FUNDLOANS

APEX PRIME

BANK STATEMENT GUIDELINES

Effective 11-14-2024 | V5.4

Contents

PROGRAMS 3
ELIGIBLE TRANSACTIONS 4
CITIZENSHIP / RESIDENCY 8
VESTING 9
INCOME 11
PROPERTY ELIGIBILITY 26
CREDIT 30
LIABILITIES 38
ASSETS 39
PROGRAM EXCEPTIONS 42

PROGRAMS

1.1 Programs: Overview

FundLoans guidelines are structured to assist Brokers by making common-sense lending decisions on loans to their borrowers who may have limited access to credit. These borrower's situations generally require us to consider alternative forms of documenting income and/or compensating factors which can offset repayment risk indicated by a recent credit event or elevated debt-to-income ratio.

Loans eligible for sale to a Government Sponsored Entity ("FNMA" or "FHLMC") are not eligible.

1.2 Programs: Eligible Products

See Program Matrix

1.3 Programs: Loan Amounts

See Program Matrix

1.4 Programs: Prepayment Penalties

1 year to 5-year Prepayment Penalty on Non-Owner Occupied properties only and must meet all federal and state requirements.

1.5 Programs: Minimum FICO

See Program Matrix

1.6 Programs: Maximum LTV/CLTV

See Program Matrix

1.7 Programs: Interested Party Contributions (Seller Concessions)

Interested Party Contributions are allowed up to a max of 6% on Primary and 2nd Home transactions and a max of 3% on Investment/NOO transactions. The property's sales price must be adjusted downward to reflect the amount of contribution that exceeds the maximum, and the maximum LTV/CLTV ratios must be recalculated using the reduced sales price or appraised value.

1.8 Programs: Escrow – Impound Accounts

Escrow/impound accounts are assumed to be established for all loans. Impounds for either insurance, taxes or both, may be waived on a case-by-case exception basis under the following circumstances:

- For loans determined not to be HPML (High Priced Mortgage Loans) an option to waive impounds can be considered for an adjustment to rate or costs.
- LTV 90% or less
- 660 minimum credit score

1.9 Programs: Secondary Financing

Secondary financing is limited to Institutional Banks and Non-Bank Lenders (at FundLoans' discretion).

Existing secondary financing must have a recorded subordination agreement or be paid in full at the time of a refinance. CLTV calculations must be calculated at the maximum available draw amount on HELOC's unless the applicant can provide documentation to prove the line of credit is past its draw period.

All subordination agreements must be approved by FundLoans' Legal Department.

1.10 Programs: Ability to Repay / Qualified Mortgage Rule

FundLoans will only fund loans that meet the CFPB's requirements under its Ability-to-Repay (ATR) /

Qualified Mortgage Rule.

1.11 Programs: State and Federal High-Cost Loans

Loans meeting the State or Federal definitions of High-Cost Loans are not permitted.
Texas Section 50(a)(6) not allowed on owner-occupied >$3,000,000, lesser loan amounts will require additional overlays and 5% LTV reduction.

1.12 Programs: Listing Seasoning

Properties previously listed for sale must be seasoned at least 6 months from the listing contract expiration date to the application date. Listings seasoned less than 6 months at time of application are eligible (cash-out or rate & term) if all the following are met:

- Listing removed/canceled prior to application;
- LLPA and rate adjustment in accordance with FL pricing at time of lock;
- Borrower-paid compensation only;
- 5% reduction from max LTV
- Value is lesser of appraised value or prior listing price;
- Loan Amount is <$4,000,000 (unless loan amount exception is granted).

  Note: Prepayment penalty is required on investment properties, subject to LLPA buyout if allowed.

On case-by-case basis, shorter seasoning may be allowed and not subject to the above requirements if:

- Listing was required by court order (divorce decree, joint tenancy dissolution, etc.); or
- Property proceeds are used to buy out the interests of co-beneficiaries (such as inherited property, dissolution of trust, etc.); and
- LTV% is at least 10% below maximums.

1.13 Programs: Property Insurance Coverage Requirements

Property insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis.

The insurance coverage should reflect one of the following:

- 100% of the insurable value of the improvements, as established by the property insurer; or
- the unpaid principal balance of the mortgage, as long as it at least equals the minimum amount—80% of the insurable value of the improvements—required to compensate for damage or loss on a replacement cost basis.

1.14 Maximum Age of Documents

- Paystubs (if utilized): 90 days prior to the Note Date
- Profit and loss statement/balance sheet: 60 days prior to the Note Date
- CPA/licensed/certified tax preparer letter or equivalent: 60 days prior to the Note Date

1.15 Declining Markets

Properties in which the appraiser is reporting a declining trend in values for the subject's market area require a 5% reduction in the maximum LTV for the applicable program.

ELIGIBLE TRANSACTIONS

2.1 Eligible Transactions: Purchase Defined

Proceeds from the transaction are used to finance the acquisition of the subject property. LTV/CLTV is based upon the lesser of the sales price or appraised value.

2.2 Eligible Transactions: Rate/Term Refinance Defined

Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property. Refinance of a previous cash-out loan seasoned < 1 year will be considered a cash-out refinance. The property's current appraised value may be used to determine LTV at any time after initial acquisition provided that cash-out is limited to rate/term standards and the loan amount (inclusive of closing costs and prepaids) does not exceed the original acquisition cost.

LTV/CLTV is based upon the appraised value. Any subordinate loan not used in the acquisition of the subject property may be paid with loan proceeds provided one of the following applies:

- Closed-end loan: at least 12 months of seasoning has occurred;
- HELOC: at least 12 months of seasoning has occurred and total draws over the past 12 months are <$2,000.
- Buying out a co-owner pursuant to an agreement with all current titleholders and obligors (payoff of co-owner portions of encumbrances and equity not considered "cash-out").
- Paying off an installment land contract executed more than 12 months from the loan application date (Closing costs and prepaid can be added to loan amount if LTV/CLTV allows).

Cash back in an amount not to exceed the lesser of 2% of the new loan amount or $5,000 is allowed.

The above classification may differ from the way loans are classified under Texas law, please refer to Fannie Mae B5-4.1-02, Texas Section 50(a)(6) Loan Eligibility for further detail.

2.3 Eligible Transactions: Delayed Financing

Borrowers who purchased the subject property within the past six months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the following requirements are met:

- The original transaction was an arm's-length transaction.
- The borrower(s) must have purchased the property under an eligible vesting type under Section 4.1 below.
- The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale.)
- The preliminary title search or report must confirm that there are no existing liens on the subject property.
- The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
- If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.

    Note: Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.
- The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on

the new mortgage loan (subject to the maximum LTV and CLTV ratios for the cash-out transaction based on the current appraised value).

- Value is limited to the lower of the current appraised value or the property's purchase price + documented improvements
- All other cash-out refinance eligibility requirements are met. Rate/Term pricing is applicable.

2.4 Eligible Transactions: Cash Out Refinance Defined

Proceeds from the transaction are used for any refinance that does not meet the definition of a rate/term transaction. A mortgage secured by a property currently owned free and clear is considered cash out. The payoff of delinquent real estate taxes (60-days or more past due) is considered cash out.

A letter explaining the use of loan proceeds is required when the cash-out exceeds $250,000. (See matrices for cash-out limits).

Loans not eligible for cash-out:

- Properties listed for sale in the past 6 months. (Exceptions for court-ordered listing, divorce scenarios, dissolutions of joint tenancy)
- Non-Arm's Length and Interested Party Transactions (See guidelines below)

Cash-Out Seasoning is defined as the difference between the note date of the existing loan to the note date of the new loan.

Below seasoning requirements are acceptable for cash-out transactions:

- For properties owned 12 months or longer, the LTV/CLTV is based upon the appraised value.
- If Cash-Out Seasoning is less than (12) months but greater than (6) months the transaction property value is limited to the lower of the current appraised value or the property's purchase price + documented improvements.
- Cash-out Seasoning of less than (6) months is not allowed when the prior transaction was also cash-out (as determined by the final Closing Disclosure or Settlement Statement).
- Cash-Out Seasoning of (6) months or less is allowed with the following restrictions:
    - The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property), and at least one of the following must exist:
        - No mortgage financing was used to acquire the property.
        - The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed or similar alternative confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at the time of sale.).
        - The preliminary title search or report must confirm that there are no existing liens on the subject property, or the existing lien being refinanced was taken out after the property was obtained as evidenced by a copy of the note.
        - The mortgage being refinanced was used to purchase the property and has an original term of 24 months or less as evidenced by a copy of the settlement statement and original note.
        - If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that

all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.

- The lender has documented that the borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.

2.5 Eligible Transactions: Cash Out Refinance (Debt Consolidation)

Cash-out transactions meeting the following additional requirements may be eligible for enhanced LTV's or pricing based on rate/term refi and LTV/CLTVs capped at 80%:

- Primary Residence only;
- Mortgage and non-mortgage debts are paid off and total monthly debt payments are lowered by at least 10%;
- Closing costs are recouped within 60-months; and
- Cash in hand may not exceed $5,000 or 2% of the loan balance

The closing documents must reflect the paid-off debts. IRS liens that are not yet on a repayment plan but are being paid as part of a debt consolidation refinance can be assumed to have a monthly payment of 1% of the outstanding balance per month, for the purposes of calculating the 10% per month lowering of total monthly debt payments.

