

FOREIGN NATIONAL GUIDELINES

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Eligibility Matrix Loan Amount & LTV Limitations

Second Home-Purchase and Rate & Term Refinance

Units	Credit Score	LTV	CLTV	Minimum Loan Amount	Maximum Loan Amount
1 Unit	680	65%	65%	\$100,000	\$1,000,000
		60%	60%		\$2,000,000

Second Home-Cash-Out Refinance

Units	Credit Score	LTV	CLTV	Minimum Loan Amount	Maximum Loan Amount	Maximum Cash-Out ¹
1 Unit	680	65%	65%	\$100,000	\$750,000	\$500,000
		55%	55%		\$1,000,000	\$1,000,000

Investment Property- Purchase and Rate & Term Refinance ²

Units	Credit Score	LTV	CLTV	Minimum Loan Amount	Maximum Loan Amount
1- 4 Units	680	65%	65%	\$100,000	\$1,000,000
		55%	60%		\$2,000,000

Investment Property- Cash-Out Refinance ²

Units	Credit Score	LTV	CLTV	Minimum Loan Amount	Maximum Loan Amount	Maximum Cash-Out ¹
1- 4 Units	680	60%	60%	\$100,000	\$1,000,000	\$500,000
		50%	50%		\$2,000,000	\$1,500,000

Foot Note:

1. See Cash –Out Requirements
2. See Limits on Other Real Estate owned for Multiple Property Restrictions

Product Description

- 7/1, LIBOR ARM, fully amortizing
- Interest Only available for fixed rate period on ARMs

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PROGRAM HIGHLIGHTS	<p><u>Option #1 – Full Doc</u> Designed for high credit quality borrowers who are seeking:</p> <ul style="list-style-type: none"> • Loan amounts up to \$2 million • An Interest Only feature • Conforming or high balance loans when they own multiple financed properties • DTI up to 50% (see <i>Qualifying Rate and Ratios</i>) • Minimum 680 credit score • Income and assets are fully documented <p><u>Option #2 – Asset Qualification</u></p> <ul style="list-style-type: none"> • Borrowers are qualified based on verified liquid assets • Loan amounts up to \$2 million • Minimum 680 credit score • No employment or income on 1003 • Debt to Income (DTI) Ratio not calculated 																							
ADJUSTABLE RATE DETAILS		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Interest Rate</td> <td>7/1 ARM (2/2/5)</td> </tr> <tr> <td>Adjustment Caps</td> <td>Initial: 2% up/down; Subsequent; 2% up/down; Lifetime: 5% up</td> </tr> <tr> <td>Margin</td> <td>See Rate Sheet</td> </tr> <tr> <td>Index</td> <td>1-Year LIBOR (London InterBank Offer Rate)</td> </tr> <tr> <td>Index Establish Date</td> <td>45 days prior to the change date (aka “look back period”)</td> </tr> <tr> <td>Interest Rate Floor</td> <td>Note Start Rate</td> </tr> <tr> <td>Conversion Option</td> <td>None</td> </tr> <tr> <td>Assumption</td> <td>ARM products are assumable to a qualified borrower after the fixed term</td> </tr> <tr> <td>Negative Amortization</td> <td>None</td> </tr> <tr> <td>Interest Only Option</td> <td>Available for fixed period on ARMs.</td> </tr> <tr> <td>Note/Riders</td> <td>FNMA 3528/3187 (fully amortizing) FNMA 3530/3187 (interest only)</td> </tr> </table>	Interest Rate	7/1 ARM (2/2/5)	Adjustment Caps	Initial: 2% up/down; Subsequent; 2% up/down; Lifetime: 5% up	Margin	See Rate Sheet	Index	1-Year LIBOR (London InterBank Offer Rate)	Index Establish Date	45 days prior to the change date (aka “look back period”)	Interest Rate Floor	Note Start Rate	Conversion Option	None	Assumption	ARM products are assumable to a qualified borrower after the fixed term	Negative Amortization	None	Interest Only Option	Available for fixed period on ARMs.	Note/Riders	FNMA 3528/3187 (fully amortizing) FNMA 3530/3187 (interest only)
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APPRAISAL REQUIREMENTS

Loan Amount	Appraisal Requirement
≤ \$1,000,000	One Full Appraisal
> \$1,000,000	Two Full Appraisals

FSBO (for sale by owner) transactions are not allowed.

A Pro Teck Valuation Services Appraisal Risk Review (ARR) or a Clear Capital Collateral Desktop Analysis (CDA) supporting the value within 10% (higher or lower than appraisal value) will be required when the Appraisal Requirement is One Full Appraisal. If variance exceeds 10% then a field review ordered from one of the following providers will be required to be ordered through PBM Appraisal department.

- Pro Teck Valuation Services
- Clear Capital

A field review from the above providers is acceptable in lieu of an ARR or CDA

If a field review is obtained there is a 5% tolerance as follows:

- If the field review value is ≤5% below the appraised value, use the appraised value for LTV calculations
- If the field review value is more than 5% below the appraised value, a second appraisal is required
- Use the lower value of the two appraisals for LTV calculations

When two (2) appraisals are required as part of the product guidelines, an ARR (Appraisal Risk Review) is not required.

Note: Brokers MUST contact their Account Executives to order the Appraisals through Pro Teck Valuations Services NO Exceptions.

Note: The ECOA Valuations Rule Requires copies of appraisals and other written valuations are delivered to borrower promptly upon completion, or three (3) business days before consummation, whichever, is earlier.

Properties with a condition rating of C5 or C6 are not acceptable.

Unpermitted additions:

All of the following apply:

- Must obtain a “cost to cure”
- Must review the LTV (including cost to cure) fits within guidelines
 - If a guideline maximum is 80% and the current LTV is 75% and the cost to cure equals 2% of the value of the home, the loan would be approved without an exception, as the LTV is still within guidelines
 - If the cost to cure drives the LTV over the maximum LTV limit, the loan would not be eligible unless the home was converted back to the original state with a completion certificate in the file.

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APPRAISAL REQUIREMENTS CONTINUED	<ul style="list-style-type: none"> • Obtain typical comparables for value of the home, but would not require similar improvements • Unpermitted improvement may not increase the value of the home (hence the cost to cure)
ASSETS	<p><u>Option #1 Full Doc</u></p> <ul style="list-style-type: none"> • Borrower must have sufficient liquid assets available for down payment, closing costs and reserves • Funds must be sourced and seasoned for two (2) months and the most recent consecutive statements (all pages) or the most recent quarterly statements are required. • Borrower must provide proof of transfer of the funds from the home country to a U.S. bank prior to closing. <p><u>Stocks, Bonds and Mutual Funds</u> Vested stocks, bonds, and mutual funds (including retirement accounts) may be used for down payment, closing costs and reserves without any reduction in value.</p> <ul style="list-style-type: none"> • One hundred percent (100%) of the value of the asset is allowed when determining available reserves • If the underwriter documents that the value of the asset is at least 20% more than the funds needed for the borrower’s down payment and closing costs, no documentation of liquidation is required. Otherwise, documentation of the borrower’s actual receipt of funds realized from the sale or liquidation must be obtained. • NOTE: as a reminder, non-vested assets are not eligible for down payment, closing costs, or reserves. <p>Option #2 – See <i>Income/Asset Verification Option #2 – Asset Qualification</i> for reduced valuation of assets (e.g., stocks, bonds, and mutual funds) when using program Option #1.</p> <p><u>Like-Kind Exchanges</u> Assets for the down payment from a “like-kind” exchange”, also known as a 1031 exchange, are eligible if properly documented and in compliance with Internal Revenue Code Section 1031 (FNMA B3-4.3-10).</p> <ul style="list-style-type: none"> • Note: property in the United States is not considered “like-kind” to property located in a foreign country. It is not possible to exchange out of the United States into foreign property and vice-versa. <p>See <i>Income/Asset Verification</i> sections for more specific requirements</p> <p>Cash out from the subject transaction may be used toward the reserve requirement</p> <p>See <i>Documentation / Option #2 - Asset Qualification</i> for borrower’s loan qualification requirements</p> <p>See <i>Reserves</i> for requirements and limitations</p>

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ASSETS CONTINUED

See *Business Funds* for eligibility.

