bluepoint MORTGAGE

Core Jumbo Program

Core Jumbo Fixed Rate and ARM Program Matrix:				
PURCHASE AND RATE TERM REFINANCE[1,3,4]				
Occupancy	**Units**	**FICO/Credit Score**	**LTV/CLTV**	**Loan Amount**
Primary Residence	1	740	90/90 Purch only	$1,000,000
		720	85/85 Purch only	$2,000,000
			80/90	$2,500,000
		700	80/90[2]	$2,000,000
			75/85[2]	$2,250,000
			70/80[2]	$2,500,000
		680	80/90[2]	$1,500,000
	2-4	720	80/80	$1,500,000
		700	75/75	$1,000,000
Second Home	1	720	75/75	$1,500,000
			70/70	$2,000,000
			65/65	$2,500,000
Investment	1	740	65/65	$1,500,000
CASH-OUT REFINANCE[1,8]				
Primary Residence	1	700	65/65[6]	$1,500,000
		720	75/75[7]	$1,000,000
			65/65[6]	$2,000,000
			55/55[5]	$2,500,000
Second Home	1	740	70/70[7]	$1,000,000
			65/65[6]	$1,500,000
			60/60[6]	$2,000,000

Program Matrix Notes:

1. Declining Markets: If appraiser notes declining market, the LTV must be reduced 5%.
2. Maximum 38% DTI when the LTV/CLTV > 75% and FICO is < 720.
3. For Rate Term Refinance transactions, maximum cash out amount permitted is $2,000.
4. Delayed Financing may be underwritten and priced as a rate term refinance. Maximum LTV per Matrix. Maximum loan amount per Matrix. Rate term cash back amount restriction does not apply.
5. For Cash Out transactions, maximum cash out amount permitted is $500,000 to 60% LTV/CLTV.
6. For Cash Out transactions, maximum cash out amount permitted is $350,000 to 65% LTV/CLTV.
7. For Cash Out transactions, maximum cash out amount permitted is $250,000 to 75% LTV/CLTV
8. To be eligible for a Cash Out refinance transaction, all liens on the loan being paid off must be seasoned for at least six months.

Reserves			
Occupancy	**# of Months PITI**	**LTV**	**Loan Amount**
Primary Residence	9	< 80%	$1,500,000
	12	< 80%	$2,000,000
	24	≤ 80%	$2,500,000
	18	> 80%	$2,000,000
	24	> 85%	$1,000,000
Second Home	9	≤ 75%	$1,000,000
	12	≤ 75%	$1,500,000
	18	≤ 75%	$2,000,000
	30	≤ 75%	$2,500,000
Investment Property	18	≤ 65%	$1,500,000
Borrower has multiple financed properties	Each additional financed property requires six (6) months PITI.		

Jumbo Fixed Rate Texas(a)(6) Program Matrix:				
RATE TERM REFINANCE[1,2]				
Occupancy	**Units**	**FICO/Credit Score**	**LTV/CLTV**	**Max Loan Amount**
Primary Residence	1	740	80/80	$1,500,000
CASH-OUT REFINANCE[1,3]				
Primary Residence	1	740	65/65	$1,000,000
			60/60	$1,500,000

Program Matrix Notes:

- Texas (a)(6) rate term and cash-out transactions: Allowed on 30 year fixed term only.
- Cooperative units not allowed.
- Any existing Texas Section 50(a)(6) lien must be seasoned for at least 12 months before the borrower is eligible for a new refinance.
- Refer to the Texas (a)(6) Addendum for anything not addressed.

1. Declining Markets: If appraiser notes declining market, the LTV must be reduced 5%.
2. For Texas (a)(6) rate term refinance transactions, no cash back is allowed.
3. For Texas (a)(6) cash-out refinance transactions, maximum cash out amount permitted is $250,000.

Reserves		
Occupancy	**# of Months PITI**	**Loan Amount**
Primary Residence	9	$1,000,000
	12	$1,500,000
Borrower has multiple financed properties	Each additional financed property requires six (6) months PITI.	