2.6 Eligible Transactions: Ineligible Non-Arm's Length & Interested Party Transactions

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with the subject property Builder, Developer, or Seller.

When the property seller is a corporation, partnership, or any other business entity it must be ensured that the borrower is not an owner of the business entity selling the property.

The following transactions not allowed:

- A non-arm's length transaction to bail out a family member who has had difficulties making their mortgage payment
- The seller's real estate agent for the subject property also acting as the loan officer for the borrower(s) purchasing the same subject property
- Employer to employee sales or transfers
- Property trades between buyer and seller.

A Letter of Explanation regarding the relationship between the parties may be required.

2.7 Eligible Transactions: Eligible Non-Arm's Length & Interested Party Transactions

Buyer(s)/Borrower(s) representing themselves as an agent in real estate transactions can be allowed provided that any commission earned by the buyer/borrower is not used for the down payment, closing costs, or monthly PITIAA reserves.

A relative (or donor that meets FNMA eligible donor definition) as the real estate agent but no other party to the transaction (builder, developer, broker, seller, etc.) is acceptable; however, the gift must be sourced and received prior to close and commission for the transaction cannot be used for a gift.

Seller(s) representing themselves as an agent in real estate is allowed.

A current tenant purchasing the property from a Landlord where he/she has rented for at least the last (6) months immediately predating the sales contract is considered an Arm's Length Transaction. Housing payment history must be provided in accordance with Credit: Housing Payment History (mortgage/housing payment history for a minimum of the 12 months leading up to the application date) and documented pursuant to the methods under Credit: Accounts Not Appearing on Credit Reports. A Tenant that has rented from the Landlord less than (6) months prior to the sales contract may only document the Housing Payment History to the selling Landlord by providing canceled checks.

2.8 Eligible Transactions: Restrictions on Non-Arm's Length & Interested Party Transactions

- Primary Residences only
- Borrower to provide canceled check verifying the earnest money deposit
- Maximum LTV/CLTV: 80%
- For-Sale-By-Owner (FSBO) transactions must be arms-length (not applicable to family sales)

2.9 Eligible Transactions: Non-Occupant Co-Borrowers

Non-occupant co-borrowers are credit applicants who do not occupy the subject property as a principal residence. Non-occupant co-borrowers must meet the following requirements:

- Do not occupy the subject property as a principal residence
- Must be an immediate relative (relationship letter required)
- Must sign the mortgage or deed of trust
- Must not have an interest in the property sales transaction, such as the property seller, builder, or real estate broker

Program Restrictions:

- Primary Residence Only
- Cash-Out not permitted
- Blended ratios allowed up to 80% max LTV/CLTV
- For LTV's > 80% the Occupying borrower's DTI cannot exceed 60% DTI

2.10 Eligible Transactions: First Time Homebuyers (FTHB)

An individual who had no ownership interest (sole or joint) in a residential property during the five-year period preceding the application date of the security property is considered to be a FTHB.

FTHB restrictions:

- Reduce LTV by 5% of the maximum allowed per Program Matrix on vacation home and investment properties
- Must be arm's length transaction on vacation home and investment properties
- 10% minimum borrower contribution (i.e. of 10% of purchase price) on vacation home and investment properties
- Minimum 680 credit score
- DTI may not exceed 45%
- 12-month rental history required reflecting 0x30. Rental history is not required for borrowers living rent-free (See the Housing History section of this guide for restrictions on borrowers living rent-free)

2.11 Eligible Transactions: Limitations on Financed Properties

Maximum of twenty (20) financed properties including subject loan.

FundLoans' exposure to a single borrower shall not exceed $15,000,000 in current UPB or (6) properties.

All financed properties, other than the subject property, require an additional two (2) months PITIA in reserves for the subject property for each property. The total reserve requirement is not to exceed twelve (12) months.

CITIZENSHIP / RESIDENCY

3.1 Citizenship/Residency: Eligible Types

U.S. Citizens: Eligible without restrictions

Permanent Resident Aliens: Eligible without guideline restrictions

Acceptable evidence of permanent residency includes the following:

- Alien Registration Receipt Card I-151 (referred to as a green card).
- Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an the expiration date on the back (also known as a green card).
- Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) has an the expiration date on the back, and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions non-expired foreign passport
- Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading “Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized.”

Non-Permanent Resident Alien: Eligible without guideline restrictions

Legal Status Documentation:

Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1 B, L-1, NATO, O-1, R-1, TN NAFTA

Visa must be current, if the VISA will expire within six (6) months following the closing date, additional documentation is required: evidence that the proper extension steps have been followed per the U.S. Citizenship and Immigration Services (USCIS) website, along with proof of payment receipt and proof that the extension was done in the timeframe required by USCIS.

When applicable, a valid Employment Authorization Document (EAD) is required for US employment if borrower is not sponsored by a current employer. If the EAD will expire within six (6) months of the loan application, it is acceptable to obtain a letter from the employer documenting the borrower’s continued employment and continued EAD renewal. The employer on the loan application must be the same as on the unexpired EAD. The EAD documentation is acceptable up to 540 days if an automatic extension has been granted. If the borrower filed a Form I-765 renewal application on or after May 4, 2022, USCIS will send them a Form I-797C Notice of Action receipt notice that has information regarding the up to 540-day automatic extension. If the borrower is eligible for the automatic extension, the receipt notice, together with the unexpired EAD (and the borrower’s unexpired Form I-94, if the borrower is an H-4, E, or L-2 dependent spouse, including E-1, E-2S, E-3S and L2S class of admission codes) will serve as acceptable proof of employment authorization and/or EAD validity during the up to 540-day automatic extension period.

C series EAD cards are NOT acceptable.

See related USCIS link for further information: https://www.uscis.gov/eadautoextend

Foreign National: Not Allowed

3.2 Citizenship/Residency: Ineligible Types

- Applicants possessing diplomatic immunity
- Borrowers from OFAC sanctioned countries
- Politically exposed borrowers
- Any material parties (company or individual) to transaction listed on HUD’s Limited Denial of Participation (LDP) list, GSA Excluded Party-list, or any other exclusionary list. Refer to Fannie Mae guidelines for all definitions of eligibility status.

VESTING

4.1 Vesting: Individuals – Power of Attorney

A Limited Power of Attorney (POA) is acceptable when the following requirements are met:

- POA is specific to the transaction
- Transaction is NOT cash-out
- If not already recorded, POA is in recordable form and recorded with the Mortgage/Deed of Trust
- The POA is dated such that it was valid at the time the relevant loan document was executed.
- Used only to execute the final loan documents (Borrower represented by the POA shall have signed the initial 1003)
- No interested party to the transaction (such as property seller, broker, loan officer, realtor, etc.) may act as the Power of Attorney

All Power of Attorney Documents must be reviewed by FundLoans Legal Department.

4.2 Vesting: Inter Vivos Revocable Trust

Vesting in a Revocable Trust is a convenience, as all loans are made to individual borrowers.

An Inter Vivos revocable trust that meets all the requirements of Fannie Mae Seller Guide Section B8-5-02 is permitted for all transaction types.

NOTE: A Power of Attorney (POA) may not be used to execute loan documents on behalf of the Trustee/Borrower.

All Trust documents must be reviewed by FundLoans' Legal Department.

4.3 Vesting: Business Entities (LLC, Corp, S-Corp, Partnership)

FundLoans allows title vesting in business entities on Non-Owner Occupied transaction only but does not base its lending decision on the income or credit of the business entity. FundLoans only makes loans to individual borrowers, who may choose to have title vested in a business entity for their convenience.

Borrower(s) share must equal or exceed 50% of ownership to vest in the LLC, S-Corp, or Partnership. Ownership 25% or greater is acceptable only if documentation from a CPA (or Enrolled Agent if license can be verified) evidences ownership of that same percentage each of the five (5) years preceding the application.

To vest a loan in a LLC, partnership or corporation, the following requirements must be met:

- Business purpose and activities are limited to ownership and management of real estate
- Loans to be vested in the name of the Entity will be limited to a maximum of 4 individual borrowers/members (aka members, partners, or shareholders). Any of the owners that choose to become a borrower must complete 1003 and each must also execute loan documents and the personal guarantee.
- Only as many owners as required to meet the 50% minimum ownership are required to be borrowers.
- The 1003, credit report, income, and assets for each borrower will be used to determine qualification and pricing.
- All Entity owners must receive notice of the loan and its terms prior to closing
- All Entity owners must sign a Borrowing Certificate acknowledging the Borrower(s) financing of the subject property.

The following Entity documentation must be provided:

- Entity Articles of Organization, Partnership, and Operating Agreements (if applicable)
- Tax Identification Number
- Certificate of Good Standing

No broker shall suggest or encourage the formation of an Entity for the purpose of obtaining a mortgage loan. Such structures shall be initiated and arranged by the owners of the Entity.

