EMERALD

PRODUCT MATRIX PRIMARY RESIDENCE

Purchase, Rate & Term Refinance

Property Type	LTV/ CLTV	Max Loan Amount	Min Credit Score	Mos. Reserves *	Max DTI
1-Unit SFR, PUD, Detached 1-Unit Condo	80	2,000,000	720	12	43%
	80	1,000,000	700	6	
	65	2,500,000	760	18	
Attached Condo	75	1,000,000	700	6	
2-Units	80	2,000,000	720	12	
	80	1,000,000	700	6	
3 to 4-units	70	1,500,000	720	12	
	70	1,000,000	700	6	

Cash-Out Refinance

Property Type	LTV/ CLTV	Max Loan Amount	Min Credit Score	Max Cash-Out	Mos. Reserves*	Max DTI
1-Unit SFR, PUD, Detached 1-Unit Condo	80	1,500,000	720	300,000	12	43%
	65	1,500,000	720	500,000	12	
	80	1,000,000	700	300,000	6	
	65	1,000,000	700	500,000	6	
2-Units	80	1,500,000	720	300,000	12	
	65	1,500,000	720	500,000	12	
	80	1,000,000	700	300,000	6	
	65	1,000,000	700	500,000	6	

SECOND HOME

Purchase, Rate & Term Refinance

Property Type	LTV/ CLTV	Max Loan Amount	Min Credit Score	Mos. Reserves *	Max DTI
1-Unit SFR, PUD, Detached 1-Unit Condo	75	1,000,000	720	6	43%
	70	1,500,000	720	12	
Attached Condo	70	1,000,000	720	6	

INVESTMENT PROPERTY

Purchase, Rate & Term Refinance

Property Type	LTV/ CLTV	Max Loan Amount	Min Credit Score	Max Cash-Out	Mos. Reserves*	Max DTI
1-Unit SFR, PUD, Detached 1-Unit Condo	60	1,000,000	760	N/A	12	43%

KEY PROGRAM REQUIREMENTS

- **Cash-to-Borrower:** For Rate and Term Refinance transactions, maximum cash to borrower is the lesser of 1% or $5000. See Loan Purpose – Refinance Transactions.
- **LTV/CLTV/HCLTV:**
  - See Loan Purpose for LTV calculations. For CLTV calculations, see Secondary Financing. HCLTV is not calculated for this program.
  - For high-rise condos greater than four (4) stories, reduce maximum LTV/CLTV by 5%. (See Condominiums and PUDS.)
  - Declining Markets: Maximum allowed LTV/CLTV is reduced by 5% if the appraisal indicates a declining market. If the appraisal indicates a declining market. See *Declining (Soft) Market LTV Restriction* in the Appraisal section.
- **Borrower Eligibility Restrictions:** Eligible property type, LTV/CLTV, reserve requirement, and other restrictions apply for: First-Time Homebuyers; Non-Resident Alien Borrowers; and Non-Occupant Co-Borrowers, Cosigners and Guarantors.
- **Minimum Loan Amount for Program:** The minimum loan amount for this program is the maximum Fannie Mae General Loan Limit (current standard conforming limit of $453,100) + $1.
- **Recently Listed:** Cash-out refinances of properties listed within the previous 12 months are not allowed. See Loan Purpose – Refinance Transactions.
- ***Additional Reserve Requirements:** For *First Time-Homebuyer Transactions*, *Current Residence Pending Sale or Conversion*, or *Additional Financed Properties*, see Assets- Reserves.

CORPORATE SECOND SIGNATURE REQUIRED	• **All jumbo products require Corporate 2nd Signature regardless of the loan amount** • **Conforming +1 Corporate 2nd Signature is still required.**
GENERAL UNDERWRITING STANDARDS	• **Manual Underwriting Only**: No automated underwriting system (AUS) is used for this program. • **Mortgage Insurance**: No private mortgage insurance (PMI) is required at any LTV. • **Loan Application:** The initial and final loan application must be complete, including a two-year history of employment and residency and all personal information for each borrower (Social Security number, date of birth, address, and education). If a Borrower's employment history includes a period of unemployment, the application must reflect at least two years of employment, therefore covering a longer period of time. All declaration questions must be marked indicating the method of taking the application: face-to-face, by telephone, or by mail. The interviewer's name and employer must be completed in all cases, and all applications must be signed and dated by the borrower(s). o **Final 1003 application** for closing must adhere to the requirements above, including the borrower's complete and accurate financial information relied upon by the underwriter, and be signed and dated by all borrowers. All debt incurred during the application process and through loan closing must be disclosed on the final application. • **Underwriter's Income Analysis Worksheet Requirement**: See Underwriter's Income Analysis Worksheet.
AGE OF LOAN AT FUNDING	• Maximum 30 days from settlement statement disbursement date (per HUD-1 or Closing Disclosure) of subject transaction until Funding. • Generally, mortgage loans must be purchased within 30 calendar days after the loan is delivered to the investor for purchase. o All post-closing conditions must be sent to PBM post-closing department immediately to ensure timely purchasing by the investor.
AGE OF CREDIT FILE DOCUMENTS, SIGNATURE AND DATE REQUIREMENTS	• All credit file documents must be no more than 90 days old at the Note date. Appraisals must be dated within 120 days prior to the Note date, or must include an acceptable update (see Appraisal, Property Valuation). • **Tax returns** - For standards relating to the age of tax returns, see Tax Return and Tax Transcript Requirements. • **Signature and Date Requirements** - o All credit file documentation required for Borrower qualification, including income and/or asset documentation, must be obtained prior to consummation of the loan (Appendix Q).

AGE OF CREDIT FILE DOCUMENTS, SIGNATURE AND DATE REQUIREMENTS (CONTINUE)	o 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. o If a Borrower signature is required or obtained, then the Borrower signature date must be on or prior to the loan consummation. ▪ Generally, Provident Bank Mortgage will use the notarization date on the Security Instrument as a proxy for "consummation date." • See Compliance for Closing Disclosure signature requirements that overlay TRID. • See Personal Tax Return Requirements and Business Tax Return Requirements for tax return signature requirements.
APPRAISAL, PROPERTY VALUATION (ALSO SEE APPRAISAL REVIEW AND SECOND APPRAISAL REQUIREMENTS)	• Appraisal Age: o To be utilized without an update, appraisals must be dated within 120 days prior to the Note date. o No appraisal may be dated more than 180 days prior to the Note date. o For appraisal reports dated more than 120 days, but less than or equal to 180 days prior to the Note date, an appraisal update is required as follows: ▪ The appraiser must provide an appraisal update based on their exterior inspection of the subject property and knowledge of current market conditions, and ▪ The appraiser must acknowledge that the value of the subject property has not declined since the original appraisal date. ▪ The update must be completed on Fannie Mae Form 1004D or Freddie Mac Form 442, and ▪ The update must be dated within 60 days of the Note date. • Appraisal Re-Use: The use of an appraisal utilized for a previous loan that has closed for the subject property is not permitted. • Appraisal Lender/Client and Appraisal Transfers: Appraisal Lender/Client must be in the name of Seller or originating third party originator (TPO). Appraisals that have been transferred from one lender to another lender are not permitted. Appraisals generated for third parties are not eligible. • Appraisal Form: A full URAR appraisal report with interior and exterior inspection on appropriate Fannie Mae / Freddie Mac form is required for all properties. Property Inspection Waiver such as ACE or PIW, and exterior-only inspections are not allowed. Also see Appraisal Review and Second Appraisal Requirements. • All appraisals must be fully compliant with the Appraisal Independence Rule and the ECOA Valuation Rule.

APPRAISAL, PROPERTY VALUATION (ALSO SEE APPRAISAL REVIEW AND SECOND APPRAISAL REQUIREMENTS) CONTINUE	• General Requirements: All appraisals must additionally meet Fannie Mae appraisal requirements • UCDP Requirement: Appraisals must be submitted to GSE's "UCDP" (Uniform Collateral Data Portal) and obtain a "successful" finding on the "SSR" (Submission Summary Report). The SSR must be in the delivered loan file. • Properties Owned Less Than 12 months: See Loan Purpose for LTV/CLTV calculation requirements. • Declining (Soft) Markets LTV Restriction: Maximum allowed LTV/CLTV is reduced by 5% if the appraisal indicates a declining market.
APPRAISAL REVIEW AND SECOND APPRAISAL REQUIREMENTS	• For all transactions: The following appraisal review and second appraisal requirements apply for all transactions, based on loan amount, as follows:

If the loan amount is:	Appraisal Requirements:
Less than or equal to $1,500,000	• Full URAR appraisal report with interior and exterior inspection on appropriate Fannie Mae / Freddie Mac form, AND o Clear Capital Collateral Desktop Analysis - CA (CDA or CDA + MLS) OR o Second full appraisal – Interior and exterior with interior photos.
Greater than $1,500,000	• Full URAR appraisal report with interior and exterior inspection on appropriate Fannie Mae / Freddie Mac form, AND o Second full appraisal* – Interior and exterior with interior photos.

***Second Appraisal Requirements**

- The second appraisal must be completed by a different appraiser not affiliated with the original appraiser or appraisal company. A second appraisal ordered through the same AMC as the original appraisal is acceptable.
- The appraised value for underwriting purposes is the lower of the two appraisals.

APPRAISAL REVIEW AND SECOND APPRAISAL REQUIREMENTS (CONTINUE)	• The following requirements apply for all transactions utilizing a Clear Capital Collateral Desktop Analysis – CA (CDA):

If CDA finding is:	Additional Review Requirements:
Unable to determine a value (CDA Indeterminate Value)	Second full appraisal* – Interior and exterior with interior photos.
Greater than 10% below the original appraised value of the property	• Either use the CDA value as the appraised value to calculate the LTV/CLTV, or • Obtain both: o *Clear Capital Broker Price Opinion (BPO)*, and o *Clear Capital Value Reconciliation of Three Reports (Recon Form 3.0).* ▪ The Value Reconciliation will take into account the original appraisal, CDA and BPO. ▪ The final value determined by Clear Capital will be used as the appraised value for the property.

- **CDA Release Form**: If a CDA is required, the investor reserves the right to require Provident Bank Mortgage to provide the CDA Release Form.
  - A sample Clear Capital CDA Release Form is available from Corporate Administration.
  - Underwriter should use this sample form, or a form with equivalent language.
- Prior Sale within 90 Days: For purchase transactions, if there has been a sale or ownership transfer of subject property within the previous 90 days, see Property Flipping, Purchase Contract Assignments for additional appraisal review requirements.

ASSET DOCUMENTATION

- General Requirements:
  - All down payment funds, funds to close, and reserves must be documented and verified. Electronic verifications are acceptable.
  - Large Deposits: Recently opened accounts and recent large deposits (generally greater than 25% of the monthly income) must be explained and documented.
  - Unverified funds may not be used for down payment, closing costs, or reserves.
- Eligible Documentation: Unless otherwise specified in Assets - Funds to Close, or Assets - Reserves, acceptable asset documentation includes:
  - Two consecutive monthly account statements (dated within 30 days of application), or
  - The most recent quarterly or annual account statements are acceptable with verification that funds are still available.
  - Direct verification by a third party asset verification vendor meeting the requirements of Fannie Mae Selling Guide

ASSET DOCUMENTATION CONTINUE	section B3-4.2-01 Verification of Deposits and Assets is acceptable. • Ineligible Documentation: o VOD – Institutional Verification of Deposit may NOT be used as standalone documentation, but may be used along with one-month account statement. o If no average balance is provided on the VOD, then two-month's account statements are required. • Earnest Money Deposit/Sales Contract Deposits must be verified by one of the following: 1. Copy of the cancelled check 2. Copy of the deposit check and proof the check was cashed 3. Verification of sufficient funds for the down payment, closing costs, etc. on deposit in an Eligible Source of Funds account 4. Verification of Earnest Money Deposit on deposit with the Escrow Company, Title Company, or closing agent. o The source of funds for all deposits must be verified (e.g., account statement) o Ensure that the deposit is not counted twice in the file (deducted from the funds to close and counted in assets).
ASSETS-FUNDS TO CLOSE	See <u>Asset Documentation</u> for general documentation requirements. See <u>Assets - Reserves</u> for eligible reserve sources. **Minimum Borrower Contribution** • Minimum borrower contribution of 5% of the purchase price must be from the borrower's own funds. **ELIGIBLE SOURCE OF FUNDS TO CLOSE:** • 1031 Exchange: A 1031 exchange is an acceptable source of funds on an investment property purchase transaction (only) subject to the following: o The 1031 Exchange cannot be an exchange of a partnership or limited liability corporation interest. o The name of the taxpayer on the sale of relinquished property must be the same as the as the purchaser of the subject property. o Relinquished property sale must close before or simultaneously with the property acquired. o The following documentation is required for both properties in simultaneous closings: 1. Sales contract or escrow instructions 2. Appraisal 3. Preliminary title report 4. Exchange agreement identifying the holder of funds, buyer and seller, expiration date, agreed upon value, closing date, closing costs, conditions of transfer and repairs, if required.

ASSETS-FUNDS TO CLOSE (CONTINUE)	

ASSETS-FUNDS TO CLOSE (CONTINUE)

- Statement of borrower's equity, calculated as the lower of:
  1. Sales price from the sales contract
  2. Gross trade value from the sales contract less the sum of the transfer fees and all lien balances on the currently owned property, and transfer fees on the new property
  3. Appraised value of the borrower's currently owned property plus any new transfer fees on the new property.
- The following documentation is required for 1031 Exchange transactions occurring prior to the purchase of the new property:
  1. HUD-1/Closing Disclosure for both properties
  2. Exchange agreement
  3. Sales contract or escrow instructions for both properties
  4. Verification of funds from the Exchange holder.
- Bank/Financial Institution Accounts: Individual and Joint Bank Accounts, Certificates of Deposit (CDs), Money Market Funds. Savings bonds with evidence of redemption.
- Bridge Loans must be included as a liability for qualifying purposes. A copy of the Note must be in the Loan file. (Proceeds from bridge loans may not be used to meet reserve requirements). If no monthly payment is required, calculate an interest only payment at the contract rate. Bridge loans may not be cross-collateralized against subject property.
- Business Assets may be used if the Borrower is 100% owner of the business and a letter from a CPA or accountant is obtained to confirm that the withdrawal will not negatively impact the daily operations of the business.
- Credit Card Financing: Credit card financing cannot be used for any part of the down payment, including the earnest money deposit. For borrowers who use a credit card to pay for fees prior to closing, such as appraisal fees, verify the funds available for closing. Confirm that the borrower has sufficient funds to cover these charges. Otherwise, the payment must be recalculated to account for the new charges and included in the updated payment in the qualifying ratio calculation. The borrower does not need to actually pay off these charges at closing.
- Employer Provided Subordinate Financing: See Secondary (Subordinate) Financing.
- Foreign Assets being used for down payment and closing costs (fund to close) must be held in a U.S. account prior to closing.
  - If the assets are derived from the sale of a foreign asset or from assets held in a foreign institution, the assets must be converted into US currency and placed in a US financial institution prior to closing.
  - The sale of the foreign asset and/or conversion of foreign currency must be fully documented and verified.