Product Detail	Product Guidelines
Refer to Appendix Q and the Conventional Conforming Program Summary for any subject not addressed in this program summary.	
AUS	• Loans must be manually underwritten • Loans are not required to be submitted through AUS.
Ability to Repay/Qualified Mortgage Rule	• BluePoint will purchase only Safe Harbor Qualified Mortgages as defined under HUD and the Dodd-Frank Wall Street Reform and Consumer Protection Act.
Amortization Type	Fixed Rate and Adjustable Rate Mortgage (ARM)

Appraisals	• Purchases:
	  ○ One appraisal required for all loans ≤ $1,500,000.
	  ○ Two appraisals required for all loans > $1,500,000
	• Refinances:
	  ○ One appraisal required for all loans ≤ $1,000,000.
	  ○ Two appraisals required for all loans > $1,000,000.
	• Appraiser must provide at least six comparable sales. Preferably all comparable sales should be closed sales. If the appraiser is unable to provide six comparable closed sales, the appraiser may use comparable listings or pending sales, but at a minimum 4 of the comparable sales must be closed sales.
	• 1 unit properties require a Collateral Desktop Analysis (CDA) ordered through Clear Capital. If 2 appraisals are required based on the loan amount and transaction type, the CDA must be ordered on the lower of the 2 appraisals.
	• 2 unit properties require a field review ordered through Clear Capital.
	• Value will be assessed at the lesser of the appraised values or field review. If the difference of value between the appraisal and the CDA is within the acceptable variance tolerance percentage per the below waterfall, the appraised value may be used.
	• Refer to the Appraisal Valuation Waterfall Chart for collateral requirements.
	• A new full appraisal is required if the appraisal is dated more than is more than 120 days old from the date of the note.
	• A new appraisal is required for both purchase and refinance transactions (appraisal update/ recertification of value not permitted).
	• Appraisal transfers are not allowed.

ARM Information	• 5/1 ARM = 2/2/5 • 7/1 and 10/1 ARM = 5/2/5 • Margin/Floor: 2.25% • Index:1 Year Libor
ARM Qualification	• Fully Amortized 5/1: Qualify at the greater of Note rate plus 2% or the fully indexed rate • Fully Amortized 7/1 and 10/1: Qualify at Note rate
Assets	• Full Asset Documentation is required for both funds to close and reserves. For most asset types, this would include all pages of the most recent two months statements or the most recent quarterly statement.

	• Gifts are allowed for down payment, closing costs, and reserves with the following restrictions:
	  ○ Primary residence only
	  ○ Min 5% borrower contribution required
	  ○ Gifts of equity not allowed
	  ○ Not allowed on non-arms length transactions
	• Borrower must disclose, and lender must verify, all qualifying assets.
	• Business accounts are not eligible to help meet reserve requirements; the underwriter may consider business accounts for funds to close if the borrower is 100% owner of the business. A cash flow analysis or a letter from the business accountant is required to confirm that the withdrawal will not negatively impact the business.
	• Stocks/Bonds/Mutual Funds - 70% may be used for reserves.
	• Vested Retirement Account funds – 60% may be considered for reserves. The terms of withdrawal must show the borrower has access to the funds.
	• If needed to close, verification that funds have been liquidated (if applicable) is required.
	• Large deposits in excess of 25% of monthly qualifying income or any large deposit that is out of the ordinary are required to be explained and source documented in the file.
	• IRS 1031 Exchange allowed on a case by case basis.
	
	Ineligible
	• Gift of Equity
	• Grant Funds
	• Pooled funds
	• Builder Profits
	• No Employer Assistance Assets
	• Foreign assets
	• Cash advance on credit card
	• Signature loan
	• Unsecured financing
	• Personal loan
	• Cash for which the source cannot be verified (cash on hand)
	• Commission from sale of subject property
	• Salary advance
	• Sweat equity (contribution to the construction or rehabilitation of a property in the form of labor or services rather than cash)
	• Unverifiable source of funds
	• Reverse mortgage
	• Pension fund
	• Seller Real Estate Tax Credit
	• Funds donated by the property seller, builder, real estate agent or any other party not related to the borrower to satisfy down payment requirements

Assumable	• Fixed Rate products are not assumable. • ARM products are assumable to a qualified borrower after the fixed term.
Borrower Eligibility	**Eligible Borrowers**: • U.S Citizens • Permanent Resident Aliens

<table>
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Non-Permanent Resident Aliens with an unexpired visa and a minimum two-year history of credit and employment in the U.S.
Non-arms length transactions on primary residences only
First time homebuyers

A First Time Homebuyer is an individual that has not had a mortgage in the past or owned a home in the past 3 years.