Documents must be completed and signed as follows:

- Business Purpose and Occupancy Affidavit
- Loan Application (1003):
    - Completed and signed by each Borrowing Member
    - 1003 section labeled "Title will be held in what Name(s)" should be completed with only the Entity name
- Disclosures (GFE, TIL, Notice of Intent to Proceed, Servicing Disclosure, etc.) completed and signed by each owner
- Guaranty completed and signed by each borrower (or 'Guarantor')
- Closing Disclosure completed and signed by each borrower.
- Other Closing Documents (Final TIL, Business Purpose and Occupancy Affidavit, etc.) completed by each Borrowing Member

4.4 Vesting: Ineligible Vesting

- Irrevocable Trust
- Land Trust
- IRA's
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction

INCOME

5.1 Income: Overview

Available to self-employed borrowers and allows the use of 24 or 12 months of bank statements to document self-employment income.

Bank statement income may be combined with other income sources that are documented as Full Doc but not associated with self-employment, such as a spouse employed as a wage earner. When Full Doc income is combined with bank statement income, a tax return is not required for the income documentation, however, a signed 4506C is required, and only Box 8 would be checked to obtain a transcript of W-2 earnings and a Record of Accounts. All Full Doc income must meet FundLoans' Montage corresponding underwriting guidelines for the type of income.

5.2 Income: Bank Statements - Description

Eligibility to use bank statements requires at least one applicant must derive their primary income source from self-employed activity.

Self-employment is defined as a business reported on Schedule C or ownership interest of 20% or greater in an LLC, S Corp, or Corporation. Residential and commercial rental income are not considered self-employment.

Applicants must have been self-employed for at least two years. Applicants self-employed 1-2 years can be eligible provided they were in the previous line of work for 2 years prior to commencing self-employment as well as a positive income trend.

Co-applicants who are not self-employed may provide supplemental income from other income sources, including salaried wages, so long as these income sources can be adequately documented without tax returns that have been filed jointly with an applicant.

5.3 Income: Sourcing Large Deposits

The borrower may need to source/document large deposits as income based on the following:

- Business or co-mingled bank statements: any individual eligible deposit that is > 75% of 12- or 24-month monthly average*

- Personal bank statements: any individual eligible deposit that is > 50% of 12- or 24- month monthly average*
- For Business or Personal bank statements: deposits of any size that give the appearance of non-income-related deposits. This frequently includes “round dollar” deposits that sometimes indicate deposits of loan proceeds, line of credit advances, capital investments, or funds transfers.**

*Example: Gross deposits over 12 mo. period = 120k/12 = 10k; therefore, any individual eligible deposit > than 10k to be sourced/documented

**Example: Recurring deposit of $5000 that is inconsistent with the typical price point of the service or product offered

5.4 Income: Age of Business / Verifying Existence / Ownership Percentage

Borrower(s) must be self-employed for at least 24 months (see exceptions above) and the existence of the business and ownership percentage must be verified as follows:

Existence and Age of Business:

- Letter from CPA (or Enrolled Agent if license can be verified) attesting to reviewing or preparing Borrower’s tax returns and certifying existence and number of years in business; or
- Acknowledgment from Regulatory agency or licensing bureau (Website or Direct Verification).

Ownership interest percentage in the business may be verified by one of the following methods:

- LLC: Operating Agreement, and any/all amendments thereto, plus signed letter from the Borrower attesting that the LLC Agreement provided is true, accurate and the most recent version.
- Corp:
    - Articles of Incorporation, and any/all amendments thereto, if ownership percentage is clearly identified, plus signed letter from the Borrower attesting that the Articles of Incorporation provided is true, accurate and the most recent version; or
    - Stock ledger, and any/all amendments thereto, plus signed letter from the Borrower attesting that the ledger provided is true, accurate and the most recent version.
- Signed letter from CPA (or Enrolled Agent if license can be verified) attesting to reviewing or preparing Borrower’s tax returns and certifying the borrower’s percentage of ownership.

In addition, a phone listing and business address verification using directory assistance, or an internet search is required, to replicate how customers could search out the company.

<u>Attestation Sample</u>: I do hereby certify and attest that the attached _________________ (document title) is an accurate, true and correct copy and further certify and attest that it is the most recent and currently operative version.

5.5 Income: Business Narrative

For all Income Doc Types, a business narrative describing the business model (type of product/service); client base; price points and typical payment methods; types of overhead expense; the number of employees; equipment and location expenses is required.

The narrative will be reviewed to determine if the business provides a service or produces/manufactures goods. If the business has a website, it should be reviewed to gain additional information on the business and its size. The goal of the analysis is to determine if the individual/total expenses as provided by the borrower on the P&L appear reasonable for the type of business. The items to consider in this analysis:

- Description of business

- Location of business – Home-based or lease space (Google address)
- Utilities – Phone, electric, internet
- Number of employees or contractors – employee taxes, payroll expense
- Cost of Goods Sold – What type of materials does the business use or manufacture
- Vehicles and equipment required
- Typical price point of product or service
- Typical customer payment methods/frequency
- Type of customer (retail, commercial) and
- Size of customer base.

5.6 Income: Minimum Business Ownership Percentages

20% or greater *: Personal Bank Statement Option (12 or 24 months)
25% or greater: Commingled Bank Statements Option (12 or 24 months)
25% or greater: Business Bank Statements Option (12 or 24 months) and P&L Only

*Self-employment percentages smaller than 20% considered on a case-by-case basis (example doctor, lawyer, accountant with minority ownership in large Professional Organization, clinic, firm)

5.7 Income: Acceptable Income Doc Types

Acceptable income documentation types and calculation methods are as follows:

- Bank Statements – 2 Month, 3 Month, 12 Month & 24 Month

12- or 24-Month CPA (or Enrolled Agent if license can be verified) Prepared Profit & Loss

5.8 Income: Allowable Bank Statement/Alt Doc Income Methods

5.8.1 Income: Bank Statement Only Methods

Method 1: Personal Accounts (12 or 24 Months)

- Provide most recent 12 or 24 months of personal bank statements and most recent 2 months of business bank statements (from which transfers to the personal account are occurring)
- Income equals all deposits attributable to direct transfers of net income from the borrower's business account. (NOTE: Direct deposits of gross business revenue may indicate the account is a Commingled Account or Business Bank Statement, versus a solely personal account.) Exclude all non-business deposits. Source unusual deposits or deposits greater than 50% of the average gross deposits.
- Income should be calculated based on a 24- or 12-month average of total deposits minus any inconsistent deposits not justified. The pattern of deposits and payment should be consistent; ATM deposits may be included if a consistent pattern of such deposits is present (or sample deposits are sourced) Changes in deposit patterns must be considered and explained. Income documented separately but comingled must be backed out of allowable deposits. Recurring large withdrawals should be consistent with total obligations on 1003, or suitably explained. Two months' Business Bank Statements must be provided to evidence activity to support business operations and reflect net transfers to the personal account.

Method 2: Co-Mingled Business and Personal Accounts (Single account reflecting both personal and business income and expenses)

- Provide most recent 12 or 24 months of personal bank statements
- Income equals all deposits attributable to business income.
- Expense Documentation Options – Must utilize one of the methods under the business account analysis listed below.
- All non-business deposits should be excluded, and net allowable deposits should support the gross

revenues on the P & L (if applicable). Recurring monthly expenses should be consistent with line-item P & L expenses (if applicable) or consistent with the expense ratio used (if applicable).

5.8.2 Income: P&L Methods (660 min FICO required)

The income reflected on the CPA (or Enrolled Agent if license can be verified) prepared P&L should be supported by the applicable number of months' business bank statements (except for Method 5). The average deposits from the bank statements must be greater than or within 10% of the average monthly gross revenue. In the event the 10% tolerance is not met, continuous bank statements may be added to the analysis until the tolerance is met.

Method 3: Business Account – 12 or 24 Month CPA (or Enrolled Agent if license can be verified) P&L plus 3 months Business Bank Statements (Capped at 80% LTV/CLTV)

- Provide 12 or 24 months (or greater) P & L compiled and signed by a CPA (or Enrolled Agent if license can be verified) through the time of the last 3 consecutive business bank statements. For convenience, 2 year-end P&L's and year-to-date can be submitted.
- Income equals 12 or 24+ month average net income shown on P & L.
- Total allowable deposits from the business bank statements must be no more or no less than 10% of the average monthly gross revenues reflected on the P & L's. (NOTE: in the event that the 10% tolerance is not met for a given month, additional consecutive banks statements can be added to the analysis until the tolerance is met)

Method 4: Business Account - 12- or 24-Month Accountant/Cert Tax Preparer P&L plus 12 (or 24) months Business Bank Statements

- Provide 12 months or 24 months (or greater) P&L compiled and signed by CPA (or Enrolled Agent if license can be verified) through the time of the last of 3 consecutive business bank statements. For convenience, 1 year-end P&L's and year-to-date can be submitted.
- Income equals 12+ month average (or 24+ month average) net income shown on P & L.
- Total allowable deposits from the business bank statements must be no more or no less than 10% of the average monthly gross revenues reflected on the P & L's.

Method 5: P&L Only – 12 or 24-month P&L by CPA (or Enrolled Agent if license can be verified). Capped at 80% LTV/CLTV, no bank statements required.