Additional Requirements for Option #2 – Asset Qualification

- Reserve requirement is in addition to the residual assets needed to cover debts for sixty (60) month period. These debts include mortgage related debt such as taxes, insurance, HOA dues and special assessments
- See *Documentation* for specific requirements

Underwriters should consider the following:

- Asset Base and Reserves – is this consistent with the occupation, cash flows and calculated income established for qualifying purposes?

Verification of Assets and Seasoning Requirements (Option #2 – Asset Qualification)

Required assets for loan qualification include down payment, closing costs, and reserves. All assets used for qualifying must be seasoned for 12 months.

- The borrower must provide the bank statements or most current quarterly statements, covering the most recent 12 month period, together with a copy of the Wall Street Journal's conversion table as of the same date as the bank statements or quarterly statements, for the purpose of converting the borrower's foreign currency to U.S. dollars.
- The underwriter must provide a statement outlining the beginning and ending balances of all foreign bank accounts converted to U.S. dollars.
- Large deposits are handled per FNMA guidelines
- Borrower must provide proof of transfer of the funds from the home country to a U.S. bank prior to closing

To the extent that required assets are verified as seasoned within a bank on the "Acceptable Bank List" there is no further seasoning requirement within a U.S. bank or financial institution (See *Acceptable Bank List* at the end of these guidelines).

If asset documentation (12 month seasoning) is provided from a bank that is not on the "Acceptable Bank List" then the following verification and additional seasoning requirements apply:

- At least 75% of the required assets must be verified with computer bank/asset statement(s) as deposited in a U.S. bank or other regulated U.S. financial institution and seasoned for a period of 6 months prior to closing
 - If transfer to U.S. account occurs within 12 months prior to closing, then supporting documentation concerning source and transfer is required
 - Transfers occurring greater than 12 months prior to closing do not require supporting documentation

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ASSETS CONTINUED	<ul style="list-style-type: none"> • Up to 25% of the required assets may be paper-trailed from a financial institution in the borrower’s home country: <ul style="list-style-type: none"> ○ The borrower must provide the last 3 bank statements or most current quarterly statement, together with a copy of the Wall Street Journal’s conversion table as of the same date as the bank statements, for the purpose of converting the borrower’s foreign currency to U.S. dollars. ○ The underwriter must provide a statement outlining the beginning and ending balances of all foreign bank accounts converted to U.S. dollars. ○ Large deposits are handled per FNMA guidelines ○ Borrower must provide proof of transfer of the remaining funds 9up to 25% of the required assets) from the home country to a U.S. bank prior to closing.
ASSUMPTIONS	ARM products are assumable to a qualified borrower after the fixed term.
BORROWER ELIGIBILITY	<p>A foreign national is defined as someone who lives in another country and visits the United States for brief periods for business or vacation. In order to be eligible, the borrower must be a legal resident of another county and live and work there. A borrower who is working in the U.S. is not eligible for the Foreign National program.</p> <ul style="list-style-type: none"> • 2nd homes and NOO only • First Time Home Buyer is allowed – See <i>First Time Home Buyer</i> <p><u>Eligibility:</u></p> <ul style="list-style-type: none"> • Foreign nationals are a non-US Citizen with a valid passport AND valid visa <ul style="list-style-type: none"> ○ Borrowers who are residents of countries which participate in the State Department’s Visa Waiver Program (VMP) will not be required to provide a valid visa. See: https://travel.state.gov/content/visas/en/visit/visa-waiver-program.html ○ Evidence that the borrower is in the U.S. legally is required, however, no defined length of stay is required. • Borrower’s Visa status must be documented to determine eligibility. Alien Status ID Certification (attached to these guidelines) must be used to ensure compliance with eligibility requirements. • Legible copy of a valid passport, including photograph, signature page and evidence of duration of stay permitted for each borrower, and if applicable, a legible copy of a valid visa (including photograph) for each borrower. • Citizens of Canada are not required to present a visa • For Mexican citizens the investor also accepts the following: <ul style="list-style-type: none"> ○ A laser visa card; it is both a border crossing card and a B1/B2 Visa, or ○ A NAFTA treaty visa (TN, TC, E1 & E2) • An IRS form W-8BEN, Certificate of Foreign Status must be filed with the IRS (all borrowers). A copy of the Certificate must be retained in the file. <p>Note: Permanent and Non-Permanent Resident Aliens are not classified as foreign nationals.</p>
BORROWER WITH DIPLOMATIC IMMUNITY	<ul style="list-style-type: none"> • Not Allowed or Eligible

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BUSINESS FUNDS	<p><u>Option #1 – Full Doc</u> Business funds – Funds in the borrower’s business accounts(s) ≤50% of account balance may be counted toward down payment, closing costs and reserves so long as borrower(s) and/or non-borrowing spouse/domestic partner have cumulative 100% ownership interest in the business (e.g., Sole Proprietor, S Corp, Corporation, LLC). A non-borrowing spouse/domestic partner who is the only other co-owner of the business is acceptable and must provide a letter allowing the borrower to access the funds in the business account.</p> <p>Business funds that are in a personal account prior to application may be used for down payment, closing costs, and reserves without restriction. Large deposit must be sourced to determine there is not an undisclosed loan.</p> <p><u>Option #2 – Asset Qualification</u> Business funds are not to be included in the total available asset calculation or qualifying calculation.</p> <p>The Asset Qualification option is intended for use with Personal Assets only. Any business funds or transfers to personal accounts documented in the most recent 6 months personal statements will be disallowed and excluded from qualification.</p>
CASH-OUT REQUIREMENTS	<p>There is no ownership seasoning requirement for cash-out refinance. Always use the appraised value for LTV calculation on a refinance transaction. This applies to the original purchasers of the property as well as additional borrowers who are added to title so long as at least one borrower from the original purchase will be a borrower on the new loan.</p> <ul style="list-style-type: none"> • if a borrower is on title without any original purchasers, the borrower must wait 6 months to do a cash out refinance <p>When the appraised value exceeds purchase price by more than 20% and the subject property is currently owned for less than 6 months (at time of application date), the appraisal must provide detailed and substantial commentary to support the increase in value.</p> <p>Note: the following items may be paid off with proceeds from a <u>Rate/Term refinance</u>:</p> <ul style="list-style-type: none"> • Non-purchase money seconds with 12 month seasoning • HELOCs (Home Equity Line of Credit) with total withdrawals not exceeding \$2,000 in the last twelve (12) months <p>A refinance of a prior cash-out loan within 6 months is allowed to be classified as a rate/term refinance.</p> <p>Cash-Out allowed to borrowers who own up to 15 financed properties when subject is second home or investment property. Borrowers with more than 15 financed properties are ineligible for cash-out refinance.</p>
CO-BORROWERS	<p>Non-Occupant co-borrowers <u>not</u> allowed.</p>