Non-Purchasing Spouse
Non-occupant co-borrowers are allowed. Only the income of the occupying borrower(s) must be used to calculate the DTI ratio. The occupying borrower(s) must make the first 5% of the down payment from their own funds.

Eligible Title Vesting:

Individuals
Joint Tenants
Tenants in Common
Revocable Trusts, where individual Borrower(s) execute both the Note and Security Instrument

Ineligible Borrowers include, but are not limited to:

Foreign nationals
Irrevocable Trusts or blind trusts
Limited partnerships, general partnerships, corporations

</td></tr>
<tr><td>Construction to Permanent Financing</td><td>

Two time closings are allowed per Agency guidelines.

If the borrower owned the property for less than 12 months (measured from the HUD-1/Closing Disclosure closing date to the application date of the new loan): The LTV is based on the lesser of the current appraised value or the sales price plus any documented improvement costs.

One time closings are not allowed.

</td></tr>
<tr><td>Credit</td><td>
<u>Credit Score:</u>

Residential Mortgage Credit Report or tri-merged in file from all three repositories is required
The representative credit score for each borrower is the median of the three scores (or lesser of two, if only two scores are returned); the representative score for the loan is that of the borrower with the lowest representative score

<u>Tradeline Requirements:</u>

A borrower not using income to qualify and showing $0 earned or is not employed; does not need to meet the below tradeline requirements.
Each borrower must meet one of the minimum tradeline requirements below:
<table>
<tr><th>Option</th><th>Requirement</th></tr>
<tr><td>1</td><td>Borrower must have a minimum of 3 open tradelines that have been active within the last 12 months and reporting for a minimum of 12 months.
One of the three must be open and active within the last 24 months and reporting for a minimum of 24 months,
and at least one of the three trade lines must be an installment or mortgage account.</td></tr>
<tr><td>2</td><td>Borrower must have a minimum of 1 open tradeline that has been active within the last 12 months and reporting for a minimum of 12 months.</td></tr>
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<tr><td></td><td>Borrower must have an established credit history with 7 or more tradelines reported within the last 7 years, AND
• at least 3 of the 7 tradelines must be installments or 1 of the 7 tradelines must be a mortgage tradeline.
OR
• at least 1 of the 7 tradelines must be an installment tradeline, and the loan meets all of the following loan parameters:
○ Minimum 740 FICO
○ Minimum 36 months reserves
○ Residual income of at least $7,500 per month</td></tr>
</table>
<u>Housing Payment History:</u>
• Subject property and/or current primary residence must have a mortgage/rental history of 0x30 in the most current 24 months as evidenced by a credit report, 24 months of cancelled checks, or an institutional VOM/VOR covering 24 months. Private VOM/VOR is allowed with a 24 month history and the most recent 18 months canceled checks or bank statements.
○ Borrowers owning their primary residence free and clear: For any time period where a mortgage payment was not required, proof that all property tax payments, hazard insurance premium payments, flood insurance premium payments, ground lease payments, and homeowners' assessments, as applicable, have been paid on must be included in the file. The monthly (or annual) payments must continue to be recognized as a monthly liability
○ Gaps in primary housing history or borrowers with > 18 months housing history but ≤ 24 months of housing history have the following restrictions:
– Limited to a Primary Residence
– No more than 6 months gap
– 40% DTI
• For all other properties, the mortgage history must be no more than 1x30 in the last 24 months as evidenced by a credit report, 24 months of cancelled checks, or an institutional VOM/VOR covering 24 months. Private VOM/VOR is allowed with a 24 month history and the most recent 18 months canceled checks or bank statements.
<u>Additional Credit Requirements:</u>
• A written explanation for all inquiries within 90 days is required
• No bankruptcy, pre-foreclosure, foreclosure, deed-in-lieu of foreclosure, short sale or modifications on any property within the last 7 years from the application date.
• A subsequent refinance of a previously modified mortgage is not allowed.
• All Judgments or liens affecting title must be paid
• Non-title charge-offs and collections exceeding $1,000 (either individually or in aggregate) must be paid
• All past due accounts must be brought current prior to closing.
• Borrowers with a history of collection accounts should be required to pay off derogatory accounts
• No Authorized User Accounts will be used to satisfy minimum tradeline or FICO requirements</td></tr>
<tr><td>Declining Market</td><td>If appraiser notes declining market, reduce LTV/CLTV by 5%.</td></tr>
<tr><td>Documentation</td><td>• Full
• Completed, signed and dated final Fannie Mae 1003 Application.
• All credit documentation must be dated within 90 days of closing. The most recent bank statement to verify the source of funds must be dated no more than 45 days earlier</td></tr>
</table>

	than the date of the loan application, and not more than 90 days earlier than the date of the Note.
Down Payment Requirements	Minimum 5%
Down Payment Assistance	Not allowed.

