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	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

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	40%
	70	1,500,000	720	12	40%
Attached Condo	70	1,000,000	720	6	40%

INVESTMENT PROPERTY

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	38%

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.)
  - See the Soft Markets MSA Table for the list of MSAs requiring a 5% LTV/CLTV reduction and other restrictions.
- **Borrower Eligibility Restrictions:** Eligible property type, LTV/CLTV, reserve requirement, and other restrictions apply for: First-Time Homebuyers; Non-Resident Alien Borrowers; and Transactions with Co-Borrowers and Co-Signers.
- <u>**Minimum Loan Amount for Program:** The minimum loan amount for this program is the maximum Fannie Mae General Loan Limit (standard conforming limit) + $1.</u>
- **Recently Listed:** Refinancing of properties listed within the previous 6 months is not allowed. See Loan Purpose – Refinance Transactions.
- **Reserves, Eligible Assets, and Funds to Close***:* For number of month's reserves required, see the Product Matrix above. Also see: Asset Documentation; Assets – Funds to Close; and Assets – Reserves.
- **Additional Reserve Requirements:** (Also see Borrower Eligibility Restrictions above.)
  - **Additional Financed Properties**: Add two-months subject property PITIA reserves for each additional financed property owned (other than subject property).
  - **Current Residence Pending Sale**: Add six-months liquid reserves based on the PITIA of the retained property.

CORPORATE SECOND SIGNATURE REQUIRED	• **All Jumbo Products require Corporate 2nd Signature regardless of the loan amount.** o **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.
	  o Where conflicting information exists between or within documents, an adequate explanation must be provided, documented, and included in the loan file.
	• **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).
	  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 of 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 from 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 Delivery Format: Appraisals must be delivered in a format acceptable to Provident Bank Mortgage where the data is embedded in the document, and not as an "image" (acceptable format example: first Generation PDF).
	• Appraisal Re-Use: The use of an appraisal report (expired or unexpired) utilized for a loan that has closed for a subsequent transaction 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.
	Fannie Mae Market Conditions Addendum: A Fannie Mae Form 1004MC Market Conditions Addendum, 1004MC must be included in the loan file.

APPRAISAL, PROPERTY VALUATION ALSO SEE APPRAISAL REVIEW AND SECOND APPRAISAL REQUIREMENTS (CONTINUE)	

APPRAISAL, PROPERTY VALUATION
ALSO SEE APPRAISAL REVIEW AND SECOND APPRAISAL REQUIREMENTS (CONTINUE)

- General Requirements: All appraisals must additionally meet Fannie Mae appraisal requirements, and -
  - Comparable sales used to establish values that are older than six months may indicate that the subject property is located in a market experiencing declining values. If any comparable sales are over six-months-old, the appraiser must comment on the reason for using aged comparable sales.
  - At least three comparable sales must have been closed within 12 months prior to the effective date of the appraisal, and comparable sales must be deemed otherwise valid and appropriate,
  - Provident Bank Mortgage reserves the right to: Underwrite and/or review the appraisal, CDA, and/or second appraisal submitted by the branch, make its own decision regarding the acceptability of the property as collateral, and make its own decision regarding the suitability of the loan for purchase.
- 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, or if the property is located in an MSA identified in the Soft Markets MSA Table below:

Soft Markets MSA Table			
Property State	**MSA**	**MSA FIP**	**Counties**
CA	El Centro	20940	Imperial
CA	Fresno	23420	Fresno
CA	Visalia-Porterville	47300	Tulare

Maximum LTV/CLTV is reduced by 5% if:

- Property is in an Provident Bank Mortgage Soft Market MSA, from the table above, or
- Neighborhood Section of appraisal indicates "Property Values Declining."

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) (without MLS data), 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.

• 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.

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<td>APPRAISAL REVIEW AND SECOND APPRAISAL REQUIREMENTS (CONTINUE)</td>
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<td>Greater than 10% below the original appraised value of the property</td>
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Either use the CDA value as the appraised value to calculate the LTV/CLTV, or
Obtain both:

Clear Capital Broker Price Opinion (BPO), and
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.

Alternately, if the CDA is more than 10% below the original appraised value, then the Underwriter may contact PBM Appraisal Admin and they will contact Clear Capital.

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CDA Release Form: If a CDA is required, then Branch must complete a written release to enable the investors or its agents to re-pull the original CDA.

Underwriter should use this sample form, or a form with equivalent language.