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CREDIT SCORE	<ul style="list-style-type: none"> • A Credit Score is not required; unless a U.S. Credit report is available; see <i>Borrowers with Established Credit</i> below. • Loan files with <u>no U.S. credit score</u> use 680 score for matrix and pricing purposes
CREDIT CRITERIA	<ul style="list-style-type: none"> • If the borrower has a valid SSN or Tax ID, a traditional U.S. credit report is required. • Borrowers that have established credit in the U.S. and do not meet the 24 month 5 rated trades requirement may not have their credit history disregarded. The borrower’s credit history must comply with the profile listed in the section. <p>NOTE: If a credit report is not available, a minimum of one original credit letter must be obtained from a financial institution located in the country of origin or 3 credit references.</p> <ul style="list-style-type: none"> ○ The credit reference letter, on the financial institutions letterhead must include contact information, borrower’s name and account number, detailing the types and lengths of the institution’s relationship. The account with financial institution must have been opened at least two (2) years. ○ Credit reference letter must be an original on institution letterhead and reflect telephone number, address, and website. It should be written in borrower’s native language and any money amounts should be reflected in national currency. <p><u>Borrowers with established credit</u></p> <ul style="list-style-type: none"> • All borrowers must have a minimum credit score of 680. <ul style="list-style-type: none"> ○ The representative score for each borrower is: <ul style="list-style-type: none"> ▪ The middle score when three scores are obtained, or ▪ The lower score when two scores are obtained ▪ If only one score is obtained, that is the representative score for the borrower ○ The representative score for the loan is the lowest representative score of the borrowers. <p><u>Each of the following credit components impacts the borrower’s ability to repay the loan:</u></p> <ul style="list-style-type: none"> • Borrowers must have a minimum of 3 tradelines on the credit report <ul style="list-style-type: none"> ○ Trade lines may be open or closed, with one seasoned trade line having a minimum 24 month rating and one trade line with at least a \$5,000 high credit limit. <ul style="list-style-type: none"> ▪ The seasoning and high credit limit requirements may be met with the same trade line ○ Authorized user tradelines are not eligible for any portion of the credit requirement. ○ When spouse is co-borrower only one borrower is required to have the credit depth listed above. • Mortgage/Rental Lates – 1x30 during the past 12 months <ul style="list-style-type: none"> ○ This applies to all mortgages on all properties <ul style="list-style-type: none"> ▪ See Loan Modification for refinancing loans with prior modifications ○ Rental history must be documented by a direct verification of rent (VOR) by a professional management company and/or private party. <ul style="list-style-type: none"> ▪ If the VOR is provided by a private party, 12 months canceled checks or 12 months bank statements must be provided to document rents

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**CREDIT CRITERIA,
CONTINUED**

- See *First Time Home Buyer*
- Bankruptcy (Ch. 7 and 13), Short Sale, Deed-in-Lieu – None less than four (4) years
 - Bankruptcy, Short Sale or Deed in Lieu ≥ 2 years and <4 years is acceptable with the following compensating factors:
 - Maximum 65% TLV or existing guidelines, whichever is lower
- Foreclosure – None **in the last four (4)** years
 - Foreclosure ≥ 3 years and <4 years is acceptable with the following compensating factors:
 - Maximum 65% LTV or existing guidelines, whichever is lower
- Judgment/Tax Lien/Collections/Charge-offs – Must be paid
 - Medical collections are excluded regardless of amount
- Disputed Accounts – Disputed accounts are reviewed to determine current balance and derogatory information (a 30-day or more delinquency) within 2 years prior to the credit report date:
 - Zero balance and no derogatory information – no action required
 - Zero balance and derogatory information – remove and pull new credit report
 - A positive balance and no derogatory information – remove and pull new credit report
 - A positive balance and derogatory information – remove and pull new credit report

Note: A credit supplement is not allowed to document disputed accounts.

Underwriters will evaluate the borrower’s liabilities to help assess Ability to Repay. These will include:

- The monthly payment on any simultaneous loan
- The consumer’s monthly payment for mortgage-related obligations
- The consumer’s current debt obligations, alimony and child support
- Credit limits, usage and overall credit profile should be considered and evaluated to be consistent with the income established for qualifying purposes.

**DISASTER
DECLARATIONS
AND
RECERTIFICATION**

- Whenever an area is declared a disaster area, the Federal Emergency Management Agency (FEMA) releases disaster declaration announcements. FEMA makes available individual and public assistance when a disaster occurs.
- If an area containing the subject property is eligible to receive individual assistance and/or public assistance, as designated by FEMA, the property will require a recertification of value as follows:
 - An appraisal completed in an area *after the disaster declaration was released* (incident date) does not require a recertification. Ideally, the appraiser will comment that the property is free from damage and the disaster had no effect on the property.
 - If the appraisal was completed *prior to the disaster*, at a minimum a re-inspection stating the property is free from damage and the disaster had no effect on the property value and marketability is required (including exterior photos of the

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DISASTER DECLARATIONS AND RECERTIFICATION CONTINUED	<p>property).</p> <ul style="list-style-type: none"> • Interior photos may be required on a case-by-case basis • This re-certification must be obtained as promptly as possible (but not until after the disaster is active) in order to ensure a timely closing, funding, and delivery of the loan.
DOCUMENTATION	<ul style="list-style-type: none"> • Documents signed by borrowers outside of the United States must be notarized by a U.S. embassy or consular official. The certificate of acknowledgement must meet the standard notarial requirements and must include the embassy or consular seal. • <u>Power of Attorney (POA) is not allowed.</u> • All documents must be translated into English by an independent third party translator. Copies of the original document and the translation will be required. • Due to frequent travel outside the U.S., it is recommended that all Foreign National borrowers establish an ACH debit for mortgage payment from a U.S. bank. However, this is not a requirement for approval. <p><u>Option #1 Full Doc</u> Standard Fannie Mae <u>full income and asset documentation</u> is required.</p> <p>Verbal VOE to be performed prior to closing or if self-employed, an independent written confirmation of self-employment is required (i.e., copy of business license reflecting ownership of company, etc.)</p> <ul style="list-style-type: none"> • Employment income – Verbal VOE (VVOE) must be obtained within <u>10 business days</u> prior to the note date; • Self-employment income – Underwriter must verify the existence of the borrower’s business within <u>30 calendar days</u> prior to the note date <ul style="list-style-type: none"> ○ From a third party, such as a CPA, regulatory agency, or the applicable licensing bureau, if possible; or ○ By verifying a phone listing and address for the borrower’s business using a telephone book, the internet, or directory assistance. • PBM must document the source of the information obtained and the name and title of the employee (underwriter, processor) who obtained the information. <p>Self-employed, commissioned, or borrowers using overtime or bonus income must have a 2 year history.</p> <p><u>Option #2 – Asset Qualification</u></p> <ul style="list-style-type: none"> • Full Asset Documentation is required for both funds to close and reserves • Assets can be cash in the bank, stocks, bonds, mutual funds or retirement accounts • For most asset types this would include all pages of the most recent twelve (12) months • Asset levels in the verified accounts are expected to be consistent and sustained over the twelve (12) month period. • Increases or decreases of greater than 15% over the twelve (12) month period (i.e. compare month 1 to month 12) must be explained by the borrower. • Additional supporting documentation may be required. • Large month-to-month changes in asset totals during the twelve (12) month period