Employment/Income Verification	**Eligible Income:**
	Full Income Documentation is required per Appendix Q. For most income types, this would include:
	• Employed Borrowers: Most Recent Paystub including year-to-date earnings (covering minimum of 30 days) and two years W2's. If a Request for Verification of Employment, Form 1005 is used, the file must also include a current pay stub for the most recent 30 day period and the most recent year's W-2. If tax returns are required, they must be signed and dated.
	• Self-employed Borrowers (where borrower has 25% or more ownership interest) must provide the following documentation:
	  ○ Signed, dated individual tax returns, with all applicable tax schedules for the most recent two years;
	  ○ For a corporation, "S" corporation, or partnership, signed copies of Federal business income tax returns for the last two years, with all applicable tax schedules;
	  ○ Year to date profit and loss (P&L) statement and balance sheet.
	  ○ Full profit and loss (P&L) statement and balance sheet for current year to date. The previous year P&L and Balance Sheet are also required if the previous year's income is not documented by validated personal and business income tax returns.
	  ○ Income documents are required regardless of whether income is being used for qualifying purposes per Appendix Q.
	• Gaps in Employment (per Appendix Q): The borrower's employment must be verified for the most recent two full years. Allowances can be made for seasonal employment, typical for the building trades and agriculture, if verified.
	  ○ The end dates/start dates of any job changes within the most recent two full years must be verified with either paystubs, VOEs, or employment contracts to ensure that there are no gaps in employment history.
	  ○ Any gaps in employment over one month in the past two years must be satisfactorily explained in writing by the borrower.
	  ○ Multiple job gaps or frequent changes in employment in the past 24 months should be carefully reviewed to determine if the borrower's employment is stable and likely to continue.
	  ○ If the borrowers have been employed less than two years but were previously in school or in the military, a copy of the diploma or discharge papers must be obtained.
	  ○ If the borrower is re-entering the workforce, obtain documentation to support that the borrower has been at the current employment for a minimum of six months and documentation to show a previous work history.
	• In addition, Verbal Verification of Employment required for all borrowers and must be completed:
	  ○ Within 10 calendar days prior to the closing date for employment income
	  ○ Within 30 calendar days prior to the closing date for self-employment income (VVOE for Self Employed income should include verification of a phone listing and address for the borrower's business AND verification through a third party such as a CPA,

	regulatory agency or applicable licensing bureau. If contact is made verbally, the loan file must be documented to identify both the source of the information obtained and the name & title of the person who obtained the information.
	• Projected income is only acceptable for qualifying purposes under the following guidelines:
	  ○ Written document verifying the income and situation from the borrower's employer and
	  ○ Written letter of explanation from the borrower that the income will begin within 45 days of loan closing
	  ○ Acceptable borrower situations:
	  ▪ Cost-of-living adjustments
	  ▪ Performance raises
	  ▪ New Jobs: The following also apply:
	  • verify that the borrower will have sufficient income or cash reserves to support the mortgage payment and any other obligations between loan closing and the start of employment,
	  • the borrower must have a non-revocable contract for employment
	  ○ Calculation: 100% of the projected income may be considered as qualifying income. The total monthly eligible Projected Income is the total Projected Income over the next 2 years, divided by 24.
	• Rental income from second homes is not permitted.
	• Rental Income Calculation:
	  ○ If the property was acquired subsequent to the most recent tax filing year, a signed lease agreement should be used to calculate qualifying rental income.
	  ○ Rental income should be calculated using the 1040 tax return (Schedule E) information.
	  • In the event rental income is reporting for only 1 year, a 12 month average of the rental income can be used.
	  • If the rental property has been owned by the borrower for equal to or more than two years, the rental income should be calculated using 1040 tax return (Schedule E) information averaged for the last 24 months. If the rental income declined in the most recent tax return then a 12 month average of the prior year rental income should be used.
	  • Per Appendix Q, a current lease agreement is always required to verify that the property will continue to be rented.
	