ASSETS-FUNDS TO CLOSE (CONTINUE)	

ASSETS-FUNDS TO CLOSE (CONTINUE)

- **Gift Funds - Primary Residence:**
  - Gifts are acceptable for primary residence transactions on loan amounts up to $1 million.
    - See *Minimum Borrower Contribution* above in this section.
      - The balance of the funds to close may be paid from any acceptable asset source
      - Gift funds may not be used for reserves for any transaction.
  - Gift Funds Documentation:
    - A gift letter providing the following must be included in the loan file:
      1. The amount of the gift
      2. The donor's name, address, and telephone number
      3. Donor's relationship to the borrower
      4. Subject property address
      5. Statement confirming that no portion of the gift is subject to repayment
      6. Donor's signature.
    - Verification and documentation that sufficient funds to cover the gift are in the donor's account or have been transferred to the borrower's account is required.
  - Eligible Donors: spouse, child, parent, sibling, grandparent, aunt, uncle, domestic partner, fiancé or fiancée.
  - Ineligible Donors: Donors may not be, or have any affiliation with the Builder, Developer, Real Estate Agent, any other interested party to the transaction.
  - Gift funds may not be used for reserves.
  - Also see *Wedding Gifts* below in this section
- Gift Funds, Second Home and Investment Property:
  - Gifts are not allowed for second home or investment properties; the entire down payment must come from the Borrower's own funds.
- Gift of Equity: Non-arm's length/ Identity of Interest transactions are not eligible in this program, thus Gifts of Equity are not allowed as a source of funds. See Identity of Interest and Non-Arm's Length Transactions.
- Income Tax Refunds may be used with verification of receipt of funds, and copy of signed, personal tax return.

ASSETS-FUNDS TO CLOSE (CONTINUE)	
	• Interested Party Contributions (IPCs), Financing Concessions: o All IPCs must be disclosed on the Closing Disclosure or settlement statement. o The Borrower must meet the minimum Borrower contribution (see *Minimum Borrower Contribution* above.) o IPCs may not exceed 6% of the lesser of the sales price or appraised value. ▪ Lender paid fees (Lender Credits) are not factored in to the 6% contribution limit ▪ The total IPCs may generally not exceed total closing costs and prepaid items, and may not be used to contribute to any portion of the Borrower's down payment, reserve requirements, or Minimum Borrower Contribution Requirements. (Also see Assets – Reserves). o Excess IPCs, as well as sales concessions that take the form of non-realty items, must be subtracted from the sales price when determining LTV/CLTV. • Life Insurance, Cash Value: Requires written statement from life insurance Company specifying the amount of net cash value available to Borrower and verification of receipt of funds. • Loans Secured by Financial Assets (e.g. life insurance policies, 401k accounts, IRAs, CDs, stocks bonds, etc.), the following are required: o The terms of the loan o Verification that the party providing the secured loan is not a party to the sale or financing of the property (other than a financial institution) o Confirmation that the funds have been transferred to the borrower o Evidence that the loan is secured by an asset owned by the borrower o The monthly payment must be included in DTI, unless the applicable loan instrument shows the borrower's financial asset as collateral for the loan. o If the borrower intends to use the same asset to satisfy reserve requirements, reduce the value of the asset by the proceeds from the secured loan and any related fees to determine whether the borrower has sufficient reserves. (Also see Assets - Reserves.) • Notes Receivable, Repayment of Loans: Provide written agreement between the Borrower and recipient of loan, evidence the funds were withdrawn from the Borrower's account, and that funds were later withdrawn from loan recipient's account and deposited into Borrower's account. • Retirement Accounts: IRA SEP-IRA, KEOGH, 401(k), and 403(b): Most recent statement and evidence funds were withdrawn are required.

ASSETS-FUNDS TO CLOSE (CONTINUED)	• Stocks (listed company), Bonds: Stocks must be vested and unrestricted. Provide current statements or provide copy of certificate and dated internet stock list. Provide proof of liquidation and receipt. If stocks are in unlisted corporation - provide company CPA or accountant validation of price per share and proof of liquidation and receipt. If impact to Borrowers income, CPA or accountant to address. • Trust Accounts: Funds disbursed from a trust account where the borrower is the beneficiary are acceptable if the borrower has immediate access to the funds. The trust manager or trustee must verify the value of the trust account and confirm the conditions under which the borrower has access to the funds. Accounts that do not allow the borrower to have immediate access to the funds for the above stated purposes may not be used as acceptable assets, including funds in accounts where the borrower is not the beneficiary, such as custodial accounts. • Wedding Gifts: Provide a copy of the marriage certificate (not more than 6 months old) and verification of receipt of funds **INELIGIBLE SOURCE OF FUNDS TO CLOSE:** • 1031 Tax Deferred Exchange proceeds for primary residence and second home transactions • Cash on Hand • Custodial accounts - Accounts where the Borrower is not the beneficiary, such as custodial accounts • Donated funds – typically from a church, municipality or non-profit organization, or Pooled funds – typically funds from a relative or domestic partner who resides with the Borrower • Employer Assistance Programs or salary advances (see Secondary (Subordinate) Financing for Employer Provided Subordinate Financing requirements • Gift of Equity: Non-arm's length/ Identity of Interest transactions are not eligible in this program, thus Gifts of Equity are not allowed as a source of funds (see Identity of Interest and Non-Arm's Length Transactions) • Individual Development Accounts • Payment Abatements, nor other contributions/concessions that are not Fannie Mae eligible – Fannie Mae Selling Guide Section B3-4.1 • Real estate commissions, even if Borrower is selling agent on subject transaction • Rent Credit or Option to purchase, or Trade Equity • Sales Concessions, such as contributions in excess of actual costs, furniture, moving costs, and "giveaways" must be subtracted from the sales price when determining LTV/CLTV • Temporary Interest Rate Buy-downs (such as 2/1 buy downs).

ASSETS-RESERVES	

General Reserve Requirements:

- Minimum Month's Reserves: See the Product Matrix for minimum number of months reserves required
  - Minimum number of months' reserves is based on the combined amount of PITIA for all loans secured by subject property.
- Additional Reserves
  - First-Time Homebuyer Transactions: the greater of 12 months' subject property PITIA reserves or the program minimum. See Product Matrix and First-Time Homebuyer Transactions.
  - Current Residence Pending Sale or Conversion: Add 6 months' reserves based on the PITIA of the property pending sale or being converted. See Current Residence Pending Sale or Conversion
  - Additional Financed Properties: Add 2 months' subject property PITIA reserves for each additional financed property owned (other than subject property).
- All reserves must come from the Borrower's own funds and must be documented and verified.
- Reserves are measured by the number of months of the qualifying payment (PITIA) for the subject property, unless otherwise noted.
- No gifts, borrowed funds, Interested Party Contributions, or Lender Credits may be used for reserves. See *Ineligible Reserve Sources* in this section.

Eligible Reserve Sources:

- Liquid Reserves: Liquid reserves are those liquid assets that are readily available to a Borrower after the mortgage closes, and that are easily converted to cash. For purposes of this program, liquid reserves include:
  - Funds in a bank/financial institution – individual, joint, or trust (if Borrower has access)
  - CD/money market funds
  - Savings bonds with statement from financial institution confirming Borrower is the owner with proof of bond value
  - Stocks (in listed corporations)/bonds, use 70% of face value
  - Retirement Accounts (IRA, SEP-IRA, LEOGH, 401(k), 403(b): use 60% of vested funds, less any outstanding loans against the account and related fees.
  - Business assets may be used for reserves if Borrower files under Schedule C, is 100% owner of business, and a CPA or accountant letter indicates that use of funds for reserves will not negatively affect the daily operations of the business.
  - Trust accounts where the Borrower is the beneficiary, and the value of the trust account, and the Borrower's immediate access and conditions for access to the funds is verified by the trust manager or trustee.
  - Sale of real estate assets is allowed if the Borrower's sale transaction closed prior to subject transaction, or will close concurrently with subject transaction.

ASSETS-RESERVES (CONTINUE)	▪ If closed prior to subject transaction, provide evidence of the cash the Borrower received (in their role as property seller) by providing the Closing Disclosure or settlement statement from the Borrower's sale transaction, and provide evidence of deposit to the Borrower's account. ▪ If concurrent close with subject transaction, provide evidence of the cash the Borrower received (in their role as property seller) by providing the Closing Disclosure or settlement statement for the Borrower's concurrent sale transaction. o Foreign assets being used for reserves must be held in a U.S. account prior to closing. ▪ If the assets are derived from the sale of a foreign asset or from assets held in a foreign institution, the assets must be converted into US currency and placed in a US financial institution prior to closing. ▪ The sale of the foreign asset and/or conversion of foreign currency must be fully documented and verified. o Note: if borrower has an outstanding obligation secured by an asset, subtract that amount from the asset value. **Ineligible Reserve Sources:** • 1031 tax deferred exchange proceeds (Primary Residence and Second Homes) • Business assets, unless company files under Schedule C and Borrower is 100% owner of business • Cash-Out proceeds • Credit card financing, cash advance on HELOC or other line of credit • Custodial accounts (Borrower not beneficiary) • Donated or pooled funds • Employer Assistance Programs, Salary Advances • Funds that have not been vested or cannot be withdrawn other than with the owner's retirement, employment termination or death • Gift funds (Second Home or Investment Property) • Individual development accounts • Interested party contributions

ASSETS-RESERVES (CONTINUE)	• Loans secured by other assets • Loans secured by other real estate • Real Estate Commissions • Sale Proceeds from Assets • Stocks in an unlisted corporation, unvested or restricted stocks, unsecured loans and loans secured by other assets (including bridge loans, life insurance or assets from a fund administrator) • Qualified tuition plans (529 plan)
BORROWER ELIGIBILITY	Loans to One Borrower: Maximum exposure to Provident Bank Mortgage in this program is the greater of: The Note amount of one loan if greater than or equal to $2 million, or combined loan amounts totaling $2 million. • Maximum Borrowers Per Loan: Maximum four (4) Borrowers per loan. • Maximum Financed Properties per Borrower: Each Borrower may separately be obligated on a mortgage for a maximum of four (4) financed, residential, 1-4 unit properties, including the subject transaction. (Does not include commercial properties, vacant land, timeshares, or manufactured homes not titled as real property). o Partial or joint ownership is considered the same as total ownership in the property. o Ownership applies to financed properties owned by the Borrower, including any properties the Borrower owns outside of the United States. o A Borrower who is obligated on a mortgage, regardless of whether they hold title to the property is included in this limitation. o These limitations apply to the total number of all financed properties, not to the number of mortgages on the property. o Properties are subject to this limitation even if held in title by a corporation or S corp., if the financing is in the name of the Borrower. **ELIGIBLE BORROWERS:** • All Borrowers must be individual, natural persons, and: o Citizens of the United States or of a US Possession or Territory, or o Permanent or non-permanent resident aliens with documented Proof of Lawful Residency as required in the table below. • Non-Permanent Resident Aliens: o Primary residence only o Maximum LTV/CLTV for 1-2 units is 75%, Maximum LTV/CLTV for 3-4 units is 70% o See the Non-US Citizen Documentation Requirements table below.

BORROWER ELIGIBILITY (CONTINUE)	

	• Living (Inter Vivos) trusts may be eligible. See Trusts.
	• All Borrowers must have a valid social security number. (See Borrower Identification below.)
	• Non-Occupant Borrower, Co-signor or Guarantor:
	  o Transaction Types: Purchase, rate-and-term transactions for primary residence only. 1-2 units, maximum LTV/CLTV 75%. 3-4 units, maximum LTV/CLTV 70%.
	  o DTI: Qualifying total debt ratio (DTI) for the occupant Borrower(s) may not exceed 43%.
	  o Minimum Borrower Contribution: Occupant Borrower(s) must make the minimum contribution required for the program from their own funds. See Assets - Funds to Close.
	  o Eligible Parties:
	    ▪ Must be an immediate family member only (See Family Member Defined).
	    ▪ Parties with an interest in the property sale transaction (including but not limited to the builder, property seller, or real estate broker) are not eligible.
	  o Other Requirements – Any person signing an application for a loan is a “Borrower.” All “Borrowers”
	    ▪ must sign the Note.
	    ▪ Must meet the Eligible Borrowers requirement in this section
	    ▪ Must meet Credit Report requirements, including Credit Score and Qualifying Score. See Credit Report, Credit Score and Tradeline Requirements.
	    ▪ All Borrowers whose income is being used for qualifying purposes must also meet Depth of Credit History requirements. See Credit Report, Credit Score and Tradeline Requirements.
	  o Title Holders: All individuals who hold title are required to sign the security instrument, but are not required to sign the Note unless their income is being used for qualifying purposes.
	• Borrower Identification:
	  o The identity of each borrower must be confirmed.
	  o Evidence of a valid Social Security number is required for all Borrowers. Acceptable documentation for a Social Security number includes, but is not limited to, a valid Social Security card, a current paystub, W-2, or tax transcripts. Any Social Security number discrepancies that are identified must be resolved.
	  o See also Identity of Interest and Non-Arm’s Length Transactions.
	INELIGIBLE BORROWERS:
	  o Non-Permanent Resident Alien for second home or investment property
	  o Non-individual legal entities such as corporations, general or limited partnerships, LLCs, real estate syndications, or investment trusts
	  o Borrowers with diplomatic immunity, or Foreign Politically Exposed persons
	  o Foreign Nationals, Non-Resident Aliens

BORROWER ELIGIBILITY (CONTINUE)

Non-US Citizen Documentation Requirements	
Permanent Resident Alien	**Non-Permanent Resident Alien**
A permanent resident is a non-U.S. citizen who is legally eligible to maintain permanent residency in the U.S. and holds a Permanent Resident card. Document legal residency with one of the following: • A valid and current Permanent Resident card (form I-551) • A passport stamped "processed for I-551, Temporary evidence of lawful admission for permanent residence. Valid until_______. "Employment authorized." This evidences that the holder has been approved for, but not issued, a Permanent Resident card. See http://www.uscis.gov/ for more information.	**ELIGIBLE BORROWER TYPE** A non-permanent resident is a non-U.S. citizen who lawfully enters the US for specific time-periods under the terms of a Visa. A non-permanent resident status may or may not permit employment. Verification of one of the following is required: • Unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS) • One of the following Visas: H series, L, E-1, G series and TN Visa For further information see http://www.uscis.gov/ Expiring Visas: If the authorization for temporary residency status will expire within one year and a prior history of residency status renewals exist, continuation may be assumed. If there are no prior renewals, the likelihood of renewal must be determined, based on information from USCIS. • A valid passport, letter from employer/sponsor and an I-94 proving work authorization. • Occupancy and LTV/CLTV restrictions apply See Non-Permanent Resident Alien requirements above.