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DOCUMENTATION CONTINUED	<p>may require additional explanation and documentation.</p> <p>A completed iQM Asset Qualifier Worksheet (see <i>Exhibit C</i>) must be submitted with the loan package.</p> <p>The borrower must acknowledge their ability to repay the loan by signing the Borrower Affirmation document at closing.</p> <ul style="list-style-type: none"> • <i>Borrower Affirmation – Option #1 – Full Doc</i> • <i>Borrower Affirmation – Option #2 – Asset Qualification</i>
ESCROW HOLDBACK	<p>Escrow holdbacks are allowed for weather-related repairs on purchase transactions only</p> <ul style="list-style-type: none"> • Maximum \$5,000 repair limit • Escrow withhold amount must be at least 1.5 times the cost of repairs <ul style="list-style-type: none"> ○ Example: \$5,000 repairs x 1.5 = \$7,500 total escrow withhold amount • Other PBM repair escrow policies and procedures apply
ESCROW ACCOUNTS/ ESCROW WAIVER	<ul style="list-style-type: none"> • Tax and insurance impounds are <u>always</u> required <ul style="list-style-type: none"> ○ No Exceptions
FIRST TIME HOME BUYER	<ul style="list-style-type: none"> • First time home buyer is allowed. There is no prior rental requirement. See <i>Housing History</i> for eligibility. <ul style="list-style-type: none"> ○ First time home buyer is defined as a borrower who had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property.
FSBO (FOR SALE BY OWNER) TRANSACTIONS	<ul style="list-style-type: none"> • Not Allowed
GIFT FUNDS/ GIFT OF EQUITY	<ul style="list-style-type: none"> • Not Allowed
HOUSING HISTORY	<p>There is no requirement for rent or mortgage history for this program.</p> <p><u>Example:</u> Borrower can be a first time home buyer without any rental history. However, if the borrower has rent or mortgage history, it must meet credit requirements.</p>
INCOME VERIFICATION/ OPTION #1 – FULL DOC	<p>Two (2) years foreign tax returns are required from borrower’s resident county, translated into English by third party certified translator. If resident county does not have filing requirement, then borrower must submit:</p> <ul style="list-style-type: none"> • <u>Self-Employed</u>- A letter from an independent accountant or auditor that is not related to borrower’s business in any way. <ul style="list-style-type: none"> ○ The letter shall indicate name and description of the borrower’s business, approximate market value of the company, borrower’s personal income for the prior two years, and year to date income for current year. ○ Letter must be an original on the accountant’s letterhead and must reflect the accountant’s telephone number and address. ○ Letter should be written in borrower’s native language and reflect income in national

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**INCOME
VERIFICATION/
OPTION #1 – FULL
DOC
CONTINUED**

currency.

- Borrower shall provide the business Internet web page address (URL). If the business does not have a web page, borrower must provide marketing material such as brochures or catalogs.
- Employee (not self-employed)-Letter from borrower's employer.
 - The letter shall indicate position/title, length of employment, gross income for prior two years, year to date income for current year, and probability of continued employment.
 - The letter must be an original on the employer's company letterhead and must reflect the employer's telephone number, address, and website.
 - Letter should be written in borrower's native language and reflect income in national currency.

Rental Income – Subject Property and Other Investment Real Estate Owned (not departure residence)

(Follow *FNMA B3-3.108 Rental Income*)

- Generally, if a borrower has a history of renting the subject or another property, the rental income will be reported on IRS Form 1040, Schedule E of the borrower's personal tax returns or on Rental Real Estate Income and Expenses of a partnership or an S Corporation form (IRS Form 8825) of a business tax return.
- If the borrower does not have a history of renting the subject property or if, in certain cases, the tax returns do not accurately reflect the ongoing income and expenses of the property, the underwriter may be justified in using a fully executed current lease agreement
 - Airbnb or similar such rentals are not acceptable
- An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease once the initial lease-rental term expires is allowed.

Rental Income on a Departure Residence (Follow *FNMA B3-6.06*)

If the borrower is converting a current principal residence to a second home, both the current and proposed mortgage payments (PITIA) must be used to qualify the borrower for the new transaction.

Asset Based Income (Asset Amortization) Requirements

Asset amortization is a calculation used to generate a monthly income stream from a borrower's personal assets. It can be combined with other income such as pension or other investment income. There is no age restriction.

Eligibility Requirements (Asset Amortization)

- Available for Second Homes Only
- Borrower and Co-Borrower must be individual or co-owners of all asset accounts with no other account holders listed on the documentation
- 100% of eligible assets must be verified and will be amortized over the term of the loan
- All assets must be in a U.S. financial institution – No Foreign Assets
- The sum of eligible assets as defined are net of any discounts and minus any funds

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**INCOME
VERIFICATION
OPTION #1 – FULL
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used for closing and/or minimum reserves required for the program.

- Other reported earnings from Capital Gains or Interest/Dividend already considered and averaged as “effective income” cannot be included or double counted.

Eligible Asset Types (Asset Amortization)
 Considered assets must be comprised of the following readily marketable assets which must be available to the borrower with no penalty and are limited as follows:

- Bank Deposits – Checking, Saving, Money Market accounts = 100%
- Publicly traded stocks and bonds = 90% (stock options not allowed)
- Mutual Funds = 90%
- Retirement Accounts = 80%

For eligible asset types: any debt tied to that asset must be netted out. Example: Stocks bought on margin.

Ineligible Asset Types (Asset Amortization)

- Business funds
- Non-liquid assets (automobiles, artwork, business net worth, etc.)

Asset Amortization Calculation Policy:

- Eligible asset amount to be amortized over the term of the loan (e.g. 360 months for a 30 year loan; 180 months for a 15 year loan).

Borrower may use documented regular (monthly) payments from retirement accounts where there is a two year history of receipt and a three year continuance so long as it is less than 50% of qualifying income. Borrower to provide appropriate documentation from home country.

Example of Asset Amortization for 30 year loan:

Savings Account Balance \$100,000 (\$100,000 usable toward calculation)
Stock Fund Balance \$100,000 (\$90,000 usable toward calculation)
Mutual Fund Balance \$10,000 (\$9,000 usable toward calculation)

Total Usable toward calculation \$199,000 / 360 = 452.78 monthly income

**INCOME/ASSET
VERIFICATION
OPTION #2 ASSET
QUALIFICATION**

- Cash out proceeds from the subject transaction may not be used for qualifying or for reserves on the Asset Qualification program.
- Employment and income are not required to be disclosed on the 1003 loan application.
- If not disclosed, please enter “Not applicable to this loan” in the respective fields.
- Business phone number must be reflected on the 1003 (for consumer contact purposes only).
- Assets must be verified sufficient to cover the loan amount request with sufficient additional assets to cover all revolving, installment, alimony/child support, and mortgage related expenses for a period of no less than five (5) years, plus the separate

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INCOME/ASSET VERIFICATION OPTION #2 ASSET QUALIFICATION CONTINUED

reserve requirement based on the loan amount listed in the *Assets* section of these guidelines.

- Installment debt that is not secured by a financial asset – including student loans, automobile loans, and home equity loans – must be considered part of the borrower’s recurring monthly debt obligations if there are more than 10 monthly payments remaining.
 - Paying down installment debt to ≤ 10 remaining payments to avoid including in additional reserve calculation is not allowed.
 - Paying off installment debt completely is allowed.