- Provide financials signed by the CPA (or Enrolled Agent if license can be verified) based on the following chart:

P&L's / Loan Type	12 Month P&L	24 Month P&L
Past Prior Year	No	Yes
Prior Year	Yes	Yes
YTD	Yes	Yes

- Provide a letter from the CPA (or Enrolled Agent if license can be verified) on their business letterhead showing their business address, phone number, license, or certification number, and addressing the following:
  - Restating the borrower's name, the business name, years in existence, and the borrower's percentage of ownership; and
  - A certification that the CPA (or Enrolled Agent if license can be verified) has prepared (or reviewed) the 2 most recent business tax return filings for the business(es) listed.

5.8.3 Income: Expense Ratio

The expense ratio should be consistent with the type and size of the business based on a narrative provided in the file and the ratio must reasonably correlate to the business type and model (e.g. a restaurant, grocery store, or similar brick and mortar business that depends on employees, inventory, and retail space to run the business would not be eligible for a 20% expense factor. The narrative should address the type of product or service offered, location of the business and whether space is leased or owned, number of employees, vehicles and equipment required, the typical price point of product or service, typical customer payment methods/frequency, type (retail, commercial), and size of customer base.

Method 6: CPA (or Enrolled Agent if license can be verified) Expense Ratio

- Provide CPA (or Enrolled Agent if license can be verified) letter with an assessment of the non-discretionary business overhead expense ratio (expressed as a percentage of gross business income) and 12 (or 24) months business bank statements.
- Income equals 12+ month average (or 24+ month average) net income derived by applying the expense ratio to the gross revenues.
- Bank statement withdrawals will be analyzed to assure that recurring withdrawals are appropriately accounted for in the expense ratio.

Method 7: Variable Expense Ratio

- Income equals 12+ month or 24+ month average allowable deposits, applying the appropriate expense ratio from the below chart, then multiplied by the documented business ownership percentage.
  - Service business:

0 employees	20% expense ratio
1-5 employees	40% expense ratio
6 or more employees	50% expense ratio

  - Product business

0 or more employees	50% expense ratio

- Bank statement withdrawals will be analyzed to assure that recurring withdrawals are appropriately accounted for in the expense ratio. Bank statements where withdrawals (other than to Borrower's personal account) outpace the 50% expense ratio may cause the loan to be referred to another income method.

5.9 Income: Alternatives to CPA (or Enrolled Agent if license can be verified)

Deposits less Withdrawals: Underwriting may review the business' deposits less withdrawals to determine an applicant's income. Sum the net income over the 12-month period provided, multiply by the applicant's pro-rata ownership percentage, and divide by 12. Transfers to an applicant's personal account do not need to be considered a deduction for calculation purposes. The resulting income should be reasonable for the applicant's line of work.

5.10 Income: Bank Statements -Non-Sufficient Funds (NSFs)

Non-sufficient funds (NSF) or negative balances reflected on the bank statement must be considered. Overdraft protection fees associated with a pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist:

- Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that (a) the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer, (b) the link account's balance did not report as zero or negative at any point during the statement period of the transfer, and (c) the linked account did not itself receive overdraft protection proceeds during the statement period of the transfer.
- Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked

account confirm that (a) the line's credit limit was not exceeded during the statement period of the transfer, (b) a payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.

- Occurrences included in the analysis are subject to the following tolerances:
  - An occurrence is defined as one or more checks returned in the same day.
  - If there are one (1) or more occurrences in the most recent three (3) month time period, up to three (3) occurrences are allowed in the most recent 12-month time period.
  - If there are zero (0) occurrences in the most recent three (3) month period, up to five (5) occurrences in the most recent 12-month time period are acceptable.

5.11 Income: 1099 Contractor

1099 Documentation: 1099s may be obtained to replace 1 or 2 calendar years of co-mingled or business bank statements. The 1099s must be validated with a wage and income transcript from the IRS. Evidence of year-to-date earnings via YTD bank statements required for months 4-12 as applicable.

1099 Self-employed borrowers should be self-employed for at least 2 years. However, borrowers that have converted from W2 to 1099 for the same employer can be considered with the following possible scenarios:

	Past Prior Year	Prior Year	This Year
Time As 1099	Doc	Doc	Doc
< 12 months	W2	W2 and/or 1099	YTD Bank Stmts
> 12 mos < 24	W2 and/or 1099	W2 and/or 1099	YTD Bank Stmts
> 24 months	W2 and/or 1099	1099	YTD Bank Stmts

For co-mingled or business bank statements, the calculation will be the lower of the following:

- Income on the business method chosen below:
  - 90% of 1099 gross income and YTD bank statement income averaged over the total number of applicable months
  - Net income derived from one of the bank statement methods
  - Letter from single employer being used for 1099 income confirming borrower has no job-related expenses.

All other Co-mingled or Business Bank Statement Program requirements apply.

5.12 Income: Bank Statements - Service & Tip Industry

Due to the cash nature of the service and tip industry, the applicant may participate in the Bank Statements program. Employment must be verified through traditional means. Base salary deposits should be segregated from cash deposits of tips. Individual deposits of cash tips must be regular (daily/ weekly/monthly) and should be realistic for the type of service provided. Tip deposits will be averaged over time and added to 1008 as a separate line item from the base wages. Neither a P&L nor a business license is required.

5.13 Income: Acceptable Variance Levels

All sources of income included in the loan qualification must be stable, with a reasonable expectation that at least the same level of income will continue for a minimum of three years.

When 24-months of income are analyzed for qualification, year over year income amount must be compared using the borrower's submitted income documents (W2, tax returns, or bank statements). The earnings trends are addressed as follows:

- Stable or increasing: Defined as annual income that is equal to, greater than, or less than 20% below the prior year's income. The income amounts will be averaged.
- Declining but stable: If the 24-months earnings trend shows a decline in borrower income of 20% or more on a year over year basis, but the most recent 12-month earning has stabilized and there is no reason to believe the borrower's employment will change, the most recent 12-month average of income will be used.
- Declining: If the trend is declining, the income is not eligible.
- Any income that has significantly declined (greater than 20%) from the (monthly or quarterly) averages in the earlier portions of the time period considered (12 Months or 24 Months) must have re-stabilized during the most recent 6 months and the amount of qualifying income will be limited to the new lower trend. An explanation for the decline must be provided that supports the assumption that no further declines in income are anticipated.

5.14 Income: Departing Principal Residence

	Current Principal Residence – Pending Sales Options	
	Option 1: Departing Residence not Under Contract or Listed for Sale	**Option 2: Departing Residence under Contract**
Purchase Agreement	No contract required for the departure residence	A copy of an executed sales contract for the property pending sale
Multiple Listing / Open Market Sale	Signed letter of intent from the borrower indicating that they intend to list the departure residence for sale within 90 days of closing the subject transaction	The pending sale transaction must be arm's length
Equity Estimate	Equity in the departure residence must be documented with an Exterior-Only Inspection Residential Appraisal Report (FNMA Form 2055)	No appraisal required for the departure residence
Equity Test	Departure residence must have a minimum of 20% equity after deduction of outstanding liens. Please note: If the equity position is less than 20%, the full payment must be included in the borrower's qualifying DTI	The borrower must be netting positive proceeds from the sale of the property or assets must be accounted for to cover any funds the borrower may have to bring to closing on the sale of the departure residence
AdditionalReserves	Additional reserves for the departure residence are based on the marketing time indicated by the departure residence appraisal: -Marketing time of 6 months or less - 12 months of PITIA reserves -Marketing time of over 6 months - 24 months of PITIA reserves	No limit on LTV/CLTV, refer to the program maximum.
LTV Max on Subject	Maximum LTV/CLTV on the subject transaction is 90% or the program maximum, whichever is less.	Maximum LTV/CLTV on the subject transaction is 90% or the program maximum, whichever is less.

	Current Principal Residence – Pending Rental Options	
	Option 1: Departing Residence not Under Lease	**Option 2: Departing Residence under Lease**
Establishing Fair Market Rents	Appraiser's Single-Family Comparable Rent Schedule (Form 1007)	Copy of fully executed lease & evidence of cleared/cancelled check for Security Deposit (Lease must begin before 1st payment due date on new subject property mortgage)
Net Rental Income Calculation	(75% of Appraiser's Market Rent estimate) minus (PITIA)	(75% of Monthly Rent reflected in Lease) minus (PITIA)
Application of Calculated Income / Loss	Income can be added to Borrower's Qualifying Income and the monthly mortgage(s) debt obligation can be excluded from the DTI ratio. Losses must be added to the Total Debt Obligations as Neg Rental Income but the monthly mortgage(s) debt obligation can be excluded	Income can be added to Borrower's Qualifying Income and the monthly mortgage(s) debt obligation can be excluded from the DTI ratio. Losses must be added to the Total Debt Obligations as Negative Rental Income but the monthly mortgage(s) debt obligation can be excluded
Additional Reserves Requirement	Additional Reserves requirement of 3 months of the Departing Residence PITIA	No additional Reserves requirement
Bridge Loan / Secured Borrowed Funds to Close	If departing rental residence will also be used as security for loan proceeds used for down payment or cash to close - the new loan terms must be factored into the income calculations above	If departing rental residence will also be used as security for loan proceeds used for down payment or cash to close - the new loan terms must be factored into the income calculations above
LTV Max on Subject	Maximum LTV/CLTV on the subject transaction is 90% or the program maximum, whichever is less.	Maximum LTV/CLTV on the subject transaction is 90% or the program maximum, whichever is less.