Prior Sale within 180 Days: For purchase transactions, if there has been a sale or ownership transfer of subject property within the previous 180 days, see Property Flipping, Purchase Contract Assignments for additional appraisal review requirements.

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ASSET DOCUMENTATION	• General Requirements: o All down payment funds, funds to close, and reserves must be documented and verified. Electronic verifications are acceptable. o Large Deposits: Recently opened accounts and recent large deposits (generally greater than 25% of the monthly income) must be explained and documented. o 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: o Two consecutive monthly account statements (dated within 30 days of application), or o Quarterly or annual account statements dated greater than 30 days and less than 90 days are acceptable with verification that funds are still available. o Direct verification by a third party asset verification vendor meeting the requirements of Fannie Mae Selling Guide 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: o 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 on deposit in the depository account for the down payment, closing costs, etc. o The source of funds for the deposit must be verified (e.g., account statement) as well as the source of the deposit check. 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 Asset Documentation for general documentation requirements. Note: Not all eligible sources of funds to close are acceptable reserve sources. See Assets - Reserves for eligible reserve sources. **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. o 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. o 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.

ASSETS-FUNDS TO CLOSE (CONTINUE)	

	• 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 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.
	  o 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 by an independent third party and placed in a US financial institution prior to closing.
	  o The sale of the foreign asset and/or conversion of foreign currency must be fully documented and verified.
	• Gift Funds, Primary Residence:
	  o Gifts are acceptable on loan amounts up to $1 million.
	  o Minimum Borrower Contribution of 5% of the funds to close (and all of the Borrower's Reserves) must be from the Borrower's own funds.
	    ▪ The balance may be paid from any of the acceptable asset sources (such as Borrower funds, gift funds or eligible Secondary Financing).

ASSETS-FUNDS TO CLOSE (CONTINUE)	
ASSETS-FUNDS TO CLOSE (CONTINUE)	o 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. 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. ▪ Donor statement that repayment is not required. o Gift of Equity is not permitted. o Eligible Donors: spouse, child, parent, sibling, grandparent, aunt, uncle, domestic partner, fiancé or fiancée. o Ineligible Donors: Donors may not be, or have any affiliation with the Builder, Developer, Real Estate Agent, any other interested party to the transaction. o Gift funds may not be used for reserves. o No portion of the gift may be subject to repayment. • Gift Funds, Second Home and Investment Property: o Not allowed. The entire down payment must be paid from the Borrower's own funds. o Gifts are not permitted for funds to close nor reserves for second home or investment property transactions. • 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: All IPCs must be disclosed on the Closing Disclosure or settlement statement. Once the Borrower has met the minimum Borrower contribution of 5%, then, IPCs may not exceed 3% of the lesser of the sales price or appraised value. (Lender paid fees are not factored into the contribution limit.) • 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. • For 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 Value of the Asset (e.g. copy of the appraisal, copy of Blue Book value). 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 verification funds were withdrawn from loan recipient’s account and deposited into Borrower’s account. Provide verification to support income will continue for at least three years from the date of the application. • Retirement Accounts: IRA SEP-IRA, KEOGH, 401(k), and 403(b): Most recent statement and evidence funds were withdrawn are required. • 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.

ASSETS-FUNDS TO CLOSE (CONTINUE)	If stocks are in unlisted corporation - provide company CPA validation of price per share and proof of liquidation and receipt- if impact to Borrowers income, CPA 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 through an account statement or deposit slip. **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 are NOT acceptable, nor are 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 Requirements:
	• Minimum Months Reserves: See the Product Matrix for minimum number of month's reserves required.
	  o Minimum number of months' reserves is based on the combined amount of all loans secured by subject property.
	  o Additional reserve requirements and restrictions apply for First-Time Homebuyers, Current Residence Pending Sale or Conversion transactions and for Multiple Properties Owned.
	• 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 or borrowed funds may be used for reserves. See Ineligible Reserve Sources in this section.
	ELIGIBLE RESERVE SOURCES:
	• 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:
	  o Funds in a bank/financial institution – individual, joint, or trust (if Borrower has access)
	  o CD/money market funds
	  o Savings bonds with statement from financial institution confirming Borrower is the owner and with proof of bond value
	  o Stocks (in listed corporations) /bonds, use 70% of face value
	  o Retirement accounts: IRA SEP-IRA, KEOGH, 401(k), 403(b): Use 60% of vested funds, less any outstanding loans against the account and related fees.
	  o Business assets may be used for reserves if Borrower files under Schedule C, is 100% owner of business, and a CPA letter indicates that use of funds for reserves will not negatively affect the daily operations of the business.
	  o Trust Accounts where the Borrower is the beneficiary, and the value of the trust account, and the Borrowers' immediate access and conditions for access to the funds is verified by the trust manager or trustee.
	  o 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 by an independent third party 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:
	  o 1031 tax deferred exchange proceeds (Primary Residence and Second Homes)
	  o Business assets, unless company files under Schedule C and Borrower is 100% owner of business
	  o Cash-out proceeds
	  o Credit card financing, cash advance on HELOC or other line of credit.
	  o Stocks in an unlisted corporation
	  o Custodial accounts (Borrower not beneficiary)
	  o Donated or pooled funds
	  o Employer Assistance Programs, Salary Advances
	  o Funds that have not been vested or cannot be withdrawn other than with the owner's retirement, employment termination or death
	  o Gift funds (Second Home or Investment Property)
	  o Individual development accounts
	  o Interested party contributions
	  o Loans secured by other assets
	  o Loans secured by other real estate
	  o Real estate commissions