COMPLIANCE - REGULATORY COMPLIANCE	

COMPLIANCE - REGULATORY COMPLIANCE	• Ability to Repay Rule (ATR): All Mortgage Loans in this program, must meet the requirements of the "Ability to Repay" (ATR) Rule in 12 CFR §1026.43(c) (2).
	• **Qualified Mortgage (QM) Status**:
	  o All loans that are covered transactions under Regulation Z must be Qualified Mortgages meeting the requirements in 12 CFR §1026.43(e)(2). All loans, including loans secured by investment properties, must be underwritten using the standards and methods of the Qualified Mortgage rule where such standards and methods apply.
	  o All covered transactions must be Safe Harbor QM.
	    ▪ Rebuttable Presumption QM loans (HPML and HPCT) are not eligible for purchase.
	  o Maximum points and fees for all loans in this program are limited to 3%.
	• **Appendix Q**: For the purposes of calculating and documenting income, including the calculation of DTI, all loans must be underwritten using the standards and methods of the Qualified Mortgage (QM) rule in 12 CFR §1026.43 and the Standards for Determining Monthly Debt and Income in Appendix Q to 12 CFR 1026, and except where a more restrictive standard or method is required by this Program Guide or the Provident Bank Mortgage.
	• **Homeownership Counseling Disclosure**: A RESPA compliant Homeownership Counseling Disclosure must be provided with initial disclosures and documented in the loan file for all loans delivered to the Investor.
	• **High Cost Limits**: Loans exceeding any applicable federal, state or municipal High Cost limits are not eligible for purchase by the Investor (e.g. HOEPA).
	• **HPML/HPCT**: Higher-Priced Mortgage Loans (HPML) and Higher-Priced Covered Transactions (HPCT) under Regulation Z, are not eligible for purchase in this program.
	• Effective for loans with Notes dated on and after 9/25/2017, a Closing Disclosure (CD) and Loan Estimate (LE) are required on all investment property transactions.
	  ▪ Under-Disclosed Total Finance Charge Requirement - Overlay to Regulation Z, 1026.23(g), Tolerances for Accuracy.
	  o For all rescindable transactions with total finance charges under-disclosed by more than $35, the following must be documented in the loan file:
	• If discovered prior to close:
	    ▪ Borrower refund for all under-disclosed amounts was issued, and
	    ▪ Rescission was re-opened, and
	    ▪ Any additionally required waiting period was met before loan close.
	• If discovered post-close:
	    ▪ Borrower refund for all under-disclosed amounts was issued, and
	    ▪ Rescission was re-opened, and
	    ▪ Additional rescission period has expired.

COMPLIANCE - REGULATORY COMPLIANCE (CONTINUE)	o For non-rescindable transactions with total finance charges under-disclosed by more than $100, the following must be documented in the loan file: • Borrower refund issued for all under-disclosed amounts.
CONDOMINIUMS AND PUDS	• All projects must be Fannie Mae Warrantable. • See the Product Matrix for condominium restrictions, including LTV/CLTV, credit score, transaction type, and reserve and property state requirements. • For high-rise condos greater than four (4) stories, reduce maximum LTV/CLTV by 5%. (See the Product Matrix.) • Established condominium projects only – new condominium projects or projects subject to further phasing or annexation are not eligible. • Condominium conversions must be completed and sold more than 3 years prior to application date. No units may have been sold to the developer. • 2-4 unit PUD projects are not eligible. **Eligible Project Review Types**: • The condominium project review must be a Fannie Mae PERS or Fannie Mae Lender Full Review with or without CPM. • Full Reviews must be completed within 180 days of the Note date. PERS approval must be valid (unexpired) as of the Note date. • Must include Fannie Mae Condominium Project Questionnaire Full Form (Fannie Mae Form 1076) or equivalent. **Ineligible Condominium Types:** • New condominium projects or projects subject to further phasing or annexation are not eligible. • Non-warrantable condominiums • Condo-Hotel • Condominium leaseholds • Cooperative • Common Interest Apartments also known as community apartment project or "own your own". A project in which individuals have an undivided interested in a residential apartment building and land and have the right of exclusive occupancy of a specific unit in the building. The project or building is often owned by several owners as tenants in common or by a homeowners' association. • Hotel or motel conversions (or conversions of other similar transient properties) • Houseboat projects

CONDOMINIUMS AND PUDS (CONTINUE)	• Investment Securities project that have documents on file with the Securities and Exchange Commission or projects where unit ownership is characterized or promoted as an investment opportunity • Manufactured home projects • Multi-family condominium dwelling with ownership of more than one unit evidenced by a single deed and mortgage • Projects that permit lockout units are considered multi-family • New projects where the seller is offering sales/financing contributions/concessions in excess of established limitations for individual loans • Projects where the homeowners' association is named as a party to pending litigation or any project that has not been turned over to the homeowners' association for which the project sponsor or developer is named as party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project • Projects that restrict the owner's ability to occupy the unit, have mandatory rental pools or guaranteed rent-backs • Projects where more than 20% of the total space is used for nonresidential purposes • Projects where a single entity owns more than 10% of the total units in the project • Projects with recreational leases • Projects with non-incidental business operations owned or operated by the homeowners' association such as, but not limited to, a restaurant, spa, health club, etc. • PUD and condominium projects that represent a legal but nonconforming use of the land; if zoning regulations prohibit rebuilding the improvements to current density in the event of its full or partial destruction Time share or segmented ownership projects • 2-4 unit PUDs
CREDIT - CREDIT REPORT, CREDIT SCORE AND TRADE LINE REQUIREMENTS	• **Credit Report**: Residential Mortgage Credit Report (RMCR) or traditional tri-merge with applicable credit report supplements is required for all Borrowers. o Frozen Credit: Credit reports may not have "frozen credit." If a Borrower unfreezes credit after the initial report is run, then a new 3-file merged credit report must be obtained. o Fraud Alert Requirement: All credit reports must include FACT Act messages and at least one repository fraud alert product (i.e. Hawk, FACS+ or SAFESCAN). Alerts must be resolved. o Inquiries: Credit reports must list all inquiries made with the previous 90 days and a written explanation for all inquiries within 90 days is required. o Credit Scores: Each Borrower, including those with no income used to qualify, must have a valid social security number and generate a traditional credit score from at least two of these repositories: Experian, Equifax, and TransUnion. Foreign credit is not acceptable. See the Program Matrix for minimum credit score requirements.

CREDIT - CREDIT REPORT, CREDIT SCORE AND TRADE LINE REQUIREMENTS (CONTINUE)	o Qualifying score: For each Borrower, qualifying score is the middle of 3 or lower of 2 scores, as applicable. Qualifying score for the loan is the lowest qualifying score of any Borrower. • **Depth of credit history -** 1. All loans require a credit score, meeting two criteria - minimum credit history and tradeline requirements, as follows: a. Minimum credit history - ▪ A minimum 24-month credit history is required for each borrower whose income is used to qualify. b. Tradeline requirements - ▪ All tradeline requirements are applicable to each borrower whose income is used to qualify. ➢ A minimum of 3 tradelines: ✓ Tradelines may be open or closed accounts and must have had activity within the 12 months prior to the credit report date. ✓ Each tradeline must be rated and paid satisfactorily for at least 12 months. • The following may not be used to satisfy the acceptable tradeline or minimum credit history requirements: 1. Authorized user accounts, or 2. Non-traditional or foreign credit, or 3. Loans in deferment period, or 4. Accounts discharged through bankruptcy, Judgments, charge offs, collection accounts, foreclosures, deed-in-lieu of foreclosure, short sales or pre-foreclosure sales.
CREDIT - HOUSING PAYMENT HISTORY (MORTGAGE, RENT, OR BORROWER WITH MORTGAGE PAYMENT HISTORY LIVING RENT FREE)	• **Housing History and Housing Payment History**: The mortgage application must provide a complete 24 month Housing History and Housing Payment History for each borrower. The requirements below apply only to the time periods for which the borrower(s) had a mortgage or rental obligation, or to the time period for which the borrower(s) were living rent free.

Housing History	Housing Payment History
Mortgage Credit History* Provide the following for each property for which the borrower had a mortgage obligation for any period during the 24 months prior to subject application date.	• Mortgage Payment History: o Must be on the credit report, or o Private Party Loans: Documented by canceled checks, bank statements, or evidence of electronic transfers (VOM alone is not sufficient), or o Institutional Lender: Documented by canceled checks, bank statements, or evidence of electronic transfers, or through a statement produced by the lender. • Ratings: Inclusive of all liens regardless of position, and applicable to all mortgages on all financed properties, rating must indicate:

CREDIT - HOUSING PAYMENT HISTORY (MORTGAGE, RENT, OR BORROWER WITH MORTGAGE PAYMENT HISTORY LIVING RENT FREE (CONTINUE)		o 0 x 30 within the past 12 months o No 60 or 60+ within the past 24 months • See Credit – Significant Derogatory Credit Evens and Trade-Lines for additional mortgage-related requirements.
	Renting Provide the following for any period during the 24 months prior to subject application date in which the Borrower was renting:	• Rental Payment History: o Credit report rating (if management company rates), or o Management company Verification of Rents (VOR), or o Canceled checks, or o Bank statements, or o Evidence of electronic transfers • Ratings: o 0 x 30 within the past 12 months o No 60 or 60+ within the past 24 months
	Living Rent Free For any period during the 24 months prior to subject application date in which the Borrower was living rent free:	• The mortgage application must provide the Housing History, including the lack of monthly housing expense, and • The Underwriter’s review of the Loan file (including, but not limited to, the credit report and asset account statements) should support the borrower’s indication of not having a current, primary residence housing (mortgage or rent) expense • If the borrower(s) has or had a mortgage or rental obligation within the 24 months prior to subject transaction application date, see *Mortgage Credit History or Renting* requirements for the applicable period.
	Subject Property Owned Free and Clear Subject property owned free and clear is eligible for cash-out refinance subject to:	• If subject property has been owned six months or longer (Note date to subject transaction application date): o Provide evidence that the property is free and clear, and o Properties where borrower(s) encumbered the property by a mortgage within the past 24 months, see Mortgage Credit History requirements above in this table. o See Loan Purpose- Cash-Out Refinance transactions for additional requirements. • For cash-out refinance transactions, if owned less than 6 months (Note date to application date), see Loan Purpose Cash-Out Refinance – Delayed Financing.
	• “*Mortgage Credit” Defined: Payment histories on all mortgage trade lines, regardless of occupancy, including first and second mortgage liens, HELOCs, mobile homes, and manufactured homes are considered mortgage credit, even if reported as an installment loan.	

CREDIT - SIGNIFICANT DEROGATORY CREDIT EVENTS AND TRADE-LINES

Serious Derogatory Credit Event	Required Time Elapsed	Comments/Requirements
Foreclosure Short Sale, Deed-in-Lieu, or Pre-Foreclosure sale	7 years	• Measured from completion date of the foreclosure action. • Any repossession, or payment equal to or greater than 120 days of any "Mortgage Credit" is considered a foreclosure for purposes of this program.
Mortgage Included in Bankruptcy	See Comment	If a mortgage is included in a bankruptcy, the stricter measurement for the bankruptcy or foreclosure "required time elapsed" applies.
Bankruptcy-Chapter 7 or 11 Bankruptcy-Chapter 13	7 years	Measured from discharge or dismissal to the disbursement date of the new loan.
Multiple Bankruptcies	7 years	Measured from last dismissal to the disbursement date of the new loan.
Loan Modifications (Restructured Loans)	7 years	If the borrower has had a prior restructured loan or short pay off, the new loan is eligible for financing subject to compliance with all foreclosure guidelines.
Mortgage Credit related "Serious Derogatory Credit Event" waiting time requirements apply to all Borrowers for all properties owned or previously owned, whether the Borrower(s) owned the property solely or jointly. "Mortgage Credit" is defined as: Payment histories on all mortgage trade lines, regardless of occupancy. Mortgage Credit includes first and second mortgage liens, HELOCs, mobile homes, and manufactured homes, even if reported as an installment loan.		

CREDIT - SIGNIFICANT DEROGATORY CREDIT EVENTS AND TRADE-LINES (CONTINUE)

Other Credit Events	Requirements
Past Due Accounts	• Past due accounts must be satisfied or brought current prior to or at closing. • Cash out proceeds from the subject transaction may not be used to satisfy or bring accounts current.
Judgments, Garnishments, Liens and Potential Liens	• All delinquent credit obligations that have the potential to affect the subject Mortgage Loan's lien position or diminish Borrower's equity in the subject property must be paid off at or before closing including, without limitation: • Delinquent taxes, (including State or Federal income taxes), delinquent property taxes, tax liens, judgments, garnishments and mechanics' or materialmen's liens • Verification of sufficient funds to satisfy these obligations must be documented. • Documentation of the pay-off or satisfaction must be provided. • No payment plans or subordination is allowed. • Cash-out proceeds from the subject transaction may not be used to pay off delinquent credit obligations
Aggregate Charge-Offs and Collection Accounts	• Accounts reporting within the past 24 months are permitted when isolated accounts have less than a $500 cumulative balance. These accounts may be left open provided they do not affect title.
Consumer Credit Counseling	• Borrowers must provide a satisfactory explanation for participating in Consumer Credit Counseling. • A Borrower may be eligible while they are in Consumer Credit Counseling (CCC) provided all of the following criteria are met: o Credit score requirements are met, and o Qualifying ratios must be calculated on the creditor's minimum monthly payment (per the credit report) versus the reduced consumer credit counseling payment, and o All accounts must be current, and o Cash-Out Refinance transactions are not eligible.