Important: The ending balance on the most recent asset statement(s) must be sufficient to cover the required assets including:

- Loan amount Request
- Down payment
- Closing Costs and Prepays
- Five (5) years of other debt/expenses described above
- Separate reserve requirement

Eligible Asset Types

Considered assets must be comprised of the following readily marketable assets which must be available to the borrower and are limited as follows:

- Bank Deposits – Checking, Saving, Money Market accounts = 100%
- Publicly traded stocks and bonds = 90% (stock options not allowed)
- Mutual Funds = 90%
- Retirement Accounts = 80%

Note: assets must be in liquid or semi liquid form, no privately held stock, deferred compensation or non-regulated financial companies.

Note: For eligible asset types, any debt tied to that asset must be netted out. Example: Stocks bought on margin.

Ineligible Asset Types

- Business funds
- Non-liquid assets (automobiles, artwork, business net worth, etc.)

Example #1:

Loan amount: \$300,000

Closing Costs/Prepays: \$15,000

Principal and Interest (P & I) for subject = \$2,000

Verified Assets:

- \$200,000 Checking and Savings (100% usable) = \$200,000
- \$300,000 Stocks and Bonds (90% usable) = \$270,000
- \$400,000 401k (80% usable) = \$320,000
- \$300,000 Mutual Funds (90% usable) = \$270,000

Total allowable assets = \$1,060,000

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<p>INCOME/ASSET VERIFICATION OPTION #2 ASSET QUALIFICATION CONTINUED</p>	<p>\$1,060,000 (allowable assets) minus \$315,000 (loan amount + closing costs/prepays) = \$745,000 residual assets</p> <p>Total of monthly debt (revolving, installment, alimony/child support, hazard insurance, property tax on the subject property, etc.) excluding subject P&I = \$2,500 \$2,500 x 60 months = \$150,000</p> <p>Required reserves per Option #1 (see Assets) = 6 months x \$2,000 (P&I) = \$12,000</p> <p>Since the <u>residual assets</u> (\$745,000) are more than the required funds to cover <u>all other debt for 60 months</u> (\$150,000) plus <u>required reserves</u> (\$12,000), the loan qualifies for the program.</p> <p><u>Example #2:</u> Loan amount: \$300,000 Closing Costs/Prepays: \$15,000 Principal and Interest (P&I) for subject: \$2,000</p> <p>Verified Assets</p> <ul style="list-style-type: none"> • \$10,000 Checking and Savings (100% usable) = \$10,000 • \$250,000 Stocks and Bonds (90% usable) = \$225,000 • \$120,000 Mutual funds (90% usable) = \$108,000 <p>Total allowable assets = \$343,000</p> <p>\$343,000 (allowable assets) minus \$315,000 (loan amount + closing costs/prepays) = \$28,000 residual assets</p> <p>Total of monthly debt (revolving, installment, alimony/child support, hazard insurance, property tax on the subject property, etc.) excluding subject P & I = \$700.00 \$700 x 60 months = \$42,000</p> <p>Required reserves per Option #1 (See Assets) = 6 months x \$2,000 (P&I) = \$12,000</p> <p>Since the residual assets (\$28,000) are less than the required funds to cover <u>all other debt for 60 months</u> (\$42,000) plus <u>required reserves</u> (\$12,000), the loan does not qualify.</p>
<p>INELIGIBLE PROPERTY TYPES</p>	<ul style="list-style-type: none"> • Acreage greater than 20 acres (appraisal must include total acreage) • Agricultural zoned property • Condo hotel • Co-ops • Hobby Farms • Income producing properties with acreage • Leaseholds • Log Homes (<u>may be eligible on a case-by-case basis</u>) • Manufactured Housing • Mixed use properties • Modular Homes • Properties subject to oil and/or gas leases (<u>may be eligible on a case-by-case basis</u>)

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INELIGIBLE PROPERTY TYPES CONTINUED	<ul style="list-style-type: none"> Title may not be held in a business name Unique properties Working farms, ranches or orchards
INTEREST ONLY PRODUCTS	<ul style="list-style-type: none"> Corporate Funding <ul style="list-style-type: none"> Will issue the CD's Draw the loan documents and Fund the loans in the Corporate office
IPCs	<ul style="list-style-type: none"> Second Home – 65% or less – maximum 9% Investment Property – all LTV/CLTV ratios – maximum 2%
LIABILITIES	<p>For the following liabilities, follow Fannie Mae guidelines (FNMA B3-6-05):</p> <ul style="list-style-type: none"> Alimony/Child Support/Separate Maintenance payments Home Equity Lines of Credit (HELOC) Installment Debt Lease Payments Revolving Charge/Lines of Credit Student Loans Open 30-day accounts
LIMITATIONS ON REAL ESTATE OWNED	<p><u>The following requirements apply to Options #1 and #2:</u></p> <p><u>Loan/Property restrictions per borrower are as follows:</u></p> <ul style="list-style-type: none"> Borrowers limited to Two (2) loans with Investor not to exceed \$2,000,000 total. If borrower has only one (1) loan with Investor, including the subject property, that loan may exceed \$2 million (up to the guideline maximum herein). Borrower with >15 financed properties are <u>not eligible for any transaction</u> (purchase, rate/term, or cash out) Borrower may have (Investor) financing on a maximum of 10% of the properties in a PUD or condominium project. <ul style="list-style-type: none"> For projects ≤ 10 total units, financing on a maximum of 1 unit is allowed <p><u>Option #1 – Asset Qualification</u></p> <p>Ownership of NOO properties requires additional reserves and a positive cash flow requirement. If the positive cash flow requirement is not met, additional residual assets will be required.</p> <p>An investment property owned by the borrower must show a positive cash flow (100% vs. PITIA). This may be cumulative if multiple properties are owned. Leases will be required. <u>Rents are derived from the rental/lease agreement.</u></p> <p>Gross Rent - \$1,200 PITIA for this property must be <u>less than</u> \$1,200 per month (i.e., positive cash flow)</p> <p>This calculation may be <u>cumulative</u> for all rents and all PITIAs when more than one NOO is owned.</p>

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LIMITATIONS ON REAL ESTATE OWNED CONTINUED	<p>Here is a sample calculation for additional residual assets when borrower has multiple other investment properties:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Property</th> <th>Monthly PITIA</th> <th>Monthly Gross Rent</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">A</td> <td style="text-align: center;">\$1250</td> <td style="text-align: center;">\$1400</td> </tr> <tr> <td style="text-align: center;">B</td> <td style="text-align: center;">\$2100</td> <td style="text-align: center;">\$1275</td> </tr> <tr> <td style="text-align: center;">C</td> <td style="text-align: center;">\$1850</td> <td style="text-align: center;">\$1225</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">\$5200</td> <td style="text-align: center;">\$3900</td> </tr> </tbody> </table> <p>Actual total PITIA of other investment properties = \$5200</p> <p>Additional monthly rent needed to break even = \$5200 - \$3900 = \$1300</p> <p>Additional Residual Assets = 60 months x 1300 = \$78000</p>	Property	Monthly PITIA	Monthly Gross Rent	A	\$1250	\$1400	B	\$2100	\$1275	C	\$1850	\$1225	Total	\$5200	\$3900
Property	Monthly PITIA	Monthly Gross Rent														
A	\$1250	\$1400														
B	\$2100	\$1275														
C	\$1850	\$1225														
Total	\$5200	\$3900														
LISTED FOR SALE/RECENTLY LISTED	<p><u>Rate/Term Refinance (per FNMA B2-1.2-02)</u> Subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan</p> <p><u>Cash-out Refinance (per FNMA B2-1.2-02)</u></p> <ul style="list-style-type: none"> • Subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan. 															
LOAN AMOUNT	<ul style="list-style-type: none"> • Minimum loan amount = \$100,000 															
LOCKING	<ul style="list-style-type: none"> • Forwarding locking is not allowed • Prior Investor approval is required prior to lock <ul style="list-style-type: none"> ○ Cannot lock until the loan is approved and the appraisal has been received and reviewed by the investor. • 30 day lock period ONLY 															
NON-ARMS-LENGTH TRANSACTIONS	<ul style="list-style-type: none"> • Not Allowed 															
OCCUPANCY	<ul style="list-style-type: none"> • Second Homes 1- unit only • Investment or Non-Owner Occupied -1-4 Units 															
PAYMENT SHOCK	<ul style="list-style-type: none"> • Not applicable 															
POINTS AND FEES	<ul style="list-style-type: none"> • Maximum 5% limit <p>The points and fees limitations apply to all occupancy types.</p>															
POWER OF ATTORNEY	<ul style="list-style-type: none"> • Not Allowed 															
PREPAYMENT PENALTY	<ul style="list-style-type: none"> • None 															