ASSETS-RESERVES (CONTINUE)	o Sale proceeds from assets o 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) o Qualified tuition plans (529 plan).
BORROWER ELIGIBILITY	Provident Bank Mortgage 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.

BORROWER ELIGIBILITY (CONTINUE)	

	• 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.
	• Living 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 Purchase, rate-and-term transactions for primary residence only. 1-2 units, maximum LTV/CLTV 75%. 3-4 units, maximum LTV/CLTV 70%.
	  o Qualifying total debt ratio for the occupant Borrower(s) may not exceed 43%.
	  o Occupant Borrower must make the minimum contribution required for the program from their own funds. See Assets - Funds to Close.
	  o Must be a family member only.
	  o Any person signing an application for a loan is a “Borrower.”
	• All “Borrowers” must sign the Note.
	• All “Borrowers” must meet Provident Bank Mortgage Eligible Borrower requirements.
	  o A non-occupant Borrower, guarantor, or co-signer must provide verification of income if income is being used to qualify.
	  o 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 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 must be confirmed for each Borrower whose credit is used for loan qualification.
	  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.

BORROWER ELIGIBILITY (CONTINUE)	**INELIGIBLE BORROWERS:** o Non-Permanent Resident Alien for second home or investment property or not meeting the Non-Permanent Resident requirements above 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 Alien:

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.

BORROWER ELIGIBILITY (CONTINUE)		• 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	All loans, including loans secured by Investment Properties, must meet the following requirement: • 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 must be Qualified Mortgages meeting the requirements in 12 CFR §1026.43(e)(2). o All transactions must be Safe Harbor QM. o 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. TRID Signature Requirements: Overlay -The Final Closing Disclosure (CD) form must be signed by all applicant(s) (Borrowers).	

COMPLIANCE - REGULATORY COMPLIANCE (CONTINUE)	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. -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. 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. All units must be sold to individuals, not to the developer. • 2-4 unit PUD projects are not eligible.

CONDOMINIUMS AND PUDS (CONTINUE)	• 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 • 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

CONDOMINIUMS AND PUDS (CONTINUE)	• 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	• 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 active tradelines: ✓ Active 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 Payment History: The occupant Borrower(s) must have a complete, most recent, 12-month rental and/or mortgage payment history documented in the loan file.
	• Housing Payment Rating - Inclusive of all liens regardless of position and applicable to all mortgages on all financed properties:
	  o 0 x 30 in past 12 months
	  o No 60+ in past 24 months
	  o Subject mortgage must be current on delivery to Provident Bank Mortgage.
	• Mortgage Payment History:
	  o Must be on the credit report, or,
	  o Private party loans: Documented by cancelled checks or evidence of electronic transfers (VOM alone is not sufficient), or
	  o Institutional Lender: Documented by cancelled checks, evidence of electronic transfers, or through an official statement produced by the lender.
	• Rental Payment History:
	  o Must have the most recent 12 months or the portion of the last 12 months in which the Borrower was renting as evidenced by:
	    ▪ Credit report rating for 12 months (if institutional and the institution rates), or
	    ▪ Institutional VOR, or
	    ▪ Cancelled checks, or
	    ▪ Evidence of electronic transfers.
	  o If cancelled checks are used, then a copy of the lease verifying the due date must also be provided.
	• First Time Homebuyer rental history requirements, see First Time Homebuyers.
	• Living Rent Free: See First Time Homebuyers.
	• "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.