5.15 Income: Co-Applicant Income

Full documentation from a co-applicant who is not self-employed may be used to supplement bank statement income. See Montage full documentation guidelines for additional information on acceptable sources and requirements. Taxable income is counted on a "gross" amount regardless of the net deposit shown on bank statements. Deposits resulting from these income sources should be deducted from the bank statement analysis. Non-Taxable income may be grossed up by 25%.

5.16 Income: Asset Allowance - Overview

Asset Allowance differs from Asset Distribution (income distributions already set in place by the borrower via a written agreement with the asset manager).

The Asset Allowance option permits an underwriter to use an applicant's liquid assets to augment income for loan and product qualification purposes without creating a written distribution agreement, so long as the allowance is given to meet a 60-month continuance test. When using Asset Allowance, the combination of income from liquid sources, such as self-employment; rental income, retirement funds; allowance, or distributions from liquid assets should be enough to meet total minimum monthly obligations

5.17 Income: Asset Allowance (Supplement) – Qualifying Methods

Qualifying income derived by using the Total Assets Eligible for Depletion (minus down payment minus out-of-pocket closing costs minus required reserves) divided by 60 months. Maximum DTI 50% when dividing total obligation by income from all sources.

5.18 Income: Asset Allowance - Description

Applicants may utilize asset allowances as additional qualifying income. Assets based on the following stated percentages of present values (listed below) must be divided by 60 months. To determine assets that can be amortized, deduct funds to close, closing costs/pre-paid, and reserves required by the product requirement. Gifted funds from an allowable source may not be included in the amounts being amortized unless seasoned 90 days prior to the date of application.

Qualifying balances are determined as follows.

- Checking/savings: 100%
- Marketable securities (no options or unvested RSUs): 100%
- Retirement funds: 70% of accessible funds unless the applicant is of retirement age, then use 80% of accessible funds. If utilizing a retirement account, document the applicant's ability to access the funds.

5.19 Income: Asset Allowance - Restrictions

- Non-occupant co-borrowers are not allowed.
- Max 50% DTI;
- Minimum 660 credit score.

(See Matrices for acceptable credit grades, max LTV and DTI)

5.20 Income: Asset Allowance – Documentation

All individuals listed on the asset account(s) must be on the Note and Mortgage. Assets considered for this program must be verified with the most recent 3 months of account statements or a VOD. Assets must be seasoned 90 days.

5.21 Income: Asset Allowance – Ineligible Assets

- Privately traded or restricted/non-vested stocks;
- Any asset which produces income is already included in the income calculation.
- Crypto currently not converted into U.S. dollars or held in U.S. or state-regulated financial institution.

5.22 Income: Income History & Continuance

The income of each applicant who will be obligated for the mortgage debt must be analyzed to determine whether income (from all sources) can be reasonably expected to continue through at least the first three (3) years of the mortgage loan. Each source of income should have minimum 2-year history and a minimum 3-year likelihood of continuance.

Guaranteed sources of income, such as annuities, pensions, social security retirement benefits need not have a history if the award letter is provided and the first payment will begin on or before the date of the first mortgage payment.

5.23 Income: Salaried Co-Applicants

For purposes of this section, salaried co-applicants are defined as those who earn wages that are reported on IRS W2 forms at year-end and for which income taxes are withheld on regular paychecks. [If Co-Applicant is also self-employed or has rental income tax returns cannot be supplied or this may disqualify loan for bank statement loan qualification; therefore, Co-Applicant who is also self-employed may also qualify with one of the bank statement methods and rental income can be used following rental income section of guidelines.]

- Employment History & Stability Requirements: Co-Applicants must generally have a two-year history in their line of work. If a co-applicant has less than 2 years' experience in their line of work, vocational or military training or education in the same field is considered an acceptable substitute (documentation of training or schooling should be provided). A co-applicant that has been in a line of work less than 2 years but has had at least one documentable wage increase or favorable performance review is also acceptable.

  Gaps of employment greater than 30 days must be explained in writing by the applicant. Gaps of employment greater than 6 months require an explanation from the applicant and a minimum two-year history in the line of work prior to the gap documented. Job changes within the same line of work are not considered adverse factors so long as income is stable or increasing and gaps are addressed.

  A co-applicant starting with a new employer during the application process can be considered if a written offer letter confirming the name of the employer, the start date, the position, the rate of pay is provided (and subsequently confirmed). The co-applicant must start the position prior to closing and FundLoans' Verbal VOE must successfully confirm the start date.

- 24 mo. Full Doc - Minimum Documentation Requirements: The following documentation must be present in the file to make a determination of a salaried applicant's income:
  - Current Paystubs with withholding information covering the most recent 30-day period
  - For employment that includes variable hours or pays one of the following is required:
    - 2 Previous years ending paystubs and/or
    - Written Verification of Employment will be needed for the analysis of all pay including overtime, bonus, commission, etc.
  - W-2 and/or 1099 for the most recent 2 tax years. For 1099 borrowers 2 years tax returns may be waived and wage-earner documentation requirements are followed when all of the following requirements are met:
    - 1099s for the most recent 2 years are provided
    - 1099s are from the same single employer for the past 2 years.
    - 1099s are validated with a wage and income transcript from the IRS
    - Year-to-date earnings are verified via a YTD paystub, written VOE, or other equivalents third-party documentation
    - Documentation is obtained from the employer confirming borrower has no job-related expenses (Note: 1099 forms covering a full 2- year period are not required when a borrower changes from being paid W-2s to 1099s while working for the same employer in the same position; however, documentation still must be obtained from the employer confirming the borrower has no job-related expenses.
  - Verbal VOE (dated within 10 days of closing)
  - W-2 and/or 1099 transcript, if available. In all cases, a transcript will be required after June 30th of the current year. Any discrepancies between the two documents should be explained, and if

necessary, additional documentation obtained to satisfactorily address.

- In the case where the wage transcripts are not available from the IRS, the IRS response to the request must reflect “No Record Found” and be present in the loan file.

- 12 mo. Full Doc - Minimum Documentation Requirements: The following documentation must be present in the file to make a determination of a salaried applicant’s income.
  - Current Paystubs with withholding information covering the most recent 30-day period
  - For employment that includes variable hours or pays one of the following is required:
    - Previous year ending paystub and/or
    - Written Verification of Employment will be needed for the analysis of all pay including overtime, bonus, commission, etc.
  - W-2 and/or 1099 for the most recent 1 tax years. For 1099 borrowers 1-year tax returns may be waived and wage-earner documentation requirements are followed when all the following requirements are met:
    - 1099s for the most recent tax year is provided.
    - 1099s are from the same single employer for the past 1 year.
    - 1099s are validated with a wage and income transcript from the IRS.
    - Year-to-date earnings are verified via a YTD paystub, written VOE, or other equivalent third-party documentation.
    - Documentation is obtained from the employer confirming borrower has no job-related expenses (Note: 1099 forms covering a full 1- year period are not required when a borrower changes from being paid W-2s to 1099s while working for the same employer in the same position; however, documentation still must be obtained from the employer confirming the borrower has no job-related expenses.
- Verbal VOE (dated within 10 days of closing)
- W-2 and/or 1099 transcript, if available. In all cases, a transcript will be required after June 30th of the current year. Any discrepancies between the two documents should be explained, and if necessary, additional documentation obtained to satisfactorily address.
- In the case where taxes have been filed and the wage transcripts are not available from the IRS, the IRS response to the request must reflect “No Record Found” and be present in the loan file.

Documentation Age Requirements for 12 or 24-month full doc: The Paystubs and/or Written VOE’s should be no greater than 90 days at the time of initial underwriting, and no greater than 120 days at the time of closing. Verbal VOE’s should be no greater than 10 days prior to the signing date of the [Note. Verbal VOE’s dated after the signing date of the Note are acceptable, if needed for any reason.]

5.24 Income: Rental/Investment Property Income

Owner Occupied properties (and Non-Owner Occupied properties listed on the borrower’s 1003 Schedule of Real Estate Owned) are assumed to be personally held (i.e. ultimately reporting on Schedule E of the borrower’s IRS 1040 tax returns) and positive cash flows can be credited as income (negative cash flows are counted as monthly debts).

Properties owned by LLC’s, S-Corps and Corporations are, by definition, not personally held, even though the borrower may have signed personally for the debt. Mortgage payments, if any, are assumed to be paid through the business and positive cash flows result in a “wash” of the PITIA (negative cash flows are counted as personal monthly debts).

All Mortgage’s for which borrower has a personal guarantee a satisfactory current 12-month mortgage payment history is required showing the mortgage current and paid as agreed.

Due to the lack of tax returns on the Apex program, a licensed/certified tax preparer, as an alternative, may provide a “P&L” for any rental property held in an LLC, S-Corp or Corporation that mimics the format of IRS Form 8825. Documentation must also be provided indicating percentage of ownership borrower has in LLC, S-

Corp or Corporation. Once the current PITIA is documented, the underwriter can perform a cash flow analysis for each affected property by taking the net cash flow and adding back Insurance, Interest, Real Estate Taxes, HOA dues, Depreciation and then subtracting current verified PITIA. Positive or negative cash flows treated as described above.