	Ineligible Income:
	• Depletion of assets (Asset dissipation)
	• Educational benefits, such as VA benefits or scholarships
	• Lump sum payments such as inheritances or lawsuit settlements (may be verified as assets to close)
	• Payments that are received for purchase or reimbursement of specified items
	• Retained earnings
	• Reverse Mortgage Loan proceeds
	• Secondary income that will continue for less than three years
	• Taxable forms of income that the borrower does not declare on federal income tax returns
	• Unverifiable income
	• Value of a company furnished automobile

	• Value of employment benefit packages that are not received as cash wages • Lump sum payments of lottery earnings that are not ongoing • Non-borrower spouse income • Student loans/grants • Allowance income (for example, an allowance received from a family member) • Stock options • Room and board received for the borrower's principal residence. • Severance Pay • Trailing wage earner income • Foreign income • Marijuana Related Business (MRB) employment and income
Escrow Holdbacks	Not allowed.
Escrow Waivers	Allowed
FICO	680
Financing Concessions	Allowed in accordance with FNMA. Amounts in excess of the limits set forth by FNMA or additional cash back to the borrower for any contributions that exceed the actual amount of closing costs are considered to be sales concessions and must be treated accordingly (deducted from sales price when calculating LTV).
High Cost / High Priced	Not allowed
Ineligible Transactions	• Temporary buydowns • Conversion (modification) loans • Construction loans • Balloon Mortgages
Lien Position	First
Maximum Loan Amount	Dependent on loan type, occupancy, FICO and LTV.
Minimum Loan Amount	Conforming loan limit + $1
Mortgage Insurance	Not Required.
Number of Financed Properties	• Maximum of 4 financed properties. • Refer to the reserves chart below for borrowers with multiple financed properties. • The aggregate total of properties financed with BluePoint including the loan amount on the subject property may not exceed $3,000,000.
Pre-payment Penalty	Not allowed.

Occupancy	• 1-4 unit Primary Residence
	  ○ First time homebuyers limited to owner-occupied primary residences
	• 1 unit Second Home
	  ○ Borrower may not own another second home or investment property in the same area as the subject.
	• 1 unit Investment

Property Types	**Eligible Property Types:** • One Unit Single Family Residences (Attached and Detached) • PUDs (Attached and Detached) • Warrantable low and high rise condominiums. (Attached and Detached) Warranty must meet FNMA's project review guidance. Loan level Project Eligibility Waivers are not allowed. Refer to Conventional Condominium guidelines.

	• 2-4 Unit Properties.
	• Properties with deed restrictions - Allowed if they meet Fannie Mae requirements
	• Townhomes
	• Leasehold Estates:
	  • the borrower is the owner of a valid and subsisting interest as tenant under the lease and is not in default thereunder,
	  • the lease is in full force and effect, and is unmodified,
	  • all rents and other charges have been paid when due,
	  • the lessor under the lease is not in default,
	  • the execution, delivery, and performance of the Mortgage do not require the consent (other than the consents that have been obtained and are in full force and effect) under, and will not violate or cause a default under, the terms of the lease,
	  • the lease is assignable or transferable,
	  • the term of such lease does not terminate earlier than five years after the maturity date of the Mortgage Note,
	  • the lease does not provide for termination of the lease in the event of the borrower's default without written notice to the Mortgagee and a reasonable opportunity to cure the default,
	  • the lease permits the mortgaging of the related Mortgaged Property and
	  • the lease protects the Mortgagee's interests in the event of a property condemnation.
	  • the Mortgaged Property is located in a jurisdiction in which the use of leasehold estates for residential properties is an accepted practice.
	
	Ineligible Property Types include, but are not limited to:
	• Non-Warrantable Condos
	• Dome properties
	• Mixed use properties
	• Log Homes
	• Unique properties
	• Agricultural zoned
	• Properties with more than 20 acres (> 10 acres are allowed on a case by case basis)
	• Mobile homes
	• Manufactured homes
	• Co-ops
	• Unique properties
	• Houseboats
	• Geodesic domes
	• Hobby or working farms, ranches, orchards, and/or commercial operations
	• Property used for commercial purposes
	• Unimproved land
	• Residences lacking kitchen and full bathroom facilities
	• Hotel Condominiums (Condominium Hotel) Hotel or motel conversions, or conversions of other transient properties (i.e.; lodge, motor inn, etc.)
	• Properties in less than average condition
	• Properties sold at auction by the builder, developer, or construction lender are not eligible.