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

Other Credit Events	Requirements
Past Due Accounts	• Loans where the borrower has past due accounts are not eligible, even if the borrower brings those accounts current prior to close.
Judgements, 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, 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.
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

CREDIT - SIGNIFICANT DEROGATORY CREDIT EVENTS AND TRADE-LINES (CONTINUE)	<table><tr><td></td><td>o All accounts must be current, and o Cash-Out Refinance transactions are not eligible.</td></tr></table>
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 closing costs and reserves.
CURRENT RESIDENCE PENDING SALE OR CONVERSION	Pending Sale of Current Residence: • Reserve Requirements: (See Eligible Reserves) o Additional 6-months liquid reserves based on the PITIA of the retained property, and o Reserve requirements for the new loan per the Reserve Requirements Table. • Calculate DTI using the PITIA of both the retained property and the new primary residence, or qualify based only on the new primary residence PITIA if the following are met: o Executed, non-contingent sales contract for the current residence, or o Executed, contingent sales contract and confirmation that any financing contingencies have been cleared. Conversion of Primary Residence to Second Home or Investment Property: • If the borrower's current primary residence is being converted to a second home or investment property, and/or has relocated to temporary housing, an explanation may be required when the property being purchased is of lesser value or in the same geographic location, and the following must be met:

CURRENT RESIDENCE PENDING SALE OR CONVERSION (CONTINUE)		
	Conversion of Primary Residence to Second Home	
	Qualification	Quality with the PITIA of both the retained property and new primary residence
	Reserves	• 6-months reserves for the retained property. • The greater of 6-months PITIA liquid reserves or program requirements for the subject property (See Assets - Reserves).
	Conversion of Primary Residence to Investment Property	
	Qualification	• Must have 30% documented equity*in retained property to use rental income to qualify. • Provide evidence of receipt of security deposit from the tenant, deposited into the borrower's bank account. • 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. • 1-Unit: Requires fully executed current lease agreement. • 2- to 4-units: Current, fully executed lease agreement for unit previously occupied by borrower, and most recent two year's personal income tax returns, including Schedule E, for units not occupied by borrower, or current, fully executed lease agreement(s) if property was not acquired subsequent to filing personal income tax returns.
	Rental Income Analysis	• 1-unit: 75% of actual rent. • 2- to 4-units: 75% of actual rent for unit previously occupied by borrower, and average from Schedule E.
	Reserves	• 6-months liquid PITIA reserves for the retained property. • The greater of 6 months PITIA reserves or program requirements for the subject property. See the Product Matrix.
	• Equity in the retained property may be evidenced by an automated valuation model (AVM), Broker Price Opinion (BPO) or an exterior-only inspection dated no more than 60 days prior to the Note date. A borrower provided report of value is not acceptable to establish value.	

DEBT-TO-INCOME RATIO	• See the DTI Requirements 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. • Property type must be 1-unit principal residence or second home.

DISASTER RE-INSPECTION REQUIREMENTS	**<u>Re-inspection Requirements for Jumbo 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.
	• Underwriter 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.

DISASTER RE-INSPECTION REQUIREMENTS (CONTINUE)	**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 • 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.

DISASTER RE-INSPECTION REQUIREMENTS	• 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.

DISASTER RE-INSPECTION REQUIREMENTS (CONTINUE)	• 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.
ELECTRONIC SIGNATURES	• The following Mortgage Loan Documents may not contain eSignatures: • Note and Riders to the Note • Security Instrument • Rider(s) to the Security Instrument • Notice of Right to Cancel • 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.*
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).
ESTABLISHED RELATIONSHIP – DEFINITION	• Immediate Family: Parents, siblings, children, spouse, grandparents, aunts, uncles, domestic partner, fiancé or fiancée.
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

EXCLUSIONARY LISTS – PARTIES TO TRANSACTION (CONTINUE)	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) 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.
FEES – MANDATORY INVESTOR FEES	• $345 Administration Fee • $75 Tax Service Fee

FIRST-TIME HOMEBUYERS	• A borrower who has had no ownership interest in a residential property during the three-year period preceding the date of the subject Note or has a scheduled mortgage payment history of less than 12 months is considered to be a first-time homebuyer (FTHB).
	• Primary residence transactions only.
	• One-unit properties only. For first-time homebuyer borrowers currently renting, verification of 12-months rental payments is required as documented by:
	  o 12-months cancelled checks or bank statements
	  o A direct written verification of rent is acceptable in lieu of cancelled checks when the landlord is a large management company. Reserve Requirement: The greater of 12 months or the program minimum. See Product Matrix.
	• Borrowers living rent free: Provide letter of explanation.