Cash flow methods for various occupancy and ownership types are listed below:

Subject Property Purchase - Owner Occupied Property (2-4 family personally held):
If the property is a primary residence (i.e. Owner Occupied 2-4 unit property), add the adjusted gross rental income to gross income and include the entire PITIA in total monthly obligations. No rental management history is required.

Utilize the appraiser's opinion of market rent (1007) to determine gross rental income. Utilize a 25% vacancy factor to determine adjusted gross rental income (No lease is required, however if a lease is in place then utilize the lesser of the lease or the appraiser's opinion of market rent.)

For Accessory Units:
Must be able to verify with the local building code/zoning department that the accessory unit is:

a.) legal (per building code) and
b.) may legally be rented (permissible use – zoning)

Subject Property Purchase - Second Home:
Projected rental income generally not allowed on Second Home purchase (home should be registered/locked as an Investment to leverage rental income)

Subject Property Purchase - Investment Property (held personally or in a business entity):
Utilize the appraiser's opinion of market rent (1007) to determine gross rental income. Utilize a 25% vacancy factor to determine adjusted gross rental income. Subtract proposed PITIA. Positive cash flow on personally held properties can be added to monthly income, positive cash flows on properties in business entities allow the PITIA to be "washed", negative cash flow is treated as an additional monthly debt on either ownership method. (No lease is required, however if a lease is in place then utilize the lesser of the lease or the appraiser's opinion of market rent.)

Subject Property Refinance - Owner Occupied Property (2-4 family personally held):
Subject Property held personally needs to be disclosed on the applicant's 1003 REO Schedule.
Add the adjusted gross rental income to gross income and include the entire PITIA in total monthly obligations.

Utilize either

- The lesser of:
  - the appraiser's opinion of market rent (1007) to determine gross rental income and a 25% vacancy factor to determine adjusted gross rental income; or
  - current long-time leases or month-to-month leases (or "expired" lease accompanied by the most recent cancelled check from each tenant) and a 25% vacancy factor to determine adjusted gross rental income

Short term leases or "AirBnB"-type rentals are acceptable provided leases/invoices covering the most recent 12-month period are provided. Gaps are acceptable; however, the leases will still be averaged over a 12-month period. Rents must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified/sourced as rental income can be substituted. If two or more rental properties are owned, statements from an online service must be provided to associate rents received with each specific property. 75% of the verified monthly rental income can be used.

Subtract proposed PITIA. Positive cash flow on personally held properties can be added to monthly income, negative cash flow is treated as an additional monthly debt. (No lease is required, however if a lease and 1007 is provided utilize the lesser of the lease or the appraiser's opinion of market rent.)

For Accessory Units:

Must be able to verify with the local building code/zoning department that the accessory unit is
a.) legal (per building code) and
b.) may legally be rented (permissible use – zoning)

Subject Property Refinance - Second Home:
A borrower receiving rental income on a Second Home is still eligible for "owner occupied" financing terms if each of the following requirements are met:

- must be occupied by the borrower for some portion of the year
- must be a one-unit dwelling and must be suitable for year-round occupancy
- the borrower must have exclusive control over the property
- must not currently be subject to a month-to-month rental lease or a timeshare arrangement
- cannot be subject to any agreements that give a management firm control over the occupancy of the property

Utilize either

- The lesser of:
  - the appraiser's opinion of market rent (1007) to determine gross rental income and a 25% vacancy factor to determine adjusted gross rental income; or
  - current long-time leases or month-to-month leases (or "expired" lease accompanied by the most recent cancelled check from each tenant) and a 25% vacancy factor to determine adjusted gross rental income

Short term leases or "AirBnB"-type rentals are acceptable provided leases/invoices covering the most recent 12-month period are provided. Gaps are acceptable; however, the leases will still be averaged over a 12-month period. Rents must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified/sourced as rental income can be substituted. If two or more rental properties are owned, statements from an online service must be provided to associate rents received with each specific property. 75% of the verified monthly rental income can be used.

Subtract proposed PITIA. Positive cash flow can be added to monthly income, negative cash flow is treated as an additional monthly debt.

Any property leased > 183 days per year will be deemed to be an investment property and must follow investment property guidelines and pricing

Subject Property Refinance - Investment Property (Personally held):
Subject Property Investment Properties held personally need to be disclosed on the applicant's 1003 REO Schedule.

Utilize either:

- the appraiser's opinion of market rent (1007) to determine gross rental income and a 25% vacancy factor to determine adjusted gross rental income or
- current long-time leases or month-to-month leases (or "expired lease" accompanied by the most recent cancelled check from each tenant) and a 25% vacancy factor to determine adjusted gross rental income
- A licensed/certified tax preparer prepared "P&L" for any rental property that mimics the format of the immediate prior tax year's IRS Schedule E. Once the current PITIA is documented, the underwriter can perform a cash flow analysis for each affected property by taking the net cash flow and adding back Depreciation, past year Interest/Taxes/Dues then subtracting current verified PITIA. Positive or negative cash flows treated as described above.
- Short term leases or "AirBnB"-type rentals are acceptable provided leases/invoices covering the most recent 12-month period are provided. Gaps are acceptable; however, the leases will still be averaged over a 12-month period. Rents must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified/sourced as rental income can be

substituted. If two or more rental properties are owned, statements from an online service must be provided to associate rents received with each specific property. 75% of the verified monthly rental income can be used.

Subtract proposed PITIA. Positive cash flow can be added to monthly income, negative cash flow is treated as an additional monthly debt. (No lease is required, however if a lease and 1007 is provided utilize the lesser of the lease or the appraiser's opinion of market rent.)

Subject Property Refinance - Investment Property (held in business entity):
Subject Property Investment Properties held in business entity need to be disclosed on the applicant's 1003 REO Schedule in order for the 1008 to properly process. Personally signed mortgage(s) on the property will need to be documented as paid through the LLC and evidence of the Deed vested in the name of the LLC must be in the file.

Utilize either:

- the appraiser's opinion of market rent (1007) to determine gross rental income and a 25% vacancy factor to determine adjusted gross rental income or
- current long-time leases or month-to-month leases (or "expired lease" accompanied by the most recent cancelled check from each tenant) and a 25% vacancy factor to determine adjusted gross rental income
- licensed/certified tax preparer/, as an alternative, may provide a "P&L" for any rental property held in an LLC, S-Corp or Corporation that mimics the format of IRS Form 8825. Documentation must also be provided indicating percentage of ownership borrower has in LLC, S-Corp or Corporation. Once the current PITIA is documented, the underwriter can perform a cash flow analysis for each affected property by taking the net cash flow and adding back Depreciation, past year Interest/Taxes/Dues then subtracting current verified PITIA. Positive or negative cash flows treated as described above.
- Short term leases or "AirBnB"-type rentals are acceptable provided leases/invoices covering the most recent 12-month period are provided. Gaps are acceptable; however, the leases will still be averaged over a 12-month period. Rents must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified/sourced as rental income can be substituted. If two or more rental properties are owned, statements from an online service must be provided to associate rents received with each specific property. 75% of the verified monthly rental income can be used.

Subtract current verified PITIA from adjusted gross rental income. Positive cash flow on properties in business entities allow the PITIA to be "washed", negative cash flow is treated as an additional monthly debt. (No lease is required, however if a lease and 1007 is provided utilize the lesser of the lease or the appraiser's opinion of market rent.)

Rental income for non-subject properties can also be utilized as qualifying income by applicants who own investment properties. The following are the acceptable methods of calculation:

Non-Subject Property Personally Held Rentals:
Investment Properties held personally need to be disclosed on the applicant's 1003 REO.
Utilize either:

- the appraiser's opinion of market rent (1007) to determine gross rental income and a 25% vacancy factor to determine adjusted gross rental income or
- current long-time leases or month-to-month leases (or "expired" lease accompanied by the most recent cancelled check from each tenant) and a 25% vacancy factor to determine adjusted gross rental income
- Short term leases or "AirBnB"-type rentals are acceptable provided leases/invoices covering the most recent 12-month period are provided. Gaps are acceptable; however, the leases will still be averaged over a 12-month period. Rents must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single

rental property, bank statements with deposits clearly identified/sourced as rental income can be substituted. If two or more rental properties are owned, statements from an online service must be provided to associate rents received with each specific property. 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.

Subtract current verified PITIA from adjusted gross rental income. Positive cash flow can be added to monthly income, negative cash flow is treated as an additional monthly debt. (No lease is required, however if a lease is in place then utilize the lesser of the lease or the appraiser's opinion of market rent.)