	• Previously approved condominium and Planned Unit Development (PUD) projects are often no longer acceptable if they have been sold at auction.
	• Foreclosed properties located in a state where a redemption period is allowed (allowed in some states for both Tax Sales and Judicial Foreclosures) until: The redemption period has expired AND the foreclosure sale had been confirmed AND clear and marketable title can be obtained.
	• Factory built housing
	• Projects in current or pending litigation
	
	Acreage
	• > 10 acres but < 20 acres are allowed on a case by case basis.
	• Maximum land value:
	  ○ Rural properties – Not to exceed 35%. The land value would be based on total acreage.
	  ○ Non-rural Properties – No maximum land value as long as the property conforms to the area.
	• Working farms, commercial operations, or any other income producing properties are not allowed. Income must be incidental and noncommercial in nature. Incidental income cannot be a large percentage of the borrower's income or related to their main source of income.
	• The primary use of the property must be residential and zoning must allow for residential use. Some communities have enacted a zone comprised of land located in an agricultural area but not suited to farming. An example of this type of zoning is A-3. Residential development is allowed in this zone, and while not limited to, is typically one home on one acre or less with sewer services or the minimum acres needed for on-lot sewage disposal. As the intended and allowable use of the land in this zone is residential and not agricultural, despite a prefix of agricultural in the zoning, properties are eligible as long as all other eligibility requirements are met.
	• Properties on privately owned and maintained streets require a private road maintenance agreement, except for properties in California. If the property is located within a state, other than California, that has statutory provisions that define the responsibilities of property owners for the maintenance and repair of a private street, no separate agreement or covenant is required as long as the statutory provisions provided in the file.
	• The appraiser must consider all acres of the subject property and the comparables must be of similar size.
	• The property must be appraised and the final conclusion and estimate of value must be based on the actual acreage and lot size.
	• Multiple parcels

Ratios	Max 43% DTI.
Recently Listed Properties	• Limited Cash-Out Transaction - The listing agreement must be canceled at least six months prior to the date the application is taken. A copy of the canceled/expired listing should be placed in the file and a search of the current multiple listing service should be completed to verify that the property is not currently listed by a different agency. • Cash-Out Transaction - The listing agreement must be canceled at least six months prior to the application date. A copy of the canceled/expired listing should be placed in the file and a search of the current multiple listing service should be completed to verify that the property is not currently listed by a different agency.

Reserves	• Refer to the Reserves Chart.
Secondary Financing	• New and existing subordinate financing is allowed per Fannie Mae guidelines. • Payments on subordinate financing must be considered as part of the borrower's recurring monthly debt obligation. • If the subordinate financing on the subject property is a HELOC, the monthly payment must be calculated based on the current rate of the total line amount, even if the HELOC has a $0 balance.
Seller Contributions	6% of the lesser of the sales price or appraised value
Temporary Buydowns	Not Allowed.
Tax Transcripts	• All loans require IRS 1040 tax transcripts for the tax returns. • IRS Form 4506T is required to be signed and executed during the origination process, and transcript documentation for the most recent two years must be provided in the closed loan file. For self-employed borrowers, this applies to both personal returns and business returns (for businesses where borrower has 25% or more ownership). Transcripts and returns must match. • Form 4506T must also be signed at closing.
Term	Fixed: 15 and 30 years Texas (a)(6) Fixed:30 years ARM: 30 years

Transaction Types	Purchase
	• Allowed.
	• Rent-backs: Renting the property back to the seller after closing for a maximum of 30 days is allowed.
	
	Limited Cash-Out/Rate & Term Refinance
	• Payoff of a non-purchase money closed end and HELOC 2nd liens will be considered a rate/term refinance if they are seasoned > 12 months and the draw on the HELOC is not greater than $2,000 within the last 12 months
	• Payoff of a home improvement junior lien that is seasoned less than year subject to the following restrictions:
	  ○ A final inspection is required if the appraisal is made subject to completion of the improvements.
	  ○ If completed, improvements must have been completed within the 12 months prior to the loan application, and the appraisal must note the improvements being made.
	  ○ Closing costs, financing costs, and prepaids may be financed.
	• Delayed financing is allowed. May be underwritten and priced as a rate term refinance.
	  ○ Maximum LTV is per the LTV Matrix.
	  ○ Maximum loan amount is per the LTV Matric.
	  ○ Rate term cash back amount restriction does not apply.
	  ○ All other Fannie Mae guidelines must be followed.
	• There is zero cash back allowed for rate term refinance transactions on primary/homestead residences in the state of Texas.
	• Cash back to the borrower in an amount no greater than $2,000.00.
	• No seasoning of first mortgage.