CREDIT – 30-DAY ACCOUNTS	• 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: o The borrower must have sufficient assets to cover the balance, in addition to fund required for closing costs and reserves, or o Document that the borrower will receive reimbursement of the charge from his or her employer. • If the borrower paid off the account balance prior to closing, provide verification of the payoff in lieu of verifying funds to cover the balance. The borrower must document the source of funds used to pay the balance while still having sufficient funds for down payment, closing costs and reserves.
CURRENT RESIDENCE PENDING SALE OR CONVERSION	**Pending Sale of Current Primary Residence, Conversion of Primary Residence to Second Home, Conversion of Primary Residence to Investment Property:** • See the table below for requirements that must be met if the Borrower's current primary residence is pending sale, or is being converted to a second home or investment property. • When the property being purchased is of lesser value, is in the same geographic location, or if the Borrower has moved to temporary housing, the Underwriter's review of the Loan File should support the borrower's stated occupancy type for subject property.

Pending Sale of Current Residence	
Qualification	• Calculate DTI using the PITIA of both the property pending sale and the PITIA of the new primary residence (subject property). • The Borrower may be qualified based only on the new primary residence PITIA if all of the following are met: o A copy of an executed sales contract for the property pending sale has been provided, along with confirmation all contingencies in the sales contract have been cleared/satisfied o The pending sale transaction must be arms' length o The scheduled closing date of the pending sale must be within sixty (60) days after the subject transaction Note date.
Reserve Requirements	• Reserve requirements for the new (subject property) loan per the General Reserve Requirements, plus • Add 6 months' reserves based on Current Residence pending Sale PITIA, regardless of whether the Current Residence PITIA is included in DTI.

<table>
<tr><td rowspan="8">CURRENT RESIDENCE PENDING SALE OR CONVERSION (CONTINUE)</td><td colspan="2">Conversion of Primary Residence to Second Home</td></tr>
<tr><td>Qualification</td><td>Calculate DTI using the PITIA of both the current residence being converted to a second home and the new primary residence (subject property).</td></tr>
<tr><td>Reserve Requirements</td><td>Reserve requirements for the new (subject property) loan per the <u>General Reserve Requirements</u>, plus
Additional 6 months' reserves based on the PITIA of the property being converted to a second home.</td></tr>
<tr><td colspan="2">Conversion of Primary Residence to Investment Property</td></tr>
<tr><td>Qualification</td><td>Must have 25% documented equity in the property to be rented to use rental income for qualification
Equity in the property to be rented must be documented by a full URAR appraisal report, an Exterior-Only Inspection Residential Appraisal Report, or equivalent dated no more than 120 days prior to the Note date of the subject transaction.
Lease Agreement and Security Deposit:
Provide a current, fully-executed lease agreement
A family member, an individual with an Established Relationship with those involved in the transaction, or an interested party may not sign the lease agreement as the tenant (See <u>Family Member Defined</u>.)
Provide evidence of receipt of the security deposit from the tenant, deposited into the Borrower's bank account.
2- to 4-Units:
The requirements above apply to the unit previously occupied by the Borrower
For the units not previously occupied by Borrower, see Other Real Estate Owned - Income</td></tr>
<tr><td>Rental Income Analysis</td><td>See Other Real Estate Owned - Income</td></tr>
<tr><td>Reserve Requirements</td><td>Reserve requirements for the new (subject property) loan per the <u>General Reserve Requirements</u>, plus
Additional 6 months' reserves based on the PITIA of the property being converted to an investment property</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td>DEBT-TO-INCOME RATIO</td><td colspan="2">See the <u>DTI Requirements Table</u>.</td></tr>
</table>

DEED RESTRICTIONS	• Mortgage Loans subject to resale deed restrictions are not eligible, other than an acceptable age-related resale restriction (typically for one occupant to be age 55 or older) meeting Fannie Mae guidelines, B5-5.3-02. o Property type must be 1-unit principal residence or second home.
DISASTER RE-INSPECTION REQUIREMENTS	**<u>Re-inspection Requirements for Emerald program:</u>** • If Provident Bank Mortgage announces that a disaster area has been identified as requiring a re-inspection, then an appraiser must perform the property inspection. o Photographs of the subject property must be included. o Neither Underwriter/Processor Certifications nor third-party inspections are accepted in this program. • The appraiser who performs the inspection should review the original appraisal report and be able to certify that the personal inspection of improvements revealed no indications of significant disaster related damages. • Any of the following may be used by the appraiser to certify the property condition: o Appraisal Update and/or Completion Report (Fannie Mae Form 1004D/Freddie Mac Form 442) o Desktop Underwriter Property Inspection Report (Fannie Mae Form 2075) o Uniform Residential Appraisal Report (Fannie Mae Form 1004/Freddie Mac Form 70) o Exterior Only Appraisal Report (Freddie Mac Form 2055) o Individual PUD Unit Appraisal Report (Fannie Mae Form 1073/Freddie Mac Form 465). • If the appraiser notes a defect in the exterior inspection, a URAR with interior and exterior inspection and photographs is required. o All damage revealed by the inspection must be repaired before the loan is funded. • Underwriters are responsible for determining potential impact to a property located in an area where a disaster is occurring or has occurred, irrespective of whether a declaration or Announcement has been made. If an Underwriter has reason to believe that a property might have been damaged in a disaster the Underwriter must take appropriate action to ensure that the property meets Provident Bank Mortgage requirements at the time of funding. **Per Disaster Policy** Disasters, both natural and man-made, may occur at any time and might include: floods, fires, thunderstorms, tornadoes, hurricanes, earthquakes, landslides, volcanic eruptions, civil unrest, and terrorist attacks and the like. These events can cause varying degrees of damage and create a potential lending risk. This Guide section provides guidelines to be followed for properties in: • Federally declared disaster areas (FEMA Disaster Declarations) with designated counties or ZIP Code areas eligible for individual assistance

DISASTER RE-INSPECTION REQUIREMENTS (CONTINUE)	• Areas where FEMA has not made a disaster declaration, but Provident Bank Mortgage or an Agency has determined that there may be an increased risk of loss due to a disaster • Areas where the Seller has reason to believe that a property might have been damaged in a disaster • Provident Bank Mortgage may, at its sole discretion, purchase Mortgage Loans secured by properties that are free of damage and located in FEMA/Federally declared disaster areas provided that the requirements in this Guide are adhered to and documented in the Mortgage Loan file.

ELECTRONIC SIGNATURES	• The following Mortgage Loan documents may not contain eSignatures:
	  o Note and Riders to the Note
	  o Security Instrument
	  o Rider(s) to the Security Instrument
	  o Notice of Right to Cancel
	  o Power of Attorney.
	• Loans with electronic signatures must meet the requirements of all applicable state and Federal laws, as well as the requirements in Fannie Mae Selling Guide A2-5.1-04 Lender's or Document Custodian's Electronic Transactions with Third Parties.
	  o The "electronic signature consent agreements" referenced by Fannie Mae must be included in the loan file.
	• Electronic Delivery and Electronic Signature
	  o Certain Mortgage Loan documents and disclosures may be delivered to and signed by Borrowers electronically, providing the lender's process and technology are in full compliance with the ESIGN Act, including, but not limited to, the consumer consent provision.
	  o Loans documents containing electronic signatures must additionally meet the requirements in 6.12.2. Documents Eligible for eDelivery and eSignature.
	Note: This section applies only to the delivery of documents to the Borrower (and other third parties to the loan).

ELIGIBILITY REVIEW OPTION (PRIOR INVESTOR APPROVAL)	• Eligibility Reviews are not offered in this program.
ESCROW HOLDBACKS	• Loans that are pending escrow holdbacks (i.e., not fully disbursed) for improvements or repairs that are not yet complete are NOT eligible. • Prior to funding, escrowed completion funds must have been fully disbursed and work completed as evidenced by an acceptably completed Form 442/1004D, *Appraisal Update and/or Completion Report*.

ESCROW/IMPOUNDS	• Flood Insurance: For loans closed on or after January 1, 2016, flood insurance must be escrowed if the loan is secured by a primary residence or second home 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). o This requirement applies irrespective of property state and/or Seller entity type. • Provident Bank Mortgage does not permit escrows for optional items (such as optional insurances).
EXCLUSIONARY LISTS – PARTIES TO TRANSACTION	• If any party on any industry or Agency Exclusionary List played a role in the origination through close of the Mortgage Loan or the underlying real estate transaction, or in the servicing of the Mortgage Loan by Provident Bank Mortgage or its Sub-Servicer, the Mortgage is not eligible for funding, irrespective of the reason for the name appearing on the list. Industry and Agency Exclusionary Lists include: o GSA EPLS / SAM, available through GSA's System for Award Management (SAM) website. The review of GSA EPL must include a search for actions taken across all federal agencies o FHA/HUD Limited Denial Participation (LDP) List, available through the HUD website o Freddie Mac Exclusionary List, electronically available to Provident Bank Mortgage/Servicers through various Freddie Mac single-family systems o FHFA Suspended Counterparty Program (SCP), available on the FHFA website. • Exclusionary Lists – Eligible Parties to the Mortgage Loan o For all Loans in all programs, if a party on any industry or Agency Exclusionary List played a role in the origination through close of the Mortgage Loan or the underlying real estate transaction, or in the servicing of the Mortgage Loan by the Seller or its Sub-Servicer, the Mortgage is not eligible, irrespective of the reason for the name appearing on the list. o Industry and Agency Exclusionary Lists include: o GSA EPLS / SAM, available through GSA's System for Award Management (SAM) website. The review of GSA EPL must include a search for actions taken across all federal agencies o FHA/HUD Limited Denial Participation (LDP) List, available through the HUD website o Freddie Mac Exclusionary List, electronically available to Seller/Servicers through various Freddie Mac single-family systems. (Note: Effective 10/20/2015, for Freddie Mac Loans, Freddie Mac requires that the Exclusionary List screening date be based on the Note date of the Loan.) o FHFA Suspended Counterparty Program (SCP), available on the FHFA website. o Prohibited roles include, but are not limited to: o Mortgagors (Borrowers)

EXCLUSIONARY LISTS – PARTIES TO TRANSACTION (CONTINUE)	o Trustees on the deed o Builders, developers o Property sellers o Originators o Processors o Underwriters o Mortgage Brokers o Third-party originators o Mortgage Service Providers o • Appraisers, title insurers, real estate brokers and agents, and closing or settlement agents • Provident Bank Mortgage does not maintain an approved appraiser or approved Appraisal Management Company list. • Appraisals and appraisal services must meet the requirements of. Exclusionary Lists – Ineligible Parties to the Mortgage Loan. Appraisers must meet this requirement irrespective of whether the appraisal was conducted prior to or following the appraiser's addition to any of the applicable lists.
FAMILY MEMBER DEFINED	• Immediate Family: Parents, siblings, children, spouse, grandparents, aunts, uncles, domestic partner, fiancé or fiancée
FEES – MANDATORY INVESTOR FEES	• $345 Administration Fee • $75 Tax Service Fee
FIRST-TIME HOMEBUYER TRANSACTION	• First-Time Homebuyer Transaction Definition: o A transaction is considered to be a First-Time Homebuyer Transaction if all of the individual occupying applicants: ▪ A) are purchasing the security property, and ▪ B) will reside in the security property, and ▪ C) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the application date as verified by: • The Declarations section of the Uniform Residential Loan Application, or • Credit report indicating no mortgage tradeline within the three-year period preceding the application date. • Occupancy Restrictions: Primary residence transactions only. FHB transactions are not eligible for second homes or investment properties • Property Type Restrictions: One-unit properties only. FTHB transactions are not eligible for 2 to 4-unit properties • Reserve Requirement: the greater of 12 months' subject property PITIA or the program minimum. See Product Matrix and Assets – Reserves

HAZARD POLICY REQUIREMENTS	• Hazard insurance coverage must insure all buildings and improvements to the mortgaged property. The Borrower is required to maintain the policy at the Borrower's expense for the duration of the Mortgage Loan. • Hazard Insurance Coverage Term o Purchase Transactions – the policy must: ▪ Be in effect as of loan disbursement date, and ▪ Extend and be paid for minimum 12 months from the date of closing. o Refinance Transactions – New or Existing Policy is acceptable provided: ▪ Be in effect as of loan disbursement date ▪ Expiration date of the policy is clearly stated ▪ Sufficient impounds are collected by PBM to renew coverage at the due date (if applicable) ▪ Existing coverage extends a minimum of 60 days beyond the funding date • If the policy will expire within 60 calendar days of funding, a 30-day binder or evidence of renewal for one year (12 months) is required.
IDENTITY OF INTEREST AND NON-ARM'S LENGTH TRANSACTIONS	• Loans for transactions with identity of interest or non-arm's length characteristics are not eligible under this Program. Examples of these types of transactions (not a complete list) include: o Sales of properties between family members (see Family Member Defined) o Sales of properties between business associates o Sales involving a business entity and an individual who is an officer or principal in that business o Sales involving the builder/developer of subject property and an employee or affiliate of the builder/developer o Transactions involving an assignment of the sales contract. • Identity of interest and non-arm's length transactions must meet the following requirements: o Bona fide owner occupied primary residence purchases only o The property must not have sold within the 180-day period previous to the date of the purchase contract for the subject transaction o A copy of the canceled earnest money check must be in the Mortgage Loan File, along with paper trail for the source of funds o The Mortgage Loan File must contain a payment history for all mortgages on the subject property (i.e. verification of the property seller's payment history). The loan(s) must be current and show no 60 day delinquencies over the previous 12 months o HUD-1 or Closing Disclosure for subject transaction must show no large atypical disbursements for non-lien items. o The purchase contract must be reviewed for irregular terms or concessions