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PROPERTY ELIGIBILITY	<ul style="list-style-type: none"> • Second Homes and Investment Property ONLY. 						
PROPERTY TYPES	<ul style="list-style-type: none"> • 1- Unit single family residences (attached and detached) and PUDs (attached and detached). • 2-4 unit properties (within matrix parameters) • Condominiums- FNMA Eligible <ul style="list-style-type: none"> ○ Both FNMA Condo Project Manager (CPM) and FNMA Limited Review are allowed ○ N/O/O condo (attached and detached) – CPM is required ○ <u>Detached</u> Condo units that are <u>Second Homes</u> may be processed with Limited Review (see FNMA B4-2.2-03, <i>Limited Review Process for Detached Condo Units</i>) ○ <u>Non-Warrantable Exception</u>: <ul style="list-style-type: none"> ▪ <u>The FNMA investment property concentration limits (i.e., the percentage of non-owner occupied properties within a project) do not apply, and</u> ▪ <u>Maximum 50% of units in project (or subject legal phase, considered with prior legal phases) must be sold or under contract.</u> ▪ <u>Note: For reference: FNAM (B4-2.2.02) requires that investment property transactions on attached units in established projects (including two-to-four-unit projects) have at least 50% of the total units in the project conveyed to principal residence or second home purchasers. This requirement does not apply if the subject mortgage is for a second home.</u> <p><u>Single Entity Ownership Exception:</u></p> <ul style="list-style-type: none"> • <u>Projects in which a single entity (the same individual, investor group, partnership, or corporation) owns up to and including 25% of the total number of units in the project will be considered on a case-by-case basis:</u> <ul style="list-style-type: none"> ○ <u>Note: For reference: the FNMA (B4-2.1-02) acceptable limit is:</u> <ul style="list-style-type: none"> ▪ <u>Projects with 2 to 4 units = 1 unit</u> ▪ <u>Projects with 5 to 20 units = 2 units</u> ▪ <u>Projects with 21 or more units = 10% of total units</u> <p><u>Limited Review (see FNMA B4-2.2-02, Limited Review Process for Attached Condo Units)</u> Limited Review eligibility criteria for attached units differ depending upon the occupancy type and LTV/CLTV/HCLTV ratios, and are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th style="width: 60%; text-align: center;">Occupancy Type</th> <th style="text-align: center;">Maximum LTV/CLTV/HCLTV</th> </tr> </thead> <tbody> <tr> <td>Second Home</td> <td style="text-align: center;">65%</td> </tr> <tr> <td>Investment Property</td> <td style="text-align: center;">Not allowed</td> </tr> </tbody> </table> <p>NOTE: Mortgages secured by attached units in new condo projects are not eligible for Limited Review.</p>	Occupancy Type	Maximum LTV/CLTV/HCLTV	Second Home	65%	Investment Property	Not allowed
Occupancy Type	Maximum LTV/CLTV/HCLTV						
Second Home	65%						
Investment Property	Not allowed						

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QUALIFYING RATE AND RATIOS

Option #1 – Full Doc with/without Asset Amortization

Qualifying Rate

- 7/1 ARM- Qualify at the greater of the **fully-indexed rate*** or Note rate
- ARM qualifying ratios are based on a fully amortizing principal and interest payment.
- Interest Only loans qualify at the greater of the **fully-indexed rate*** or Note rate based on the scheduled remaining loan term at the time of recast after the interest only period has expired.

*Calculate the **fully indexed rate** by adding the appropriate margin to the current index.

- **Round the result to the nearest one-eighth of one percentage point (0.125%)**

Depending on the market conditions and individual loan pricing, the **fully indexed rate** may be higher or lower than the Note rate.

Example 1:

Loan Amount = \$100,000	Calculate Fully Indexed Rate:
ARM Type = 7/1 ARM	Margin + Index: 3.5% + 1.79% = 5.29%
1-year LIBOR Index = 1.79%	Round 5.29% to the nearest 1/8 (.125%) = 5.25%
Margin = 3.5%	
Start Rate/Note Rate = 6.25%	Fully Indexed rate = 5.25%
<ul style="list-style-type: none"> • Since the Note rate is greater than the fully indexed rate, the Note rate of 6.25% is used for qualification purposes. 	

Interest Only ARM Qualification

Use the remaining scheduled amortization term after the interest only period expires. For a 7/1 Interest Only ARM, the remaining term is 23 years (i.e., 30 – 7 = 23). Using the Start Rate/Note Rate is **Example 1: \$100,000 @ 6.25%**, 23 year amortization = \$683.88 monthly qualifying payment for an Interest Only loan.

\$100,000 @ 6.25% interest, 25 year amortization = \$659.67 monthly qualifying payment

Example 2:

Loan Amount = \$100,000	Calculate Fully Indexed Rate:
ARM Type = 7/1 ARM	Margin + Index: 4.125% + 1.82% = 5.945%
1-Year LIBOR Index = 1.82%	Round 5.945% to the nearest 1/8 (.125%) = 6.00%
Margin = 4.125%	
Start Rate/Note Rate = 4.5%	Fully Indexed Rate = 6.0%
<ul style="list-style-type: none"> • Since the fully indexed rate is greater than the Note rate, the fully indexed rate of 6.00% is used for qualification purposes • Using the fully indexed rate in Example 2: \$100,000 @ 6.00%, 23 year remaining term for amortization = \$668.85 monthly qualifying payment for an interest only loan. 	