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 Established Relationship)
	  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.

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). o Provide Freddie Mac Ground Lease Analysis (Form 461).
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 to perm financing when Borrower held title to property during the construction phase. • 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.
	• Chain of Title: The property seller must be the owner of record and proof that the property seller has owned the property for 12 months OR a chain of title for the last 12 months is required.
	• 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.
	• 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.
	• Churning: Loans are not eligible if there is evidence of churning.
	• Listed within 6 Months: Properties listed for sale within the last 6 months (on or before the application date) are not eligible for refinance.
	• 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 The Borrower must be the owner of record and proof that the Borrower has owned the property for 12 months OR a chain of title for the last 12 months is required.
	  o If owned less than 12 months, see Seasoning Requirements in the Rate and Term Refinance and Cash-Out Refinance sections below.

LOAN PURPOSE - REFINANCE TRANSACTIONS (CONTINUE)	o 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. 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 lien against the property, the following applies: • The loan is treated as a cash-out refinance transaction, and • The borrower must be on title for a minimum of 6 months, and • If the borrower is on title for less than 12 months, the loan is eligible with documentation confirming the subject property was purchased within the last 12 months
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 original sales price. • If improvements have been made since the time of purchase, the LTV can be based on the appraised value but costs of improvements must be documented. • If the value has increased by greater than 15%, photographs of improvements are required. 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.

LOAN PURPOSE - RATE AND TERM REFINANCE TRANSACTIONS (CONTINUE)	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. o 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. • 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: • If owned less than 12 months, value should be based on the original sales price. • If improvements have been made since the time of purchase, the LTV can be based on the appraised value but costs of improvements must be documented. • If the value has increased greater than 15%, photographs of improvements are required.

LOAN PURPOSE - CASH-OUT REFINANCE TRANSACTIONS (CONTINUE)	• Cash-out limitations include payoff of unseasoned second mortgages (closed end seconds and HELOCs) and/or non-mortgage debt. 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. o 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. o 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. 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 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

PROPERTY ELIGIBILITY (CONTINUE)	• 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 • Cooperatives (Coops) • Exotic or non-traditional types of structures such as dome homes or log homes, houseboats • Hawaii properties in lava zones 1 and 2. See State and Geographic Restrictions. • 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

PROPERTY ELIGIBILITY (CONTINUE)	• 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) • See State and Geographic Restrictions for property state restrictions.

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:
	  o The property seller must be the owner of record, and
	• Property owned by property seller ≥ 12 months: Document ownership by property seller
	• Property owned by property seller < 12 months but > 6 months: Document 12-month chain of title
	• Property owned by property seller ≤ 6 months: Document chain of title and property flipping rules apply.
	• **Prior sale of subject property occurred within 90 days, then the loan is only eligible:**
	  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, and
	  o All requirements for properties re-sold within 180 days are met (directly following here).
	• **Sale or ownership transfer of the subject property within the previous 180 days:**
	  o Loans with identity of interest or non-arm's length characteristics are not eligible under this program.
	  o If 10% or more value increase from the prior sale, one of the following is required:
	    ▪ Second Appraisal from a different appraisal company (same AMC OK), or
	    ▪ Clear Capital Collateral Desktop Analysis - CA (CDA) (i.e., the CDA version without MLS data)
	      ➢ If the CDA value is more than 10% below the original appraisal(s), additional BPO and value reconciliation requirements apply. See Appraisal Review and Second Appraisals.
	      ➢ If a Second Appraisal is required, use the lower of the two values.
	  o THE APPRAISAL(s) MUST SPECIFICALLY ADDRESS THE PRIOR SALE AND JUSTIFY THE PRICE INCREASE.

SECONDARY (SUBORDINATE) FINANCING	

	• See the Product Matrix for maximum transaction CLTV.
	• No HCLTV is calculated for this program.
	• CLTV Calculation:
	  o HELOCs are included in the CLTV calculation as follows:
	    ▪ The entire credit line limit based on the recorded lien (mortgage/deed of trust) must be used to calculate the CLTV and determine program eligibility.
	    ▪ Even if a credit line has been reduced with a permanent modification of the original Note, the entire original line limit must be used to calculate the CLTV.
	• 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:
	  o Mortgage must be clearly subordinate to the Mortgage Loan being sold to Provident Bank Mortgage.
	  o Mortgage cannot have a maturity date or a call option date of less than five years (from closing date), unless it is fully amortizing.
	  o Monthly payments on subordinate financing must be included in housing and debt ratio analysis.
	  o 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.
	  o 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.)