IDENTITY OF INTEREST AND NON-ARM'S LENGTH TRANSACTIONS	o Borrower must provide a written explanation of his/her relationship to the property seller and a rationale for the property purchase that convinces Seller that borrower will occupy the property as a primary residence and is acceptable to Provident Bank Mortgage. • Additional Loan Program specific, requirements may apply. Identity of Interest and Non-Arm's Length Transactions may be prohibited and ineligible for certain Loan Programs.
INCOME AND EMPLOYMENT REQUIREMENTS	• See the Income Requirements Table and DTI Requirements table.
LEASEHOLD AND LIFE ESTATES	• Life estates are not eligible. • Loans secured by properties located on Indian (Native American) tribal land or Indian Trust Land or Restricted Land, and/or properties for which Borrower has a leasehold interest in same, are not eligible. • Properties secured by other types of leasehold estates are acceptable provided the property is readily marketable, the leasehold is in full force and effect, is not subject to any prior lien or encumbrance by which the leasehold could be terminated or subjected to any charge or penalty, and does not terminate earlier the 5 years after Loan maturity date, and otherwise meets all Freddie Mac requirements (following the Freddie Mac standard).
LOAN PURPOSE - INELIGIBLE TRANSACTIONS	**Ineligible transactions include:** • Loans to finance the initial construction of a dwelling, or (one time close) construction-to-permanent loans, or construction loan modifications • Primary Residence or Second Home transactions that are not Safe Harbor, QM including high-cost mortgages or higher-priced mortgages (HPML or HPCT). • Loans with temporary buy-downs or prepayment penalties. Contracts for Deeds or Installment Land Contracts.
LOAN PURPOSE - PURCHASE TRANSACTIONS	• All purchase transactions must meet the requirements in Loan Purpose – Ineligible Transactions above. • Ownership History: The property seller must be the owner of record. Provide a chain of title or other documentation, e.g., appraisal, title report, etc., showing ownership history for the last 12 months. • Purchase Contract: Complete purchase agreements, including all addenda, are required. If the Purchase Contract has been assigned to buyer from a previous purchaser, then the loan is not eligible. • Identity of interest: Loans with Identity of Interest/Non-Arm's Length characteristics are not eligible in this program.

LOAN PURPOSE - PURCHASE TRANSACTIONS (CONTINUED)	• Excessive Commissions and Payouts: o Total real estate commissions and marketing fee payouts (in cash or in kind) that exceed 8% of the sales price are considered excessive and must be deducted from the sales price for underwriting purposes and for calculation of LTV/CLTV. o Total commissions/marketing fees for these purposes include, but are not limited to: marketing fees, finder's fees, referral fees, consulting fees, and assignment of sales fees. o The settlement statement must be completed to include all fees and payouts as required by applicable regulatory compliance guidelines.
LOAN PURPOSE - REFINANCE TRANSACTIONS	• All refinance transactions must meet the requirements in Loan Purpose – Ineligible Transactions above. • Listed Properties: o *Listed at Time of Application*: Properties currently listed for sale (at the time of application) are not eligible for refinance transactions o *Listed within 6 months*: Properties listed for sale by the Borrower within six (6) months of the application date are acceptable if the following requirements are met: ▪ Rate and Term refinance only ▪ Primary and second homes only ▪ Documentation provided to show cancellation of listing ▪ Acceptable letter of explanation from the Borrower provided detailing the rationale for cancelling the listing. o *Listed within 12 months*: Cash-out refinances are not eligible if the property was listed for sale by the Borrower within twelve (12) months of the application date. • Restructured Loans: Refinance of a Restructured Loan or Short Pay off Loan is not allowed. • LTV Calculation: o If owned more than 12 months, LTV is based on current appraised value. o If owned less than 12 months, see *Seasoning Requirements* in the *Rate and Term Refinance* and *Cash-Out Refinance* sections below. • **Continuity of Obligation Requirement**: There must be continuity of obligation if there is currently an outstanding lien that will be satisfied with the refinance transaction. Loans with an acceptable continuity of obligation may be underwritten as either a no cash-out or a cash-out refinance transaction based on the requirements in this section.

LOAN PURPOSE - REFINANCE TRANSACTIONS (CONTINUE)	o Acceptable continuity of obligation is met when: ▪ At least one borrower obligated on the new loan was also a borrower obligated on the existing loan being refinanced, and ▪ At least one borrower has been on title and will be obligated on the new loan. o If there is no outstanding liens against the property, see *Loan Purpose-Cash Out Refinance Transaction*
LOAN PURPOSE - RATE AND TERM REFINANCE TRANSACTIONS	• All Rate and Term Refinance transactions must meet the requirements in *Loan Purpose – Refinance Transactions*, and *Loan Purpose – Ineligible Transactions* above. • Maximum Cash-to-Borrower: Cash received by the borrower must not exceed the lesser of 1% or $5000 of the principal amount of the new loan. • Loan Costs: Reasonable and customary closing costs, pre-paid items and seasoned junior liens may be incorporated into the loan amount. • Seasoning Requirements: o First Lien - If owned less than 12 months: ▪ Value should be based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value ▪ Documented improvements must be supported with receipts ▪ The 12-month time frame is defined as prior Note date to subject application date o Closed End Seconds: One-year seasoning on junior liens, from funding, is required, unless documentation is provided to verify the lien was incurred as part of acquisition. o HELOCs: If funds were received in excess of 1% of the new loan amount or $2,000, whichever is greater, within 12 months prior to the new loan, the new loan will be considered a cash-out refinance transaction. • Interim Construction Loan Pay Off: The payoff of an interim construction is an eligible transaction. • Buyouts: Refinance to buy out another party's interest in subject property is allowed subject to: o Documentation that all parties have jointly owned and occupied subject property for the 12 months prior to application date (exception for inheritance), and o A signed, written agreement stating the terms of the property transfer and disposition of funds (such as a divorce decree). o Cash received by the borrower must not exceed the lesser of 1% or $5000 of the principal amount of the new loan. • Installment Land Contracts and mortgage loans used to pay off a Contract for Deed are not eligible.

LOAN PURPOSE - CASH-OUT REFINANCE TRANSACTIONS	• All Cash-Out Refinance transactions must meet the requirements in *Loan Purpose – Refinance Transactions*, and *Loan Purpose – Ineligible Transactions* above. • Primary residence only. • Non-occupant borrowers, co-borrowers and guarantors are not allowed. Also see Borrower Eligibility. • Refinance of a Restructured Loan or Short Pay off Loan is not allowed. • Owned Free and Clear: A cash-out refinance of a property owned free and clear is an eligible transaction, subject to the other requirements in this section. Also see Credit – Housing Payment History. • **Seasoning Requirements**: o All borrowers must have held title to subject property for a minimum of 6 months: Note date to application date. o There must be greater than six (6) months seasoning of all existing liens on subject property: Note date to application date. o For properties owned at least 6 months, but less than 12 Months: ▪ Value should be based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value ▪ Documented improvements must be supported with receipts ▪ The 12-month time frame is defined as prior Note date to subject application date • Cash-out limitations include payoff of second mortgages seasoned less than 12 months (closed end seconds and HELOCs) and/or non-mortgage debt. The 12-month time frame is defined as prior Note date to subject application date. o Seasoned liens secured by subject property are not included in the cash-out limitation. • Delayed Financing: See *Loan Purpose – Delayed Financing* below.
LOAN PURPOSE - DELAYED FINANCING	• Borrowers who purchased the subject property less than six months ago are eligible for a cash-out refinance if all of the following requirements are met: o The new loan amount must not be more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid items, and points. o The purchase transaction was an arm's length transaction. ▪ If the seller of the property was a legal entity, the principals of the entity must be documented. o The purchase transaction is documented by the HUD-1 Settlement Statement or Closing Disclosure 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 HUD-1 Settlement Statement or Closing Disclosure if such a statement was not provided to the purchaser at time of sale.

LOAN PURPOSE - DELAYED FINANCING (CONTINUE)	o The LTV/CLTV must be based on the lesser of the original purchase price or the current appraised value. o The source of funds for the purchase transaction must be documented. Funds cannot be from gift, borrowed, or business funds. o The preliminary title search or report must not reflect any existing liens on the subject property. • All other cash-out refinance eligibility requirements must be met and cash-out pricing is applied.
OCCUPANCY TYPES	• **Primary Residence**: An owner occupied primary residence is a property that the occupant borrower(s) intends to occupy as his or her principal residence, for the majority of the year, within 60 days of closing and for at least one year after. The loan documents must provide that the loan may be declared in default if the borrower makes misrepresentations for any provision of the application, including occupancy. o For refinance transactions, borrower must reside in and hold title to the subject property at the time of application. • **Second Home**: o 1-unit property that the borrower occupies for some portion of the year in addition to his or her primary residence. o The property must be suitable for year-round occupancy and must not generally be located in the same market area as the borrower's primary residence. o Non-occupant borrowers, co-signers and guarantors are not allowed. o Second homes may be located in a major metropolitan area that the borrower visits on a regular basis with a letter of explanation from the borrower stating the reason that the home is not located in a vacation/resort area. o Transactions where the property is being purchased for occupancy by someone other than the borrower will be considered an investment property and are not eligible for this program. o The borrower must have exclusive control over the property and the property must not be subject to any kind of time sharing agreement, rental pools, or agreements that require the borrower to rent, share or give management firm control over occupancy. See Property Eligibility. o Rental income may not be used to qualify the borrower. Occasional season rental is permitted. Reporting rental income on the borrower's personal tax returns does not contradict second home status, but must be minimal. The hazard insurance policy may not contain any coverage for loss of rent. • **Investment Properties**: An investment property is owned but not occupied by the borrower, regardless of revenue generation. The property must be suitable for year-round rental and occupancy.

POWER OF ATTORNEY	• In certain situations, a specific, special, military, or limited Power of Attorney (POA) 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 refinances; non-owner occupied (investment) properties; title taken as trust; identity of interest or non-arm's length transactions; non-occupant borrowers. • The Settlement Agent must not act as the attorney-in-fact or sign documents on behalf of any party to the transaction.
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 loan delivery and the appraiser provides acceptable documentation to show that the property now meets C4 or better condition requirements. o Loans with undisbursed Escrow Holdbacks are not permitted - all work must be completed (evidenced by Form 442/1004D, Appraisal Update and/or Completion Report) and all holdback funds distributed prior to funding. See Escrow Holdbacks. **ELIGIBLE PROPERTY TYPES** • SFR, townhomes, row homes, 2 - 4-unit properties • See Condominiums and PUDS • Leasehold Estates (restricted - see Leasehold) • 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. • **Solar Panels**: For homes with solar panels, follow the guidelines in Fannie Mae Selling Guide B2-3-04, *Special Property Eligibility Considerations, Properties with Solar Panels.* **INELIGIBLE PROPERTY TYPES** • Acreage: Properties with acreage greater than 15 acres (truncating acreage for appraisal purposes is not allowed) • Assisted Living Projects, board and care facilities • Bed & breakfast, boarding houses • Builder Model Leaseback • Cantilevered Property • Commercial and/or Industrial Properties • Common Interest Apartments ("own your own") • Conversions, including hotel or motel conversions

PROPERTY ELIGIBILITY (CONTINUE)	• Cooperatives (Coops) • Exotic or non-traditional types of structures such as dome homes or log homes, houseboats • Kitchen: Property without full kitchen • Land loans (unimproved properties) • Leasehold restrictions apply. See Leasehold. • Litigation: Property with pending structural litigation. Non-structural litigation may be considered on a case-by-case basis. • Manufactured homes and mobile homes, manufactured home projects • Mixed Use properties Native American Land: Properties located on Indian (Native American) tribal or Trust Land, or “Indian Leased Land.” See Leasehold. • Resale deed restricted properties other than minimum age restrictions (See Deed Restrictions) • Residential properties with a permanently affixed manufactured home on the property • Square Footage: Properties with less than 800 square feet of habitable living space are not eligible • Time share or segmented ownership projects, tax sheltered syndicate • Utilities: Property without full utilities installed to meet all local health and safety standards (e.g.; continuing supply of potable water; public sewer or certified septic system) • Working farms or ranches, hobby farms, hobby ranches or orchards • Year-round occupancy: Properties not suitable for year-round occupancy are not eligible • Zoning: Property that represents a legal, but Non-Conforming use if zoning regulations prohibit rebuilding the improvements to current density in the event of full or partial destruction. Property zoned and used for commercial or industrial purposes (commercial and industrial properties are not eligible)
PROPERTY FLIPPING, PURCHASE CONTRACT ASSIGNMENTS	• **Purchase Contract Assignment**: If the Purchase Contract has been assigned to buyer from a previous purchaser, then the loan is not eligible. • **For all Purchase transactions**: The property seller must be the owner of record. Provide a chain of title or other documentation, e.g., appraisal, title report, etc., showing the ownership history for the last 12 months. • **Prior sale of subject property occurred within 90 days,** then the loan is only eligible if: o 1. Property seller is Relocation Agency, or 2. Property seller obtained property through Foreclosure or Deed in Lieu, or 3. Property Seller obtained property through inheritance or divorce, and o Subject transaction must be for a primary residence only

SECONDARY (SUBORDINATE) FINANCING	

SECONDARY (SUBORDINATE) FINANCING

- See the Product Matrix for maximum transaction CLTV.
- No HCLTV is calculated for this program.
- **CLTV Calculation**:
  - HELOCs are included in the CLTV calculation as follows:
    - The entire credit line limit must be used to calculate the CLTV and determine program eligibility.
    - If an existing HELOC is reduced without modifying the original Note, the original line limit must be used to calculate the Combined Loan-to-Value ratio
    - If an existing HELOC is reduced with a modification of the original note, the modified line limit may be used to calculate the Combined-Loan-to-Value ratio.
- New Subordinate Lien Documentation: A copy of the Note and a certified copy of the security instrument indicating that it is being recorded subordinate to the new first lien are required.
- Re-subordinating Lien Documentation: A copy of the Note and a certified copy of the executed subordination agreement (or equivalent, as required by applicable state law) must be delivered with the Mortgage Loan file. (Note: Virginia Automatic Subordinations meeting Va. Code Ann. § 55-58.3 are acceptable for single family residence transactions if the second lien amount is not greater than $150,000.)
- Subordinate Lien Requirements:
  - Mortgage must be clearly subordinate to the new Emerald Product Mortgage Loan
  - Mortgage cannot have a maturity date or a call option date of less than five years (from closing date), unless it is fully amortizing. See the exception below for *Employer Provided Subordinate Financing*.
  - Monthly payments on subordinate financing must be included in housing and debt ratio analysis.
  - Scheduled payments under the subordinate financing must be due on a regular basis, e.g., monthly, quarterly, or semi-annually, but no less than semi-annually and must be at least sufficient to meet the interest due.
  - Subordinate financing must fully amortize during its term.
- **HELOC Payment Calculation**: To calculate the qualifying payment of a subordinate HELOC, follow Fannie Mae Selling Guide Section B.3.6. (If the HELOC does not report a balance, there is no recurring monthly debt obligation, so the lender does not need to develop an equivalent payment amount based on the line amount or otherwise.)
- **Employer Provided Subordinate Financing:**
  - Subordinate financing received from the borrower's employer may be in the form of an unsecured loan or a mortgage loan and does not need to require regular payments of either principal and interest or interest only.