DTI Ratio

- Maximum DTI is 50% (applies to both fully amortizing and interest only)

Option #2 – Asset Qualification

Qualifying Rate and Ratios

- N/A

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REQUIRED FORMS	<ul style="list-style-type: none"> Borrower Affirmation Alien Status ID Certification VA Analysis Form 26-6393 Loan Analysis to calculate residual income.
RESERVES	<ul style="list-style-type: none"> Minimum 12 months reserves are <u>always</u> required at closing. Cash out from the subject transaction may be used toward the reserve requirement for the Full Doc Program. <u>Additional reserves for each financed property (other than subject):</u> One month PITIA for each additional financed property. PITIA calculated using the actual mortgage payment (PITIA) of the “other” property for each additional property <ul style="list-style-type: none"> Reserves for financed properties with a recent 12 month paid-as-agreed history may be waived Reserves for financed properties acquired within the 12 months prior to application cannot be waived. <p><u>Option #2 – Asset Qualification</u> Required 12 months reserves for Option #2 – Asset Qualification are calculated using <u>only P&I (principal + interest) payment</u>. Other mortgage related debt is included with “60 months monthly debt” calculation as part of loan qualification. See <i>Income/Asset Verification Option #2 – Asset Qualification</i>.</p> <p><u>Option #1 – Full Doc and Option #2 – Asset Qualification</u> <u>Additional reserves for each financed NOO property (other than subject):</u> One month PITIA for each financed NOO property. PITIA calculated using <u>the actual mortgage payment (PITIA)</u> of the “other” property for each additional property.</p> <p>See <i>Credit</i> for additional reserves required as a compensating factor when using reduced waiting periods after a bankruptcy, short sale, deed-in-lieu, or foreclosure.</p> <p><u>PITIA for reserves is the monthly housing expense for a property and includes the following:</u></p> <ul style="list-style-type: none"> Principal and interest (P&I); Hazard, flood, and mortgage insurance premiums (as applicable); Real estate taxes; Ground rent Special assessments; Any owner’s association dues (including utility charges that are attributable to the common areas, but excluding any utility charges that apply to the individual unit); Any monthly co-op corporate fees (less the pro rate share of the master utility charges for servicing individuals units that attributable to the borrower’s unit); Any subordinate financing payments on mortgages secured by the subject property.

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SUBORDINATE FINANCING	<ul style="list-style-type: none"> Subordinate financing must have regular monthly payments at market interest rate that cover at least the interest due so that negative amortization does not occur Financing provided by the property seller is allowed for <u>arm's length transactions only</u> in accordance with FNMA guidelines and program CLTV limits. If financing provided by the seller is more than 2% below current standard rates for second mortgage, the subordinate financing must be considered a sales concession and the subordinate financing amount must be deducted from the sales price. Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five years after the note date of the new first mortgage is unacceptable. An exception may be made when the amount of the subordinate debt is minimal relative to the borrower's financial assets and/or credit profile (FNMA B2-1.1-04)
TEMPORARY BUYDOWN	<ul style="list-style-type: none"> Not Allowed
UNDERWRITING	<ul style="list-style-type: none"> ○ ALL LOANS REQUIRE PRIOR INVESTOR APPROVAL NO EXCEPTIONS: ○ Branch Underwriters must completely underwrite the loan with all material PTD conditions signed off. (Income/Assets/Credit/Collateral) ○ Once underwritten send to Corporate Underwriting to upload to the investor. ○ All investor conditions are to be added to the LSN by the Branch Underwriter after receipt of them from Corporate Underwriting ○ Once the Branch Processor has received all of the investor conditions they are to be reviewed by the Branch Underwriter prior to being sent to Corporate Underwriting to upload to the investor. ○ All required Appraisal documentation is required to be submitted to the investor ○ Investor Underwriting Manager review and signature is required for loan amounts >\$1,000,000. ○ Investor Senior Credit Committee member must review and sign for loan amounts >\$2,000,000. <p><u>Option Two – Asset Qualification</u> <u>Residual Income Calculation for Asset Qualification (Option Two)</u> In accordance with ATR standards, a monthly residual income calculation must be completed when using the Asset Qualification option. The formula for this calculation is:</p> <p><u>Total Monthly Income</u> – <u>Total Monthly Debt Obligations (Expenses)</u> = <u>Monthly Residual Income.</u></p> <p><u>Total Monthly Income</u> = <u>Total Allowable Assets</u> / 60 months</p> <p><u>Example:</u></p> <p>Loan amount \$300,000 Principal and Interest (P & I) for subject = \$2,000</p>

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UNDERWRITING CONTINUED

Verified Assets:

- \$200,000 Checking and Savings (100% usable) = \$200,000
- \$300,000 Stocks and Bonds (90% usable) = \$270,000
- \$400,000 401k (80% usable) = \$320,000
- \$300,000 Mutual Funds (90% usable) = \$270,000

Total Allowable Assets = \$1,060,000

\$1,060,000 (Total Allowable Assets) divided by 60 months = \$17,666.67 in Total Monthly Income

Total Monthly Debt Obligations as defined in 12 CFR 1026.43(C)(7)(i)(A), including payment on the loan, simultaneous loans, mortgage related obligations and current debt obligations (revolving, installment, alimony/child support, hazard insurance, property tax on the subject property, etc.) = \$4,500

\$17,666.67 Total Monthly Income minus \$4,500 Total Monthly Debt Obligations = 413,166.67 Monthly Residual Income

Monthly Residual Income must meet or exceed the income found in the VA Residual Income Table in these guidelines (See *VA Residual Income Tables* below)

Note: Required reserves are **not** deducted from Total Allowable Assets when calculating residual income.

ALL LOANS

- Loans must be manually underwritten and fully documented.
- All loans must be underwritten in compliance with the Ability to Repay standards set forth in 12 C.F.R. §1026.43. For additional topics not specifically or fully addressed by 12 C.F.R. §1026.43 guidance or herein, Fannie Mae underwriting guidelines should be followed
- Underwriter may request a copy of any inspection where repairs or remediation (monetary or other) are specified in a purchase contract, regardless of whether repairs have been completed.
- The underwriter must be comfortable that the borrower is able to repay the loan and that belief must be supported by information from independent third parties. All factors in the loan file must be viewed in totality to reach this conclusion.
- Non-arm's-length transactions are not allowed.

Guideline Variance \ Exceptions:

Minor exceptions to guidelines may be considered on a case by case basis. Compensating factors include, in order or importance:

- Loan to value ratio (LTV)
- Reserves – well above the program requirement (prior to any cash out)
- Credit profile (depth of credit) and credit score
- Length of employment in same occupation/business (long term employment stability)
- Debt to income ratio (DTI)
- Reduction in new housing expense (15% or greater reduction)

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<p>UNDERWRITING CONTINUED</p>	<ul style="list-style-type: none"> • Other compensating factors not listed above. <p>All exceptions must be submitted per the PBM Exception Policy, approved by Corporate Admins and investor.</p> <p><u>Underwriters should:</u></p> <ul style="list-style-type: none"> ○ Make a sound risk assessment of the resources of the applicant before finalizing the loan. An underwriter has the discretion to require any additional documentation they feel is appropriate and reasonable to support the assessment ○ If underwriter requires tax returns to make the proper risk assessment then borrower will be ineligible for this program and underwriter will make a counter offer to another product, if applicable. ○ Defer to FNMA Selling Guide for underwriting issues not addressed in these guidelines. ○ A Fraud Guard Report must be ordered and reviewed by the Underwriter. <p>Note: Investor will run a Corelogic LoanSafe Report</p> <ul style="list-style-type: none"> ○ File must include title commitment with 24 months title history. ○ Loans submitted under this program require prior investor approval. Delegated underwriting is not available.
<p>VA RESIDUAL INCOME CALCULATION</p>	<p>Use VA Form 26-6393 <i>Loan Analysis</i> to calculate residual income. http://www.vba.va.gov/pubs/forms/VBA-26-6393-ARE.pdf</p> <ol style="list-style-type: none"> 1. Calculate the total gross monthly income of all occupying borrowers. (Note: Do not gross up non-taxable income for the residual income calculation) 2. Deduct from gross monthly income: <ol style="list-style-type: none"> a. State income tax b. Federal income tax c. Municipal or other income tax d. Retirement e. Proposed total monthly fixed payment (total mortgage payment + all recurring monthly obligations) f. Estimated maintenance and utilities (use \$0.14 per square foot of gross living area) g. Job related expenses (if applicable- Employee Business Expense from IRS Form 2106) 3. Subtract the sum of the deductions above from the total gross monthly income of all occupying borrowers. The balance is residual income. <p><u>Compensating Factor:</u></p> <p>Residual income may be cited as a compensating factor provided it can be documented and it is at least equal to the applicable amounts for household size and geographic region found on the <i>Table of Residual Incomes by Region</i>.</p> <ul style="list-style-type: none"> ○ To use residual income as a compensating factor, count all member of the household of the occupying borrowers without regard to the nature of their relationship and without regard to whether they are joining on title or the note.