Non-Subject Property – Entity Held Rentals:
LLC-held properties don't need to be disclosed on the applicant's 1003 REO Schedule, but personally signed mortgage(s) on the property will need to be documented as paid through the LLC and evidence of the Deed vested in the name of the LLC must be in the file.
Utilize either:

- the appraiser's opinion of market rent (1007) to determine gross rental income and a 25% vacancy factor to determine adjusted gross rental income or
- current long-time leases or month-to-month leases (or "expired" lease accompanied by the most recent cancelled check from each tenant) and a 25% vacancy factor to determine adjusted gross rental income
- licensed/certified tax preparer, as an alternative, may provide a "P&L" for any rental property held in an LLC, S-Corp or Corporation that mimics the format of IRS Form 8825. Documentation must also be provided indicating percentage of ownership borrower has in LLC, S-Corp or Corporation. Once the current PITIA is documented, the underwriter can perform a cash flow analysis for each affected property by taking the net cash flow and adding back Depreciation, past year Interest/Taxes/Dues then subtracting current verified PITIA. Positive or negative cash flows treated as described above.
- Short term leases or "AirBnB"-type rentals are acceptable provided leases/invoices covering the most recent 12-month period are provided. Gaps are acceptable; however, the leases will still be averaged over a 12-month period. Rents must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified/sourced as rental income can be substituted. If two or more rental properties are owned, statements from an online service must be provided to associate rents received with each specific property. 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.

Subtract current verified PITIA from adjusted gross rental income. Positive cash flow on properties in business entities allow the PITIA to be "washed" (positive income is not added to monthly income) negative cash flow is treated as an additional monthly debt. (No lease is required, however if a lease is in place then utilize the lesser of the lease or the appraiser's opinion of market rent.)

Income from Roommates in a Single Family Property:
Income from roommates in a single-family property occupied as the applicant's primary residence is generally not acceptable. Rental income from boarders, however, is acceptable if the boarders are related by blood, marriage or law. (Common examples could include: publicly subsidized housing for elder care of a blood relative, housing allowance for a related adult w/ special needs). The rental income may be considered allowable if licensed/certified tax preparer can confirm taxes filed showing boarder income claimed on applicant's tax return. Without this certification, rental income paid by the boarder may not be used in qualifying.

Reminder: On Bank Statement Loan, tax returns cannot be included in loan file or loan will be disqualified as bank statement loan and must go full doc.

5.25 Income: Other Income

Other income typical for full documentation (see FundLoans Montage guidelines) may be used for borrower and co-applicant to supplement primary self-employment income.

5.26 Income: Tax Transcripts

W-2s and/or 1099s provided by an applicant must be verified by the IRS. In the event the most recent year's information cannot be verified due to a recent filing, the income may be considered in accordance with the guidelines with the following documentation:

- Previous year's (or two years') W-2's and/or 1099s
- Previous year's (or two years') W-2's and/or 1099 transcripts
- The IRS response to the request for transcripts must reflect "No Record Found" and be present in the loan file.

Note: W-2 and/or 1099 transcripts will be required after June 30th of the current year. Any discrepancies between the two documents should be explained, and if necessary, additional documentation obtained to satisfactorily address.

PROPERTY ELIGIBILITY

6.1 Property Eligibility: Appraisals

Full Interior / Exterior appraisal(s) are required as follows:

Form 1004: 1 Unit and PUDs

Form 1073: Condominiums

Form 1025: 2-4 Units

Form 1007: Rental Property Income

Form 1004D: Updates or Completion Reports

Appraisals must be ordered using one of two processes: either ordered through an Appraisal Management Company that complies with USPAP and Appraiser Independence Requirements (AIR); or, via FundLoans own AIR compliant process (Appraisal Firewall). Satisfactory documentation that the appraisal is compliant must be provided for all transactions.

Transferred appraisal is allowed as long as proof of AIR compliance has been met and a satisfactory executed transfer letter from the previous lender is provided. FundLoans, at its discretion, can require additional appraisal products.

The appraisal must be done within the 120 days that precede the date of the note and mortgage. When an appraisal report will be more than four months old on the date of the note and mortgage, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the Appraisal Update and/or Completion Report (Form 1004D). The appraisal update must occur within the four months that precede the date of the note and mortgage.

If the appraiser indicates on Form 1004D that the property value has declined, then the lender must obtain a new appraisal for the property.

If the appraiser indicates on Form 1004D that the property value has not declined, then the lender may proceed with the loan in the process without requiring any additional fieldwork.

Regardless of state, FundLoans policy is to require appraisals to include photos of smoke detectors. Carbon Monoxide (CO) detectors are required as noted by the Appraiser on the appraisal.

6.2 Property Eligibility: Collateral Desk Assessment

All loan amounts less than $2,000,000 a Collateral Desk Assessment (CDA) must be ordered.

If the CDA reflects a value more than 10% below the appraised value or cannot provide validation, a second appraisal will be required. The second appraisal must be from a different appraisal company than the first and a different appraiser than appears on the original appraisal.

6.3 Property Eligibility: Second Appraisal

A Second Appraisal will be required when:

- Loan Amount exceeds $2,000,000.
- The transaction is a flip as defined in the Property Flipping section of this guide.

When a second appraisal is provided, the transactions “Appraised Value” will be the lower of the two appraisals.

If a second appraisal is not provided from an approved FundLoans AMC, then an AIR compliant appraisal may be accepted on a case-by-case basis. FundLoans, at its discretion, can request an additional Appraisal Product.

6.4 Property Eligibility: Ineligible Properties

Properties not eligible for FundLoans funding:

1. Properties for which the appraisal indicates:
   - Condition ratings of C5 or C6
   - Quality ratings of Q5(case-by-case basis) or Q6
2. Rural Properties (On a case-by-case basis only):
   If/when allowed:
   - Subtract 5% LTV/CLTV from respective program matrix.
   - Max 70% LTV/CLTV
   - O/O and 2nd home only.
   - Rate and Term/Purchase only
   - 10 acres or less
   - No working ranches, orchards, farms, Log Homes
3. Properties with square footages below practical norms:
   - SFR: 700 Sq Ft
   - Condo Unit: 500 Sq Ft
   - 2-4 Family Living Unit: 400 Sq Ft per Unit (Exceptions can be made on a case-by-case base if the unit has a fully functional kitchen – sink, full-size stove & refrigerator, sufficient cabinet space, AND enclosed full bathroom)
4. Mixed-Use Properties
5. Vacant Land (including blanket mortgages of residence on lot included with additional buildable vacant lots)
6. Agricultural properties that accommodate existing farms, ranches, orchards
7. Manufactured, Mobile, or Modular Homes
8. Assisted Living Facilities (if residential in nature then on a case-by-case basis, max 65% LTV)
9. Properties with zoning violations (unless granted permissible use permit), non-building permitted additions without code compliance clearances. FundLoans will consider a purchase if the issue has been corrected prior to loan funding with proper documentation.
10. Geodesic dome homes
11. Houseboats
12. Log Cabins / Log Homes
13. Homes on Native lands (or any parcels with restrictions on reconveyance and/or limits on the legal enforcement of foreclosure rights)
14. Properties in Lava Zones 1 or 2

15. Properties used for the cultivation, distribution, manufacture, or sale of marijuana.
16. Co-ops (Cooperative Housing)

6.5 Property Eligibility: Escrow Holdbacks

FundLoans will not typically fund any loan with an escrow holdback unless a repair is projected to be very short term (completion 2-3 weeks after Note date). In those instances, bids for the proposed repair are required, 1 ½ times the cost must be held in a repair escrow fund to be held by the settlement agent until a Form 1004 D inspection confirms the completion of the work and any/all mechanics liens are satisfied. Originator compensation will be held back until escrow release.

Otherwise, any repair or maintenance required by the appraiser must be completed prior to loan funding.

6.6 Property Eligibility: Location

(See FundLoans website for current State Licensing)

6.7 Property Eligibility: Property Flipping

For properties acquired by the seller of the property within 6 months of the new contract date where the contract price exceeds the seller's acquisition price by the following:

- More than a 10% price increase if the seller acquired the property in the past 90 days;
- More than a 20% price increase if the seller acquired the property in the past 91-180 days.

The following additional requirements apply:

- Second appraisal required from a FundLoans Approved AMC, (The second appraisal must be provided to the borrower in accordance with either the ECOA or HPML requirements, whichever applies);
- Second appraisal must be dated/delivered prior to the loan consummation/note date.

The property seller on the purchase contract must be the owner of record.

Increases in value should be documented with commentary from the appraiser and recent comparable sales. Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.)

6.8 Property Eligibility: Leasehold Properties

In areas where leasehold estates are commonly accepted (as corroborated via the Appraisal), loans secured by leasehold estates are eligible for funding if all requirements of Fannie Mae Seller Guide Section B2-3-03, Special Property Eligibility and Underwriting Considerations: Leasehold Estates are met.

Leaseholds must expire at least 5 years after the loan maturity and must be reviewed by FundLoans' Legal Department.

6.9 Property Eligibility: Disaster Area Declarations

FundLoans and its Brokers share responsibility for identifying geographic areas impacted by disasters and taking appropriate steps to ensure the subject property has not been adversely affected.

The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA website at: http://www.fema.gov/news/disasters.fema.

In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed.

Appraisals Completed Prior to End of Disaster Declaration (Loans not yet funded): An interior and exterior inspection of the subject property, performed by the original appraiser, if possible, is required. The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition from the previous inspection, and the marketability and value remain the same.

Inspection report must include photographs of the subject property and street view. Any damage must be repaired and re-inspected prior to funding.