SECONDARY (SUBORDINATE) FINANCING (CONTINUE)	o A copy of the contract from the employer describing the terms of the financing is required. The financing may be structured in any of the following ways: ▪ Fully amortizing level monthly payments ▪ Deferred payments for some period changing to fully amortizing level payments ▪ Deferred payment over the entire term ▪ Forgiveness of the debt over time ▪ The financing terms may provide for the employer to require full repayment of the debt if the Borrower's employment is terminated, either voluntarily or involuntarily, before the maturity date of the subordinate financing. **INELIGIBLE SUBORDINATE FINANCING** • Subordinate mortgages through a Community Second Mortgage/Down Payment Assistance Program • Subordinate mortgages held by the property seller • Tax and judgment liens • Subordinate mortgages subject to an interest rate buy-down plan • Subordinate mortgages that have wraparound terms • Subordinate mortgages that contain resale or repayment restrictions • Subordinate mortgages that allow negative amortization (this does not include language in the Note that warns borrowers that the lack of payment may result in negative equity and negative amortization is not a feature of the product), contain a balloon feature, or a prepayment restriction/penalty.
STATE AND GEOGRAPHIC RESTRICTIONS	• See Appraisal – Property Valuation for soft and declining market LTV restrictions. • Properties in California are eligible, except that Provident Bank Mortgage does not purchase mortgage loans secured by: o Loans secured by properties located on Indian (Native American) tribal land or Indian Trust Land or Restricted Land, and/or properties for which borrower has a leasehold interest in same, are not eligible. See Property Eligibility.
TAX TRANSCRIPTS	• See the Tax Return and Tax Transcript Requirements table in this Program Guide for business and personal tax return transcript requirements.
TITLE POLICY	• Title Insurance for Provident Bank Mortgage title policy requirements. • Also see Leasehold and Life Estates in this program guide.

TRANSFERS AND ASSIGNMENTS MERS AND INTERVENING ASSIGNMENTS	• Loans must be registered with MERS at time of delivery and a MERS TOB and TOS initiated by the within two calendar days of loan purchase. • Loans with intervening assignments require prior approval by Investor.

TRUSTS	• Trust Eligibility/Occupancy Requirements:
	  o One- to four-unit primary residence and second home, and investment properties.
	• Revocable Inter Vivos "Living" trusts are acceptable subject to the following:
	  o 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.
	  o Documents for loans where title is taken in a trust cannot be signed with a Power of Attorney.
	  o 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.
	• Land trusts (such as Illinois Land Trusts) and Community Land Trusts are not permitted.

GENERAL REQUIREMENTS DTI REQUIREMENTS TABLE	

DEBT-TO-INCOME RATIOS	• Expense Analysis: Unless otherwise stated in this Program Guide, borrower recurring obligations must be calculated following the requirements of Appendix Q, including Section III. Consumer Liabilities, Recurring Obligations.
	• Maximum Debt-to-Income (DTI) ratios:
	  o Primary Residence -Maximum DTI is 43.00%:
	    ▪ For transactions with non-occupant borrowers, co-signers or guarantors, occupant borrower(s) alone must meet the 43% DTI requirement. See Borrower Eligibility.
	    ▪ Second Home - Maximum DTI is 40.00%.
	    ▪ Investment Properties - Maximum DTI is 38%.
	• Qualifying Interest Rate – See the Product Matrix.
	• Also see First-Time Homebuyers for requirements specific to first-time homebuyer qualifications.

DEBT OBLIGATIONS	**Monthly expenses include:** • **Alimony and Child Support:** Include if will continue for > 10 months under a legal agreement. May not be deducted from income. Provide obligation document. • **Authorized User:** Include in DTI but cannot be considered to meet minimum trade-line requirements. • **Bridge Loans:** Include in DTI. Proceeds cannot be used for Reserves. See Assets - Funds to Close, and Assets - Reserves. • **Business Debt in Borrower's Name:** Include in personal DTI unless all of the following are met: 1. Evidence of payment by business for past 12 months, and 2. No 30 day late payments in past 12 months, and 3. Cash flow analysis of business considered payment as a debt. Note: If included in personal DTI, do not count against business. • **Contingent Liability (Co-Signed Loans):** Include in DTI unless there is evidence, such as cancelled checks or automated savings withdrawals, that the other party made satisfactory payments for past 12 months and account is current. Documentation for any omitted contingent liabilities, such as obligor cancelled checks, must be provided in the loan file. *Appendix Q, Part IV, 5.b.* • **Court-Ordered Assignment of Debt:** If borrower was not released from liability, include in DTI or provide 1. Copy of court order assigning debt, and 2. Proof of transfer of ownership. The payment history of the debt does not need to be considered after the transfer date to another party. • **Deferred (Projected) Installment Debt:** Include loans that are deferred or in forbearance in DTI. If the credit report does not indicate the monthly amount that will be payable at the end of the deferment period, copies of the borrower's payment letters or forbearance must be obtained to determine the monthly payment that will be required at the end of the deferment period, to use for loan qualification. • **Deferred Student Loans Only:** If the credit report does not indicate the monthly amount that will be payable at the end of the deferment period, **1%** of the original principal balance of the student loan may be used to determine the monthly payment used for loan qualification. • **Home Equity Lines of Credit:** If the HELOC does not require a payment and there is no recurring monthly debt obligation, or if the HELOC has a zero balance, no monthly payment needs be included in the recurring debt obligations. See Secondary Financing.

DEBT OBLIGATIONS (CONTINUE)	
	• **Installment Debt:** Installment debt that is not secured by a financial asset, including student loans, automobile loans and timeshares, etc., must be included in the borrower's monthly debt obligations, if there are more than ten months remaining. Installment debt with fewer than ten monthly payments remaining should be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet his or her monthly obligations. o **Payoff Installment Debt to Qualify:** Permitted in this program. If debts are being paid off, the source of funds must be documented and verified. If an installment debt is paid off at closing, the creditor must provide a pay-off statement for which the same balance must be reflected as the pay-off amount on the *HUD-1 Settlement Statement* or *Closing Disclosure*. o **Pay-Down Installment Debt to Qualify:** If debts are being paid down, the source of funds must be documented and verified. • **Lease Payments**: Include regardless of number of months remaining. • **Loans Secured by Financial Assets**: Borrowers may use their financial assets (e.g. life insurance policies, 401k accounts, individual retirement accounts, certificates of deposit, stocks, bonds, etc.) as security for a loan. The payment is not required to be included in DTI if the applicable loan instrument shows the borrower's financial asset as collateral for the loan. See Assets – Funds to Close. • **Mortgage Assumptions:** Do not include the contingent liability (PITIA) for a property sold by the borrower with an assumption, if all of the following are met: 1. Verification that property purchaser has at least a 12-month history of making regular and timely payments, 2. Evidence of transfer of ownership, 3. Copy of the formal, executed assumption agreement, 4. Credit report indicating consistent and timely payments were made. If timely payments for the most recent 12-month period cannot be documented, include PITIA for assumed property in the borrower's recurring monthly debt obligations. • **Other Real Estate Owned:** See Other Real Estate Owned, Liabilities and Current Residence Pending Sales or Conversion. • **Property Settlement Buy-Out:** Does not need to be included in the debt-to-income ratio provided there is documentation to evidence the transfer of title of the property. • **Revolving Charges/Lines of Credit**: Treat revolving charge accounts and unsecured lines as long-term debts and include in DTI. If the credit report does not show a required minimum payment amount and there is no documentation to support a payment of less than 5%, use 5% of the outstanding balance. • **Pay-Down or Pay-off Revolving of Debt to Qualify**: If the revolving account is not closed, the debt must be included in the debt-to-income ratio. Paying down revolving debt to qualify is not permitted.

DEBT OBLIGATIONS (CONTINUE)	• **Undisclosed Liabilities:** Undisclosed Debt Explanation Letters: When the credit report reveals a significant debt not listed on the initial application, a written explanation from the borrower addressing the omission is required. The absence of a written explanation from the borrower may render the loan ineligible for purchase. See Credit, Credit Report. • **Unreimbursed Employee Expenses:** When a borrower has out-of-pocket, unreimbursed business, determine the recurring monthly debt by developing an average of the expenses from the Schedule A and/or IRS Form 2106 for the number of years required. o When calculating the total debt-to-income ratio, the average for unreimbursed expenses should be subtracted from the borrower's stable monthly income. • **Voluntary Recurring Debt:** Not considered in the underwriting analysis or subtracted from gross income (e.g. 401k contributions, 401k loans, union dues, commuting expenses, open accounts with zero balances, federal, state, and local taxes, or other voluntary deductions).
EMPLOYMENT INCOME	

UNDERWRITER'S INCOME ANALYSIS WORKSHEET	• Income Analysis Worksheet: An underwriting worksheet or written details documenting income, debt, and debt-to-income ratio calculations must be in the loan file, supporting the data on the 1008, and must demonstrate the borrower's Ability to Repay.
	  o The analysis must include the underwriter's written justification and calculation methodology for any non-standard income (e. g. bonus, overtime, rental, commission).
	  o The analysis must include support for any debts that are excluded from the debt-to-income ratios. (See DTI Requirements Table.)
	• 1008: The completed, signed 1008 must be provided in the delivered loan file.

EMPLOYMENT INCOME DOCUMENTATION	Employment verification and income documentation are not required if income from that source is not being used to qualify.
	Employment Related Income Defined: Salary, wage and commission income are considered to be "Employment Related" by the definition provided in *Appendix Q*.
	Income Analysis for Employment Related Income: Unless otherwise stated in this Program Guide, employment related income must be calculated using the requirements of *Appendix Q*, including *Section I, Consume Employment Related Income.*
	• **Duration:** To be considered for qualifying purposes, base pay, bonus, and overtime income must have been received for a minimum of two years.
	  o If a borrower does not meet the employment history requirement for the two years prior to the date of the loan application, and was previously in school or the military, obtain copies of the borrower's diploma/transcripts or discharge papers.
	  o To be considered for qualifying, all income must be reasonably expected to continue for the first 3 years of the mortgage.

EMPLOYMENT INCOME DOCUMENTATION (CONTINUE)	• **Change of Positions:** If the borrower has recently changed positions with their employer, determine the effect of the change on the borrower's eligibility and opportunity to receive any bonus or overtime pay in the new position. Documentation from the employer is required to determine if the bonus or overtime will continue at least the same or greater level.
	• **Variable Income:**
	  o A 2-year history of receipt of all variable income (such as bonus or commissions) is required. A level, upward or previously declining but stabilized trend in earnings must be established. If the trend is declining, the income may not be stable. Additional analysis must be conducted to determine if any variable income should be used, but it may not be averaged over the period when declination occurred.
	Employment Income Documentation Requirements: At a minimum, employment related income must be supported by all of the following as they apply.
	• **Paystub Requirement:**
	  o Most recent year-to-date paystub(s) covering 30 consecutive days of earnings; providing adequate evidence of any overtime, bonus and/or commission income being used to qualify; must include gross earnings for the current pay period and year-to-date earnings for the most recent 30-day period; must be dated no earlier than 30 days prior to the loan application; if borrower is paid hourly, the number of hours worked and year-to-date income must be noted on the paystub(s) or other documentation.
	  o Paystub Requirement is **not met** if the employer does not provide a computer-generated or typed paystub. When the Paystub Requirement is not met, the most recent year's income tax returns and a written verification of employment, VOE, completed in its entirety are both required.

EMPLOYMENT INCOME DOCUMENTATION (CONTINUE)	• **W-2s:** Most recent 2 year's W-2s, clearly identifying the borrower as the employee and the employer name are required for each source of employment income. • **Written VOE:** o If bonus and/or commission income is being used to qualify, a **verification of employment form must be used** to confirm ongoing employment and break out bonus and commission earnings, and o A written VOE **is required** if the Paystub Requirement cannot be met. See *Paystub Requirement* above. o A written VOE may not be used in lieu of 2 years W-2 forms and current paystubs and may not be used as "stand alone" documents for purposes of verifying the Borrower's income and employment • **Verbal VOE:** Is required for each current employer. See Verbal Verification of Employment below for VVOE requirements. • Personal Tax Return Requirement: o If a Borrower's qualifying income is limited to salaries or wages reported on IRS Form W-2, personal tax returns are not required (if the Paystub Requirement has been met). o For all other Borrowers, at least two years of signed and dated personal tax returns are required. See Personal Tax Return Requirements. • Business Tax Returns Requirement: o If any of the Borrower's W-2 employment earnings are being generated by a business in which the Borrower has a 25% or greater ownership interest, then the Borrower is considered to be Self-Employed. See Self-Employment and Non Employment Related Income for requirements. • **Family Owned Business:** If a business generating any of the Borrower's W-2 employment earnings is family owned, the Borrower is considered Self-Employed unless: o A letter is obtained from business accountant verifying that the Borrower does not have a 25% or greater ownership interest in the business (and stating the actual ownership interest), and o Borrower provides signed copies of 2 years personal tax returns supporting no ownership interest, *Appendix Q*, *I.C.1.a*, or o A signed copy of the corporate/business tax returns is provided showing Borrower's ownership percentage as less than 25%, *Appendix Q*, *I.C.1.b.*

INELIGIBLE EMPLOYMENT AND OTHER INCOME SOURCES	**INELIGIBLE INCOME SOURCES:** Any income source not meeting the requirements of this program guide or *Appendix Q*, and: • Future income • Income derived from: • Farming, when the subject property is being used for a specific purpose, such as a vineyard or bottling barns • Gambling • Subject property with land being leased to another party. • Income determined to be temporary or one-time in nature • Lump sum payments of lottery earnings that are not on-going • Lump sum payments such as inheritances or lawsuit settlements • Mortgage credit certificates • Incidental income received from farming/agricultural use of a Property • Rental income received from the borrower's single family primary residence or second home • Retained earnings in a company • Stock options • Taxable forms of income not declared on personal income tax returns • Trailing co-borrower income • Unverifiable income • VA education benefits. • ***Income derived from an activity that is deemed illegal by federal or state law for example, income derived from a business that is legal by state law but illegal by federal law, cannot be considered.***
BONUS AND OVERTIME	• **Bonus or overtime income** may be acceptable if it has been received for a period of more than two years, *Appendix Q.I.B.3.* • **Documentation:** All of the following are required - o Current paystub(s), and o Most recent two year's W-2s, and o Verbal Verification of Employment, see Verbal Verification of Employment, and o Written Verification of Employment (VOE).