	• Borrower owned the property for less than 12 months (measured from the HUD-1/ Closing Disclosure closing date to the application date of the new loan): The LTV is based on the lesser of the current appraised value or the sales price plus any documented improvement costs.
	• Refinancing a first lien that was previously a cash out refinance requires the loan to be seasoned for a minimum of 12 months in order to be considered a rate and term refinance.
	
	<u>Cash-Out Refinance</u>
	• The mortgage amount may include the present first mortgage payoff, subordinate liens, closing costs, payoff of debt and additional cash to the borrower.
	• Borrower must have owned the property for a minimum of 6 months (date vested on title to note date).
	• Borrower owned the property for less than 12 months (measured from the HUD-1 /Closing Disclosure closing date to the application date of the new loan): The LTV is based on the lesser of the current appraised value or the sales price plus any documented improvement costs.
	• Refer to the LTV Matrix for max cash out limits.
	• The maximum cash out limit is the aggregate amount between debt being paid off (including non-purchase money 2nds) and cash in hand.
	• Texas Agency cash-out refinance transactions are allowed.
	• Texas (a)(6) rate term and cash-out refinance transactions are allowed on primary residences with the following parameters:
	  ○ 30 year fixed term only.
	  ○ Maximum cash out amount permitted is $250,000.
	  ○ Delayed financing is allowed up to $250,000.
	  ○ Refer to the Core Jumbo Program Summary for the applicable product code, reserve requirements, maximum LTV restrictions and minimum FICO restrictions.
	  ○ Refer to the Texas (a)(6) Program Summary for additional guidelines.

Underwriting	• Loans should be manually underwritten. AUS submission is not required. • These guides are to be used in conjunction with the Conventional Conforming Guidelines. • Cash out may not be used to pay down debt to qualify for the loan • Borrowers cannot pay down revolving debt within 90 days of the credit report in order to qualify for the loan nor pay down installment debt to 10 payments or less to exclude payment from DTI calculations. • Conversion to investment property, 2nd home or listed for sale, requires a minimum 30% equity in the departing residence evidenced by an AVM, at a minimum, if rental income is being utilized to qualify. • Departing properties with less than 30% documented equity: Six months reserves PITIA for the converted property are required in addition to standard reserves. Borrower must qualify with both payments. Rental income may not be used. **<u>Payment Shock Requirements:</u>** • Payment shock not to exceed 250% for: ○ first time homebuyers

	○ borrowers with less than 5 years job history and or consistent earned income. (If the borrower sold their home within the last 180 days, use the prior mortgage payment for purposes of payment shock calculation. A copy of the HUD1 for the sale of the home is required.) • Calculation: Difference in payment/Existing PITIA x 100 = Payment Shock % • Example: ○ Proposed PITIA is $5000. ○ Existing PITIA is $3000. ○ Payment differential is $2000. ○ $2000 (Payment differential) / $3000 (Existing PITIA) =0.6667 ○ 0.6667 * 100 = 66.667% payment shock.

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Appraisal Valuation Waterfall Chart:

Screening Criteria	Initial Review Type	CDA Recommends Field Review	Variance	<= 65.00%	65.01 - 75.00%	75.01 - 80.00%
1-Unit	CDA	No	No Variance	Approve	Approve	Approve
			> 0% and < 8%	Approve	Approve	Review and Approve CDA
			>= 8% and < 10%	Approve	Review and Approve CDA	Subsequent Field Review Required
			>= 10% or indeterminate	Subsequent Field Review Required	Subsequent Field Review Required	Subsequent Field Review Required
		Yes	No Variance	Approve	Approve	Approve
			> 0% and < 8%	Approve	Review and Approve CDA	Review and Approve CDA
			>= 8% and < 10%	Review and Approve CDA	Review and Approve CDA	Subsequent Field Review Required
			>= 10% or indeterminate	Subsequent Field Review Required	Subsequent Field Review Required	Subsequent Field Review Required
2 Unit	Field Review	N/A	N/A	Default to Field Review	Default to Field Review	Default to Field Review