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VA RESIDUAL INCOME CALCULATION CONTINUED

From the table, select the applicable loan amount, region and household size. If residual income equals or exceeds the corresponding amount on the table, it may be cited as a compensating factor.

- **Exception:** The Underwriter may omit any individuals from “family size” who are fully supported from a source of verified income which is not included in effective income in the loan analysis. These individuals must voluntarily provide sufficient documentation to verify their income to qualify for this exception.

VA RESIDUAL INCOME TABLES (VA LENDER MANUAL CHAPTER 4.9)

Investor Specific Requirement must use VA Forms (Use VA Form 26-6393 *Loan Analysis* to calculate residual income.) <http://www.vba.va.gov/pubs/forms/VBA-26-6393-ARE.pdf> for determining Requirement.

- **No Exceptions**

Table of Residual Income by Region for Loan Amounts of \$100,000 and above	
Family Size	West = California
1	\$491
2	\$823
3	\$990
4	\$1,117
2	\$1,158
Over 5	Add \$80 for each additional member up to a family of seven

Acceptable Bank List for Foreign National Asset Documentation

Agricultural Bank of China	Groupe BPCE	Royal Bank of Scotland
Bank of America	Group Crédit Agricole	Royal Bank of Canada (RBC Bank)
Bank of China	HSBC	Santander
Bank of New York Mellon	Industrial and Commercial Bank of China Limited	Société Générale
Barclays	ING Bank	Standard Chartered
BBVA	JP Morgan Chase	State Street
BNP Paribas	Macquarie Bank Limited	Sumitomo Mitsui FG
Citigroup	Mitsubishi UFJ FG	UBS
Credit Suisse	Mizuho FG	Unicredit Group
Deutsche Bank	Morgan Stanley	Wells Fargo
Goldman Sachs	Nordea	

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IQM Foreign National Program – Underwriting Guidelines

EXHIBIT A Borrower Affirmation – Option #1 – Full Doc

Date:

Loan No

Borrower Name:

1. I understand that my monthly payment on this loan will be as follows:

Fixed Mortgage

For _____ years
My monthly payment is \$ _____

Adjustable Rate Mortgage

For the first _____ years
My monthly payment is \$ _____
I understand my payment may adjust (more than once) after the first _____ years.

2. I understand the checked items below on this property will be approximately this amount per month \$

Property taxes
 Hazard Insurance
 Flood Insurance
 Mortgage Insurance

The checked items above will be impounded.

The items not checked will not be impounded; and if not impounded I am responsible to pay them directly.

3. I believe I can afford to make the monthly payment on the loan.
4. I am not aware of anything in the future that will affect my ability to make this loan payment.
5. If my loan program did not require that I submit my prior tax returns, I understand that if I had provided additional verifiable documentation of my income, such as my tax returns or W-2 wage statements or other documentation deemed necessary to support my income, I may have been able to qualify for a loan with different loan terms or conditions such as a lower interest rate.

NOTE: If there is a discrepancy between the terms in this document and the actual loan documents, the terms of the loan documents prevail.

I certify that the above information and the information on the final Uniform Residential Loan Application (Form 1003) is true and correct as of this day and that it represents an accurate picture of my financial status.

Borrower name

Borrower name

Borrower name

Borrower name

IMC-0007 (Borrower Affirmation – Agency and Alternative Bank Statements v2- Rev 03/16)

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IQM Foreign National Program – Underwriting Guidelines

EXHIBIT B

Borrower Affirmation – Option #2 – Asset Qualification

Date:

Loan No

Borrower Name:

1. I understand that Impac Mortgage Corp. will determine my Ability to Repay this mortgage loan, as it is required to do under existing law, solely on the basis of existing assets that I currently maintain.
2. I understand that my monthly payment on this loan will be as follows:
 Fixed Mortgage
For _____ years
My monthly payment is \$ _____

 Adjustable Rate Mortgage
For the first _____ years
My monthly payment is \$ _____
I understand my payment may adjust (more than once) after the first _____ years.
3. I understand the checked items below on this property will be approximately this amount per month \$
 Property taxes
 Hazard Insurance
 Flood Insurance
 Mortgage Insurance

The checked items above will be impounded.

The items not checked will not be impounded; and if not impounded I am responsible to pay them directly.
4. I believe I can afford to make the monthly payment on the loan.
5. I am not aware of anything in the future that will affect my ability to make this loan payment.
6. My loan program did not require that I submit my prior tax returns. I understand that if I had provided verifiable documentation of my income, such as my tax returns or W-2 wage statements or other documentation deemed necessary to support my income, I may have been able to qualify for a different loan program with different loan terms or conditions such as a lower interest rate.

NOTE: If there is a discrepancy between the terms in this document and the actual loan documents, the terms of the loan documents prevail.

I certify that the above information and the information on the final Uniform Residential Loan Application (Form 1003) is true and correct as of this day and that it represents an accurate picture of my financial status.

Borrower name

Borrower name

Borrower name

Borrower name

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IQM Foreign National Program – Underwriting Guidelines

EXHIBIT C

IQM Asset Qualifier Worksheet

Assets:	Original \$ Amount	Percentage Allowed	Usable \$ Amount
Checking/Savings/Money Market	\$200,000	100%	\$200,000
Stocks and Bonds	\$300,000	90%	\$270,000
Mutual Funds	\$300,000	90%	\$270,000
Retirement Accounts (401K, IRA, SEP, Keogh (if distribution is not already set up))	\$400,000	80%	\$320,000
Total Allowable (Usable) Assets			\$1,060,000
Total Allowable (Usable) Assets	\$1,060,000		
Less: Down Payment (Purchase Only), Closing Costs and Prepays (enter negative number>>>)			
Less: Loan Amount (enter negative number>>>)	-\$300,000		
Total Residual Assets	\$760,000		
Total of all other monthly debts (revolving, installment, support, property hazard insurance, property taxes, PITIA of other REO) (Total Monthly Debt Obligations)	\$4,500		
60 months of all other monthly debts	\$270,000		
Subject P&I Reserves (e.g., 3 mos @ \$1700/mo)	\$5,100		
	\$275,100		
Are Total Residual Assets greater than 60 months of all other monthly debt plus required reserves (see matrix)	Yes = loan qualifies		
Total Monthly Income (Total Allowable Assets / 60 months)	\$17,666.67	Monthly Residual Income (Total Monthly Income minus Total Monthly Debt Obligations)	\$11,166.67
Note: Any asset that has a loan against it (borrowing on margin, 401 K loan etc...) must be netted against the asset.			
UNDERWRITER COMMENT			
Underwriter:		Date:	

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