COMMISSION INCOME	• Commission income may be acceptable if it has been received for at least two consecutive years. • Documentation: o For all borrowers whose commission earnings are being used to qualify, irrespective of the percentage of that Borrower’s total annual income, all of the following are required– ▪ Most recent paystub(s), and ▪ Most recent two year's W-2s or 1099s, or most recent two year's personal income tax returns with all schedules, and ▪ Verbal Verification of Employment, (see Verbal Verification of Employment)
MILITARY INCOME	• Military personnel may be entitled to different types of pay in addition to their base pay. Hazard or flight pay, rations, clothing allowance, quarters allowance and proficiency pay may be counted as income if they are verified as regular and continuous. • **Reserves or National Guard - Not Called to Active Duty:** o Military Reservists who have not been called to active duty may use their military reserve income to qualify, as long as they can provide a two-year history of receipt of the income. • **Reserves or National Guard - Called to Active Duty:** o If one of the Borrowers is on active duty or was called to active duty after the loan application was taken, comply with the following: • The Borrower must certify that the subject property is his or her primary residence. • The subject property must be vacant (unless occupied by a spouse or legitimate immediate family member), will remain vacant and will again be the Borrower's primary residence when the temporary assignment is completed. • The subject property cannot be rented or tenant occupied. • The Borrower must certify that he or she will return to the subject property as his or her primary residence upon completion of the temporary assignment. • The Borrower must provide documentation regarding the temporary assignment (orders supporting the assignment including duration). • **Borrower Qualification:** o If the loan is a primary residence, Rate and Term Refinance and mortgage payment is not changing or is being reduced, qualify the Borrower using the Borrower’s current job and income. o If the loan is: Purchase, Cash-Out Refinance, or Rate and Term Refinance and the borrower’s payment is increasing; or second home purchase or refinance; then use the lesser of the Borrower’s reservist pay or their current job (or a combination of reservist pay and current job pay i.e. current employer pays reservist their standard pay minus reservist income).

"OTHER" EMPLOYMENT INCOME SOURCES	• **Automobile allowances** are considered stable income if the income has been received for the past two years. Include all associated business expenditures in DTI. Either cash flow or income and debt approach may be used to qualify. If not reported on *IRS Form 2106*, then use income and debt approach- adding the allowance to monthly income and showing the lease in the Borrower's debt.
	• **Multiple Employers:** A Borrower may have a history that includes different employers (e.g. nurses, union employees) as long as the income has been consistently received.
	• **Non-taxable Income**: If the income is verified as non-taxable, and the income and tax-exempt status are likely to continue, the percentage of nontaxable income that may be added to the consumer's income cannot exceed the appropriate tax rate for the income amount.
	• **Part-time Income and Second Jobs:** A Borrower should have a minimum of two years of uninterrupted history on all part-time, second or multiple jobs in order to include the income for qualification purposes.
	  o Part-time and Second Job Documentation: Follow documentation requirements for the specific second job type (Employment Income, Self-Employment Income).
	• **Seasonal Income**: Seasonal part-time or seasonal second job employment may be acceptable if the Borrower has worked in the same job or same line of seasonal work for the most recent 2 years. Provide ALL of the following: Most recent paystub(s), if available, and most recent two year's W-2s or personal income tax returns with all schedules, and written confirmation from the Borrower's employer that there is a reasonable expectation that the Borrower will be rehired for the next season.
	• **Teachers:** Annual salary must be verified. Stipends or supplemental income must be documented as regular and continuous.
	  o Borrowers with a contract for their first year of employment who have started work but have not received a paystub must provide all of the following: copy of contract, and written verification of employment, and Verbal Verification of Employment.
	  o Borrowers with a contract for their first year of employment with the school district must be on the job prior to closing.
	  o For teacher income paid over a 10-month period and obtaining financing during the summer months when income is not being received, provides all of the following: Final year-end paystub from the school, and Verbal Verification of Employment, and copy of the contract or other document indicating that the Borrower is paid over a 10-month period. Qualify the Borrower based on the income received on the final year-end paystub.
	• **Tip Income**: Must have been received for 2 years. Provide current paystubs and most recent 2 years W-2's.

"OTHER" EMPLOYMENT INCOME SOURCES (CONTINUE)	• **Unemployment Benefits**: Unemployment benefits, such as those received by seasonal workers, must have been received for the past two years and be predictable and likely to continue for the next three years from the date of the application. Provide all of the following: Most recent two year's personal income tax returns with all schedules and Income must be clearly associated with seasonal layoffs and expected to recur.
PART-TIME TO FULL TIME	• Borrower must meet the two-year receipt of income requirement. If the Borrower does not meet the employment history requirement for the two years prior to the date of the loan application, and was previously in school or the military, obtain copies of the Borrower's diploma/transcripts or discharge papers.

EMPLOYMENT GAPS	For Borrowers with employment gaps within the past two years, the following are required:
	• Written letters of explanation for employment gaps over one or more months in the last two years must be provided.
	• In addition, for borrowers who are re-entering the workforce after an extended absence may have stable employment if the following are met:
	  o The borrower has been employed in his or her current job for six months or more.
	  o A two-year work history prior to the absence from the workforce is documented.
	• Note: A state or federally protected leave is not considered to be an extended absence from employment.

FURLOUGHED BORROWERS	• Borrowers (with employment) in a state with an active furlough policy must qualify with the reduced income.
	  o Payments from a third party (credit union or other source) to supplement unfunded budgets are not permitted, even if the source is approved by the employer.
	  o Full pay may be used if there is evidence from the employer or third party documentation that the furlough will end within the next 60 days.

TEMPORARY LEAVE	• Temporary leave from work is generally short term in duration and for reasons of maternity or parental leave, short-term medical disability, or other temporary leave types that are acceptable by law or the Borrower's employer.
	• If a Borrower is currently receiving short-term disability benefits that will decrease to a lesser amount within the next three years because they are being converted to long-term benefits, the long-term benefits must be used as qualifying income.
	• It must be determined that during and after temporary leave, the Borrower has the capacity to repay the mortgage and all other monthly obligations.
	• Return to Work Prior to First Mortgage Payment Will Be Due -
	  o Use the regular employment income received prior to leave.
	• Return to Work After First Mortgage Payment Will Be Due -
	  o Use the lesser of the leave income or pre-leave regular employment income.
	  o If the leave income is less than the pre-leave regular employment income:

TEMPORARY LEAVE	• Supplement with available liquid reserves • Total qualifying income may not exceed the gross monthly income received upon return to work • Assets required to support the payment may not be counted towards available reserves. o The following documentation is required: • Verification of pre-leave regular income and employment history • No evidence or information from employer indicating Borrower does not have the right to return to work after leave period • Written confirmation of intent to return to work and agreed upon date of return are both evidenced by documentation by the employer (or third party service) • Verbal Verification of Employment; the Borrower is considered employed if the employer confirms the Borrower is currently on temporary leave • Amount and duration of Borrower's temporary leave income • Amount of regular employment income the Borrower received prior to leave • All available liquid assets used to supplement the reduced income for the duration of leave must be verifiable

VERBAL VERIFICATION OF EMPLOYMENT	**Verbal Verification of Employment (VVOE) - Employment Income**
	• **Requirement:** A VVOE to confirm the Borrower's current employment status is required for each Borrower within 10 business days prior to Note date (or funding date for escrow states) for employment income. (For self-employed Borrowers, see Self-Employment VVOE).
	• **Military:** For Borrowers in the military, a military Leave and Earnings Statement (LES) dated within 30 calendar days prior to closing, or 31 days for longer months, is acceptable in lieu of a verbal verification or a verification of employment through the *Defense Manpower Data Center*.
	• **Phone Number:** PBM (or PBM's vendor) must independently obtain the phone number and address for the Borrower's employer.
	• **Verbal Verification of Employment Contents**: A VVOE must contain all of the following information:
	  o Date of contact
	  o Borrower's date of employment, employment status and job title
	  o Name, phone number and title of individual contacted at entity, and entity name
	  o Name and title of associate contacting employer.
	• If a verbal verification cannot be obtained, a written verification of employment must be utilized to confirm employment and must be completed within the same timeframe as a verbal verification of employment.

SELF-EMPLOYMENT AND NON-EMPLOYMENT RELATED INCOME	

SELF-EMPLOYMENT INCOME – GENERAL REQUIREMENTS	Self-employment, Schedule C and Schedule F documentation are not required if income from those sources is not being used to qualify.
	• **Definition:** A Borrower is considered to be self-employed if any of the following conditions are true -
	  o If the Borrower has a 25% or greater ownership interest in a business (including a business than generates a Borrower's W-2 earnings) or receives 1099s to document income, then the Borrower is considered to be self-employed.
	  o Borrowers who file an IRS form Schedule C or Schedule F are considered to be Self-Employed.
	• **Income Analysis:** Unless otherwise stated in this Program Guide, self-employment related income must be calculated using the requirements of *Appendix Q*, including *Section I.D. General Information on Self-Employed Consumers and Income Analysis.*
	• **Duration:** Evidence that the Borrower has at least two consecutive years of self-employment operating the same business **in the same general location** is required to demonstrate sufficient income stability for the income from that business to be considered in qualifying.
	• **Documentation Requirements:** All of the following are required -
	  o **Personal Tax Returns:** Most recent two years of signed and dated personal tax returns with all schedules are required for all Borrowers who are considered "self-employed." See Personal Tax Return Requirements.
	  o **Business Tax Returns:** Two years of business tax returns are required. See Business Tax Return Requirements.
	  o **P & L and Balance Sheet:** A year-to-date Profit and Loss Statement and Balance Sheet must be obtained for each sole proprietorship filing Schedule C or Schedule F, when income from that business is being used to qualify. P & Ls and Balance Sheets are not required to be signed and dated, but if they are signed and dated, the signature date must be prior to the loan consummation date. See Profit and Loss Statement and Balance Sheet Requirements.
	o **VVOE - Self-Employed Confirmation of Employment**: See Self-Employment Confirmation of Employment.
	o **Income Analysis Worksheet:** An underwriting worksheet or written details documenting income, debt, and debt-to-income ratio calculations must be in the loan file, supporting the data on the 1008, and must demonstrate the Borrower's Ability to Repay. See Underwriter's Income Analysis Worksheet.
	  ▪ The analysis must include the underwriter's written justification and calculation methodology for any non-standard income (e. g. bonus, overtime, rental, commission).
	  ▪ The analysis must include support for any debts that are excluded from the debt-to-income ratios. (See DTI Requirements Table).
	  ▪ 1008: The completed, signed 1008 must be provided in the delivered loan file.
	• **Other Real Estate Owned:** See Other Real Estate Owned – Liabilities, and Other Real Estate Owned - Income.

NON-EMPLOYMENT RELATED INCOME	Documentation of non-employment related income is not required if income from those sources is not being used to qualify. • **Non-Employment Related Income**: "Other" forms of income are referred to as "Non-Employment Related Income" in Appendix Q and for purposes of these requirements. For example: Alimony, child support, investment, trust, rental and benefit income are considered to be Non-Employment Related Income sources.
INELIGIBLE SELF-EMPLOYMENT AND NON-EMPLOYMENT RELATED INCOME	**INELIGIBLE SELF-EMPLOYMENT OR NON-EMPLOYMENT INCOME TYPES -**Includes any income source not meeting the requirements of this Program Guide or *Appendix Q,* and: • Foreign Income – income from sources outside of the United States • Future income • Income derived from: o Gambling o Sources outside the United States o Subject property with land being leased to another party. • Income determined to be temporary or one-time in nature • Lump sum payments of lottery earnings, inheritances or lawsuit settlements that are not on-going (for at least the first 3 years of the mortgage, *Appendix Q*) • Loans involving the following are not eligible: Mortgage credit certificates. (MCCS) Section 8 vouchers, Housing Authority subsidies • Incidental income received from farming/agricultural use of a property • Rental income received from the Borrower's single family primary residence or second home • Retained earnings in a company • Stock options • Taxable forms of personal income not declared on personal income tax returns • Trailing co-Borrower income • Unverifiable income • VA education benefits. • Income derived from an activity that is deemed illegal by federal or state law, for example, income derived from a business that is legal by state law but illegal by federal law, cannot be considered.