SECONDARY (SUBORDINATE) FINANCING (CONTINUE)	• Employer Provided Subordinate Financing: o 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. 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 must permit the borrower to continue making payments on the loan in the event the borrower no longer works for the employer and may not require repayment in full unless: • The borrower terminates his or her employment for any reason, or • The employer terminates the borrower's employment for any reason other than long-term disability, the elimination of the employee's position or reduction in the workforce. • 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 only.
	  o Investment property transactions may not be held in a trust.
	• Revocable Inter Vivos “Living” trusts are acceptable to Provident Bank Mortgage 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.*

DEBT OBLIGATIONS (CONTINUE)	

	• **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.
	• **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.

DEBT OBLIGATIONS (CONTINUE)	• **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. • **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.
	• **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.

EMPLOYMENT INCOME DOCUMENTATION (CONTINUE)	
EMPLOYMENT INCOME DOCUMENTATION (CONTINUE)	• 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. • **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.

EMPLOYMENT INCOME DOCUMENTATION (CONTINUE)	• 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 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

INELIGIBLE EMPLOYMENT AND OTHER INCOME SOURCES (CONTINUE)	• 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 • Non-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, and
	    ▪ Most recent two year's personal income tax returns with all schedules, and
	    ▪ Verbal Verification of Employment, (see Verbal Verification of Employment), and
	    ▪ Written Verification of Employment, employer letter or equivalent itemizing commission income.

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).

MILITARY INCOME (CONTINUE)	• **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. o **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. • 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.

“OTHER” EMPLOYMENT INCOME SOURCES (CONTINUE)	

	• **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 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.
	• **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 30 days 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.

TEMPORARY LEAVE (CONTINUE)	• 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: • 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 from the 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:** The lender must independently obtain the phone number and address for the Borrower's employer. • **Third Party Service:** If using a third party service to verify employment (e.g., *The Work Number*, *Quick Confirm*, *LexisNexis*, etc.), the following applies: o Request to third party must be within 10 business days prior to the Note date. o Employment Verification between employer and third party must be within 35 calendar days of the Note date. • **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 signed and dated 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.

SELF-EMPLOYMENT INCOME – GENERAL REQUIREMENTS (CONTINUE)	• 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

INELIGIBLE SELF-EMPLOYMENT AND NON-EMPLOYMENT RELATED INCOME (CONTINUE)	• Non-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.
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.

OTHER NON-EMPLOYMENT INCOME DOCUMENTATION (CONTINUE)	• **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.
	• **Retirement, Pension, Annuity and IRA and 401(k) Distributions:**
	• Requires evidence of continuance for first 3 years of mortgage.
	  o Evidence of continuance of corporate, government, social security, VA, or military retirement/pension need not be documented.
	  o For other types, establish that there are sufficient funds remaining to meet the 3-year requirement by a Net Value Determination:
	  o 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).
	  o 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).

OTHER NON-EMPLOYMENT INCOME DOCUMENTATION (CONTINUE)	• To establish the monthly income for qualifying purposes, provide copy of award letter or letters from the organizations providing the income, and one of the following: o Most recent personal income tax return with all schedules, or o Most recent W2 or 1099, or o Most recent two-months bank statements showing deposit of funds. See Asset- Reserves requirements on the use of retirement accounts as cash reserves. • 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. • 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. • 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: *B3-3.2.1-08 Income or Loss Reported on IRS Form 1065 or IRS Form 1120S, Schedule K-1, B3-3.2.2-01 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 from the 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, 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) within 30 calendar days from the Note date or funding date for escrow states.

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.*

OTHER REAL ESTATE OWNED – INCOME (CONTINUE)	**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 TRANSCRIPTS, PERSONAL	• IRS transcripts may NOT be used in lieu of personal tax returns. (See W-2 Transcript in Lieu of 1040 Exception 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 > 15% 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 TRANSCRIPT IN LIEU OF 1040 TRANSCRIPTS – NOT PERMITTED	• W-2 transcripts are not acceptable in lieu of form 1040 transcripts. • IRS transcripts may NOT be used in lieu of W-2's.