio is calculated using the lesser of the reduced purchase price or Appraised Value. Financing concessions for primary residences and second homes are limited to the following percentages: • 6% of the value for loans with LTV/CLTV ratios less than or equal to 90% • 3% of the value for loans with LTV/CLTV ratios greater than 90% Financing concessions for investment properties are limited to 3% of the value The appraisal must reflect subsidies, contributions, or sales concessions that have an effect on the market value of the property.
Insurance	The maximum deductible is the lesser of $5,000 or 5% of the Face Value of the property insurance.
Secondary Financing	Secondary financing must be institutional. Lenders must employ reasonable underwriting policies and procedures designed to determine whether the borrower has applied for another credit transaction secured by the same dwelling. Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation the line of credit is past its draw period.
Prepayment Penalty	Not allowed
Compliance - Regulatory Compliance	• **High Cost Limits**: Loans exceeding any applicable federal, state or municipal High Cost limits are **not** eligible for purchase by Lender (e.g. HOEPA). • **HPML/HPCT**: Higher-Priced Mortgage Loans (HPML) are eligible for purchase in this program. Impound is required.
Age of Credit File Documents, Signature and Date Requirements	• All credit file documents must be no more than **45 days old** at the Note date & the loan delivery date. Underwriting and borrower credit documents may not be more than 90 days seasoned at the Note Rate. Appraisals must be dated within **120 days** prior to the Note date.. • **Signature and Date Requirements** - ▪ All credit file documentation required for Borrower qualification, including income and/or asset documentation, must be obtained prior to consummation of the loan. ▪ Credit file documents required for Borrower qualification that are dated after the loan consummation date, and/or Borrower signatures dated after the loan consummation date, are not acceptable. ▪ If a Borrower signature is required or obtained, then the Borrower signature date must be on or prior to date of consummation of the loan. o (Consummation date is generally the date closing documents are signed, but definition may vary by property state).

Topic	General Guidelines
Property Flipping	For properties purchased by the seller of the property within 180 days of application date, additional requirements apply: • Second appraisal required • Property seller on the purchase contract must be the owner of record. • Increases in value should be documented with commentary from the appraiser and recent comparable sales. • Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.).
Lease Back Purchase Transaction	Allowed up to 30 days
Delayed Financing	Not allowed
Continuity of Obligation	For refinance transactions, there must be continuity of obligation if there is currently an outstanding lien that will be satisfied through the refinance transaction. Continuity of obligation is met when any one of the following exists: • At least one (1) borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced; • The borrower has been on title and residing in the property for at least twelve (12) months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor; • The loan being refinanced and the title to the property are in the name of a natural person or a limited company LLC, as long as the borrower was a member of the LLC prior to transfer. Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirements. ○ The borrower can meet seasoning requirement as a member of the LLC (must have 25% ownership). • The borrower has recently inherited, or was legally awarded, the property (divorce, separation or dissolution of a domestic partnership). Loans with an acceptable continuity of obligation may be considered either a Cash Out or Limited Cash Out as described in this Chapter. If the borrower is currently on title but is unable to demonstrate an acceptable continuity of obligation, or if there is no outstanding lien against the property, the loan is still acceptable as a Cash Out Refinance, as detailed below: • If the purchase date is within six (6) to twelve (12) months prior to application date and there is no lien, the LTV must be based on the lesser of the original sales price or the current appraised value • If the purchase date is more than twelve (12) months and there is no lien, the LTV may be based on the current appraised value • If there is a lien and the borrower has been on title for at least six (6) months, the LTV is limited to 50%, or the program maximum, whichever is less based on the appraised value
1031 Tax Exchange	Only allowed if the transaction is exchange to a similar property such as residential to residential only. This loan will be considered non-delgated.
Consolidation, Extension, and Modification Agreements (CEMA)	Not allowed

Topic	General Guidelines
First Time Home Buyers (FTHB)	Borrowers are considered First-Time Homebuyers (FTHB) when there is no evidence of owning residential property in the previous three years. First-Time Homebuyers generally must fulfill specific requirements in addition to the conditions stipulated for experienced homebuyers. A Borrower(s) who has experience owning a home, but has not owned one in the past three years, will be considered a FTHB. In the instance where one Borrower is a FTHB and the other Borrower(s) is not, we will treat the transaction as a non-FTHB transaction for grading and program eligibility. For LTV/CLTV restrictions, reserve requirements and other guidelines specific to FTHBs, refer to the loan program matrices**.**
Net Tangible Benefit Requirements	The Consumer Financial Protection Bureau adopted a rule that implements the Ability to Repay ("ATR") and Qualified Mortgage ("QM") provisions of the Dodd-Frank Act. The Originator must verify the income and assets used to determine the Borrower's ability to repay the loan. **Benefit to the Borrower** In keeping with the Commitment to responsible lending, all Loans purchased by Galton Funding must have a measurable benefit to the Borrower. When determining the benefit on a transaction, one of the following items must exist to support the benefit to the Borrower: • Purchasing a home - Lower principal and interest housing payment • Lower total monthly payments • Lower interest rate • Conversion from an adjustable rate to a fixed rate • Pay-off of a balloon payment • Conversion from negative amortization to fully amortization • Reduction of loan term • Reduction of total interest payments • Consolidation of debt • Resolution of loss mitigation actions • Pay-off of a tax lien • Proceeds (cash-out) to Borrower in excess of the costs and fees to refinance • Pay-off of a Construction Loan • Pay-off of property taxes • Title transfer/Court order • Eliminating mortgage insurance • Cash-out for medical needs • Cash-out for education needs • Pay-off of a privately held mortgage • Other as defined by the Borrower On a Loan where the only benefit is monthly savings, closing costs and fees must be taken into account and recouped within state-specified timeframes as applicable. Originators must adhere to any state-specific or federal benefit to Borrower compliance requirements. **Benefit to Borrower must be calculated based on the qualifying housing payment.**

Non-Delegation	On non-delegated loans, the file cannot be pre-locked until loan is fully approved. Loan will require investor prior approval. • Second or Investment Transaction • Grade A Pricing • Fico score < 680 • LTV/CLTV > 80% • Loan amount > $1.5Million • DTI > 43% • Any Exceptions