OTHER NON-EMPLOYMENT INCOME DOCUMENTATION	Non-employment income documentation is not required if income from those sources is not being used to qualify. • **Income Analysis:** Unless otherwise stated in this Program Guide, non-employment related consumer income must be calculated using the requirements of *Appendix Q,* including *Section II, Non-Employment Related Consumer Income.* • **Alimony and Child Support:** Alimony and child support payments will be considered provided the payment terms confirm that the income will continue for the first 3 years of the mortgage. For child support, if the child's age is not clearly defined, obtain additional documentation to ensure that income can be expected to continue for the first 3 years of the mortgage. Provide a copy of the legal agreement and evidence of stable receipt for at least the past 6 months. • **Asset Depletion:** Provident Bank Mortgage does not permit asset depletion or amortization of assets in this program. (Also see Employment Related Assets below.) • **Boarder Income:** Not allowed. • **Capital Gains:** 2-year history and sufficient assets must remain to generate ongoing income at the level used for qualifying for 3 years. • **Employment Related Assets:** Provident Bank Mortgage does not permit annuitization of Employment-Related Assets as Qualifying Income" ("amortized assets" or "asset depletion") in this program. (Also see Asset Depletion above.) • **Foster Care Earnings:** Provide letter from organization providing the income and copies of deposit slips or bank statements confirming regular payments. • **Interest and Dividend Income:** Must document assets not depleted and are sufficient to continue for first 3 years of mortgage. May be used as long as tax returns or account statements support a two-year receipt history. This income must be averaged over the two years. Subtract any funds that are derived from these sources, and are required for the cash investment, before calculating the projected interest or dividend income. • **Long-term Disability:** Documented long-term disability can be assumed to be on-going. • **Non-taxable Income:** If the income is verified as non-taxable, and the income and tax-exempt status are likely to continue, the percentage of nontaxable income that may be added to the consumer's income cannot exceed the appropriate tax rate for the income amount. • **Notes Receivable:** Two-year history required. Provide all of the following: 1. Copy of Note, 2. Most recent 2-year personal income tax returns with all schedules showing receipt of Note income, and 3. Bank statements showing regular deposit of funds. Must continue for first 3 years of new loan. • **Other Real Estate Owned**: See Other Real Estate Owned. • **Public Assistance:** Provide two-year history of receipt of income and letters or exhibits from the paying agency establishing the amount, frequency and duration of these payments. Must be expected to continue for at least first three years of loan.

OTHER NON-EMPLOYMENT INCOME DOCUMENTATION (CONTINUE)	• **Retirement, Pension, Annuity and IRA and 401(k) Distributions:** o Requires evidence of continuance for first 3 years of mortgage. ▪ Evidence of continuance of corporate, government, social security, VA, or military retirement/pension need not be documented. ▪ For other types, establish that there are sufficient funds remaining to meet the 3-year requirement by a Net Value Determination: • Borrowers of retirement age (generally 59 ½ or older): Use 70% of the vested value less (any funds from the account being used for the subject transaction) and (any outstanding loans against the account). • Borrowers not of retirement age: **Use 60%** of the vested value less (any funds from the account being used for the subject transaction) and (any outstanding loans against the account). o To establish the monthly income for qualifying purposes, provide copy of award letter or documentation from the organizations providing the income, and one of the following: ▪ Most recent personal income tax return with all schedules, or ▪ Most recent W2 or 1099, or ▪ Most recent two-months bank statements showing deposit of funds. See Asset- Reserves requirements on the use of retirement accounts as cash reserves. o The Borrower must have unrestricted access without penalty to the accounts. • **Royalties**: Ongoing income received from royalty payments, such as income from a work paid to its author or composer may be eligible. Provide all of the following: Documentation that income can be expected to continue for first 3 years of mortgage, and 2-years personal income tax returns, and most recent 12-months bank statements showing deposit of funds. • **Social Security Income**: SS income for retirement or long-term disability will not have a defined expiration date and therefore is expected to continue. However, if not for retirement or long-term disability, confirm that the remaining term is expected to continue for first 3 years of mortgage. Provide one of the following: Social Security Administration's award letter, or most recent personal income tax returns with all schedules, or most recent SSA-1099, or most recent bank statements showing deposit of the funds. • **Trust Income**: Confirm trust income continuance for first 3 years of mortgage. Provide a copy of the Trust Agreement or Trustee Statement to document the following: Total amount of designated trust funds, and Terms of payment, and Duration of trust, and what portion, if any, of income to Borrower is not taxable. o If the Trust Agreement or trustee's statement does not provide the historical level of distributions, one of the following must be provided: Most recent two year's personal income tax returns with all schedules, or most recent two year's 1041 fiduciary tax returns with all schedules.

OTHER NON-EMPLOYMENT INCOME DOCUMENTATION (CONTINUE)	▪ Note: A Borrower's trust income may be taxed at a lower rate or it may be part of a partnership that writes off losses, which may result in no tax liability. Trust income is reported on the 1041 fiduciary income tax return, which includes a K-1 schedule. All beneficiaries of trust income receive IRS Form K-1 from the trust. • **VA Benefits**: Provide letter or distribution form from VA verifying that income can be expected to continue for three years. (Retirement and long-term disability can be expected to continue)
PARTNERSHIPS, LLCS, S CORPS, CORPORATE EARNINGS	• For self-employment income (or losses) derived from Partnerships, LLCs, S Corps and Corporations, follow Appendix Q. Underwriter may, but are not required to, follow the stricter requirements of Fannie Mae found in the *Fannie Mae Selling Guide*, including: *B3-3.3-08 Income or Loss Reported on IRS Form 1065 or IRS Form 1120S, Schedule K-1, B3-3.4-01 Analyzing Partnership Returns for a Partnership or LLC, B3-3.2-02 Business Structures.*
SELF-EMPLOYMENT LOSSES	• Net losses from self-employment and non-employment related sources must be deducted from qualifying income regardless of the longevity of the business activity, unless the business or activity producing the losses is documented to be discontinued. o Schedule C or F net losses must be deducted from qualifying income regardless of the longevity of the business activity, unless the business producing the losses is documented to be discontinued.
SELF-EMPLOYED CONFIRMATION OF EMPLOYMENT (VVOE)	• For each business the Borrower owns for which income is being used to qualify, a Self-Employed Confirmation of Employment (VVOE equivalent) is required to confirm the existence of the business through a third-party source within 30 calendar days prior to Note date (or funding date for escrow states). • **Self-Employed Confirmation of Employment (VVOE) Requirements** o Verification of the existence of the Borrower's business from a third party, such as a CPA or accountant, regulatory agency, or the applicable licensing bureau, and o Verify the listing and address for the Borrower's business using a telephone book, the internet, or directory assistance, and o If contact is made verbally with a third party, document the source of the information obtained and the name and title of associate. • If a verbal verification cannot be obtained, a written verification of employment must be utilized to confirm employment and must be completed within the same timeframe that would be required for a Verbal Verification of Employment (VVOE)

PROFIT AND LOSS STATEMENT AND BALANCE SHEET REQUIREMENTS	Profit and Loss Statement and Balance Sheet are not required if net earnings are positive and income is not being used to qualify.
	• Year-to-date Profit and Loss Statement and Balance Sheet are required for each business where income or losses are reported on IRS form Schedule C or Schedule F, and for businesses in which the Borrower has a 25% or greater ownership interest, irrespective of which tax form or schedules the Borrower uses to report income or losses, when the income or loss from that business is being used to qualify.
	  o Net losses from Self-Employment and/or Non-Employment Related sources must be deducted from qualifying income, unless the business or activity producing the losses is documented to be discontinued.
	If tax returns for the previous year are not yet available, an additional year-end P & L and Balance Sheet for that year is required for each business when the income or loss from that business is being used to qualify.
	Signing and Dating: Neither Appendix Q nor Provident Bank Mortgage require that P & L's and Balance Sheets be signed by the Borrower, however, if they are signed, the signature date must be at or prior to consummation.
	Age of Documents
	• The P&L and Balance Sheet provided must cover at least through the period ending in the most recent quarter that ended one month prior to the application date. For example:
	  o Application date July 21, 2015 -
	    ▪ One month prior to application date is June 21, 2015. Most recent quarter end prior to June 21, 2015 is March 31.
	    ▪ P & L and Balance Sheet must cover the period through the end of Q1, March 31, 2015
	  o Application date August 3, 2015 -
	    ▪ One month prior to application date is July 3, 2015. Most recent quarter end prior to July 3, 2015 is June 30.
	    ▪ P & L and Balance Sheet must cover the period through the end of Q2, June 30, 2015.

OTHER REAL ESTATE OWNED – LIABILITIES	Other Real Estate Owned Liability documentation is required irrespective of whether or not income from those sources is being used to qualify.
	• Mortgage payments and related expenses on any real estate owned must be included in the borrower's recurring debt obligations.
	• Irrespective of whether income is being used to qualify, for each free and clear property owned by the Borrower(s):
	  o Provide documentation that each real estate property that is owned by the Borrower that is free and clear, currently has no outstanding liens (e. g. property profile).
	  o If borrower states a property is free and clear, but mortgage expense shows on Schedule E or there are mortgages which are unaccounted for on the credit report, then documentation is required.
	• Also see Other Real Estate Owned- Income immediately below.

OTHER REAL ESTATE OWNED – INCOME	Current leases are not required if income from these properties are not being used to qualify and the entire payment is being included in debt calculations.
	Income Analysis: Unless otherwise stated in this Program Guide, rental income must be calculated using the requirements of *Appendix Q,* including *Section II.D. Non-Employment Related Consumer Income, Rental Income.*
	
	REQUIREMENT FOR COPIES OF ALL CURRENT LEASES
	• For all loans, Rental Income Documentation Requirements:
	  o Appendix Q, *II.D.1-8 Rental Income* requires a fully executed current lease in order to use consumer rental income for qualifying purposes-
	• Leases must be provided for both subject property and for each rental unit the Borrower owns for which consumer rental income is being used to qualify, irrespective of whether rents from that unit(s) are supported by the Schedule E.
	  o Use of *market rents* or other approaches for determining rental income *are not acceptable.*
	
	REQUIREMENT FOR INCOME DOCUMENTATION FOR ROLLED-OVER LEASES
	• For ALL leases that have gone beyond the original term and have rolled over into month-to-month tenancy:
	  o In order to use rental income for qualifying, the following must be obtained -
	    a. Copy of the most recent lease, and
	    b. Current documentation of receipt of rent
	• Note: “Rolled-over” leases are typical in some states, including California, where all leases rollover to month-to-month agreements at the end of the lease term, unless otherwise modified. This is to support compliance with the *Stability of Income* requirements of *Appendix Q*.

TAX RETURN AND TAX TRANSCRIPT REQUIREMENTS	
TAX RETURNS, AGE OF RETURNS	• For acceptable age of tax returns, see *Fannie Mae Selling Guide B1-1-03, Allowable Age of Credit Documents and Federal Income Tax Returns.*

PERSONAL TAX RETURN REQUIREMENTS	• Personal tax returns are not required if a Borrower's qualifying income is limited to salaries or wages reported on IRS Form W-2, if the Paystub Requirement is met and the Borrower or the Borrower's family (see Family Member Defined) does not own a 25% or greater interest in the company generating the Borrower's W-2 wages. See Employment Income Documentation.
	• For all other Borrowers at least two years of signed and dated personal tax returns are required
	    o Personal Income Tax Returns (Form 1040) must be complete with all schedules and W-2s, 1099s, K-1s, etc.,
	    o Signatures and Dates: Tax returns must be signed and dated. Signature date must be on or prior to date of consummation of the loan (generally, date closing documents are signed, but definition may vary by property state).
	    o Must be the final version of the return filed with the IRS
	    o IRS transcripts may NOT be used in lieu of obtaining personal tax returns.

BUSINESS TAX RETURN REQUIREMENTS	• Two-years business tax returns are required for each business in which the Borrower has a 25% or greater ownership interest
	    o If Borrower receives W-2 wags from a company in which Borrower has 25% or greater ownership interest, this requirement applies
	    o Business Tax Returns must be complete with all attachments and schedules, including K-1s if applicable
	    o Per Appendix Q, Federal business tax returns for a corporation, "S" corporation, or partnership must be signed
	    o Must be the final version filed with the IRS
	    o IRS transcripts may NOT be used in lieu of obtaining business tax returns
	    o K-1 Earnings: Business tax returns will not be required for businesses reporting K-1 earnings if:
	        ▪ The two most recent years K-1s reporting for that business both report positive self-employment earnings, and
	        ▪ The income from those K-1 earnings is not being used to qualify

TAX RETURNS – AMENDED	• Amended income tax returns filed by the Borrower with the IRS are acceptable in the following circumstances – o Tax returns filed prior to application are acceptable for underwriting purposes. Both the original filed return and the amended return are required. If the file was amended 60 days or less prior to the application, evidence of payment must also be provided. o Tax returns filed after the application date may be acceptable when accompanied by the following: ▪ A letter of explanation regarding the reason for the re-file ▪ Evidence of filing ▪ Payment and the ability to pay the tax if the check has not cancelled ▪ Borrower does not require use of amended income for qualification.
TAX TRANSCRIPT DATES	• Emerald Jumbo considers tax transcripts to be Quality Assurance/Quality Control documents that do not fall under the "age of credit file documents" requirements of Appendix Q. Therefore, Emerald Jumbo does not require that tax transcripts be dated on or before the loan consummation date.
TAX TRANSCRIPTS, PERSONAL	• IRS transcripts may NOT be used in lieu of personal tax returns. (See W-2 Transcripts below). • A tax transcript must be obtained for all personal tax returns for every Borrower whose income or loss is being used to qualify, for each tax year covered by the income documentation used to qualify the Borrower(s). • If tax transcripts are not yet available, the loan file must contain a copy of an IRS or vendor document showing that no transcript is available.
TAX TRANSCRIPTS, BUSINESS	• IRS transcripts may NOT be used in lieu of business tax returns. • Business tax return transcripts are required for every business entity where the Borrower has a 25% or greater ownership interest, when the income or loss is being used to qualify. • If tax transcripts are not yet available, the loan file must contain a copy of an IRS or vendor document showing that no transcript is available.
TAX TRANSCRIPTS, INCOME VARIATIONS	• Any income variations in the current year's income > 20% from the most recent tax transcript must be adequately explained.
TAX TRANSCRIPTS, INFORMATION VARIATIONS	• Any information obtained through a transcript that is more comprehensive than the tax forms in the Mortgage Loan File (i.e., information on a 1040 transcript, where only a W-2 was required by the program guidelines and used to underwrite the Loan) must be accounted for when underwriting the Borrower.

TAX TRANSCRIPTS, RETURNS NOT YET FILED	• For tax transcript timing requirements, see *Fannie Mae Selling Guide B1-1-03, Allowable Age of Credit Documents and Federal Income Tax Returns.* • Provide an *IRS Verification of Non-Filing* if not yet filed.
W-2 TRANSCRIPTS	• A W-2 transcript or tax transcript must be obtained for every Borrower whose W-2 income is being used to qualify, for each tax year covered by the W-2 income documentation used to qualify the Borrower(s). • Tax transcripts or W-2 transcripts may be used in lieu of W-2s