Appraisals Completed After the End of Disaster Declaration (Loans not yet funded): Appraiser must comment on the adverse event and certify that there has been no effect on the Marketing Addendum data that could impact the valuation in the near future. Guidelines for disaster areas should be followed for 90-days from the disaster period end date or the date of the event, whichever is later.

Disaster Occurs After Loan Signing but Prior to Funding: Loan is ineligible for funding until the disaster is declared “ended” by FEMA and an inspection is obtained using one of the following options:

- A Post Disaster Inspection (PDI) Report from Clear Capital or
- The equivalent from another AMC vendor

Any indication of damage reflected on the report will require a re-inspection by the appraiser.

The appraiser may perform an inspection (Fannie Mae Form 1004D) and comment on the event and certify that there has been no change to the value.

6.10 Property Eligibility: Condominiums

Established Condo Project, New Condo Project, and Detached (site) Condo Project are as defined by Fannie Mae Seller Guide Section B4-2.1-01

Requirements Applicable to All Condominiums:

- Requirements specific to the project review method used to determine that project’s eligibility;
- Property eligibility requirements (described in Property Eligibility sections);
- Priority of common expense assessments (described below);
- When an appraisal of the property is obtained, it must meet all applicable appraisal requirements (described in the Property Eligibility section); and
- Fannie Mae insurance requirements for Liability, Fidelity/Crime and Hazard Insurance Requirements for the HOA and the individual units

6.11 Priority of Common Expense Assessments

Regular common expense assessments (typically known as HOA fees) that may have priority over the mortgage lien are as defined in Fannie Mae Seller Guide Section B4-2.1-01 “Priority of Common Expense Assessments.”

6.12 Condominium Review Types:

FundLoans follows FannieMae’s Review Types.

6.13 Ineligible Projects

- A project subject to the rules and regulations of the U.S. Securities Exchange Commission
- Timeshare or Projects that restrict the owner’s ability to occupy the unit.
- New Condo conversion completed less than 2 years
- Houseboat project
- Manufactured home projects
- Assisted living facilities or any project where unit owners’ contract in advance for a lifetime commitment from the facility to care for them regardless of future health or housing needs
- Any project in which a single entity owns more than 25% of the total number of units (Projects that have 5-19 Units, one owner can own two units)
- Multi-family units where a single deed has ownership of more than one or all of the units

- Project where more than 50% of total square footage in the project or in the building that the project is located in is used for non-residential purposes
- Fragmented or segmented ownership (limited to a specific period on a recurring basis i.e., Timeshare)
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA
- Non-conforming zoning (can't be rebuilt to current density)
- Project units sold with excessive Seller contributions that may affect the re-sale value of the subject property
- Any project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association
- Project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, or habitability.
- Project with adverse environmental issue(s) involving safety, soundness, or habitability.
- Projects that are not well managed or in poor physical or financial condition w/ obvious neglected repairs
- Projects with excessive special assessments (in excess of 200% of comparable projects dues/assessments combined)

6.14 Non-Warrantable Condos Reduction

Non-Warrantable Condo Limits: 5% below matrix LTV with more than two condo exceptions

Features	Requirements
Commercial Space	• 50% Allowed (FNMA 35%)
HOA Control	• 80% Investment allowed (FNMA 50%) • Unlimited for primary residence and second home
Single Entity Ownership	• 25% allowed (FNMA 20%)
Reserves	• 7% of the budget must be for the funding of replacement reserves for capital expenditures and deferred maintenace (FNMA 10%)
HOA Dues	• No more than 20% can be 60 days or more past due. (FNMA 25%)
Other	• Considered on a case-by-case basis

6.15 Budget And Reserve Fund Balance:

A minimum of 10% of the association's annual budget should provide for the funding of replacement reserves for capital expenditures and deferred maintenance. If not, a lower percentage of annual income may be considered if the appraisal notes no major repairs and Reserve Fund balance supports a lower allocation as follows:

- 7% to 9.99% requires a Reserve Fund balance of 50% of the annual budget
- 5% to 6.99% requires a Reserve Fund balance of 75% of the annual budget
- 3% to 4.99% requires a Reserve Fund balance of 100% of the annual budget

6.16 Multiple Accessory Units

An ADU is typically an additional living area independent of the primary dwelling that may have been added to, created within, or detached from a primary one-unit dwelling. The ADU must provide for living, sleeping, cooking, and bathroom facilities and be on the same parcel as the primary one-unit dwelling.

6.16.1: ADU

The following describes the requirements for classifying an ADU.

- ADU's are only permitted on one-unit properties and are not permitted with any two-four unit property.
- The ADU must:
  - be subordinate in size to the primary dwelling.
  - have the following separate features from the primary dwelling:
  - means of ingress/egress,
  - kitchen,
  - sleeping area,
  - bathing area, and
  - bathroom facilities.
- The ADU may, but is not required to, include access to the primary dwelling. However, it is not considered an ADU if it can only be accessed through the primary dwelling or the area is open to the primary dwelling with no expectation of privacy.
- The kitchen must, at a minimum, contain the following:
  - cabinets;
  - a countertop;
  - a sink with running water; and
  - a stove or stove hookup (hotplates, microwaves, or toaster ovens are not acceptable stove substitutes).
  - An independent second kitchen by itself does not constitute an ADU.

    NOTE: The removal of a stove does not change the ADU classification.
- Some ADUs may predate the adoption of the local zoning ordinance and therefore be classified as legal nonconforming. An ADU should always be considered legal if it is allowed under the current zoning code for the subject property.

  If it is determined that the property contains an ADU that is not allowed under zoning (where an ADU is not allowed under any circumstance), the property is eligible under the following additional conditions:

  - The lender confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property.
  - The appraisal requirements related to zoning for an ADU are met. See FNMA Section B4-1.3-05.

6.16.2 Multiple ADUs:

On a case-by-case basis and subject to additional pricing overlays, if any, a one-unit property containing multiple ADUs is eligible under the following conditions:

- The property is defined as a one-unit property;

  Whether a property is defined as a one-unit property with an accessory unit or a 2+unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utility meter(s), a unique postal address, and whether the unit can be legally rented. The appraiser must determine compliance with this definition as part of the analysis in the Highest and Best Use section of the appraisal. See FNMA Section B4-1.3-05, Improvements Section of the Appraisal Report for additional ADU appraisal requirements.

- Each ADU meets the requirements of Section 6.16.1 above;
- Zoning permits multiple ADUs;
- The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use and same number of ADUs as the subject, and lender can verify the ADU is:
    a.) legal (per building code); and
    b.) may legally be rented (permissible use – zoning).

ADU rental income, when allowed to be used under Income sections of these guidelines, must be documented on FNMA Form 1007 in addition to any other requirements hereunder (copy of the current lease, two (2) months proof of receipt of rent, etc.).

Unpermitted ADUs may exist on a property but must be given no value in the appraisal, and rental income from the unit will not be considered.

CREDIT

7.1 Credit: US Citizens – Standard Tradelines

A Residential Mortgage Credit Report (RMCR) from all three credit bureaus is required for each borrower. At least 2 of the 3 credit bureaus must report information or the borrower must be treated as having a Non-Traditional Credit profile. The credit report should include the results of public record searches for each city where the individual has resided in the last 2 years.

Standard Tradelines - Each borrower must have:

- 3 tradelines w/ at least 12 months reviewed and activity reported in the past 12 months

OR

- 2 tradelines w/ at least 24 months reviewed and activity reported in the past 12 months

Valid tradelines have the below characteristics:

- The credit line must be reflected on the borrower's credit report and may include self-reported utilities
- The account must have activity in the last 12 months but may be open or closed
- An acceptable 12 or 24-month housing history not reporting on credit may also be used as a tradeline (VOR with credit supplement and may come from either a private party or property management company).

7.2 Credit: US Citizens – Unacceptable Tradelines

Examples of unacceptable tradelines include:

- Loans in a deferment period (Student loans can be counted as tradelines as long as they are in repayment and are not deferred)
- Collection or charged-off accounts,
- Accounts discharged through bankruptcy, and
- Authorized user accounts (unless evidence is provided that 24 consecutive payments have been made by directly to the creditor by our borrower via canceled checks/auto pay / ACH records)
- Foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales
- Any account currently 90 days late

7.3 Credit: US Citizens – Limited Tradelines

If Standard Tradelines requirements are not met and the borrower has a valid credit score per the Credit Score section of this guide the following restrictions apply:

- Max LTV/CLTV of 75%
- A 10% down payment has been made by the applicant from their own resources

- Primary residences only
- Not allowed Asset Depletion doc types

7.4 Credit: US Citizens – Married Borrowers Unmarried Joint Applicants

For married applicants, only the primary wage earner need meet the tradeline / FICO standards

Unmarried joint applicants who meet at least two of the three below criteria may be treated as spouses for determining compliance with the trade line requirements (within the meaning of Section 7.1)

- Reside together for at least two years;
- Hold at least one joint trade line; and
- Jointly hold asset accounts

7.5 Credit: Ineligible Applicants

Ineligible applicants include:

- ITIN Borrowers
- Irrevocable Trust
- Land Trust
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- Borrowers from OFAC sanctioned countries
- Politically exposed borrowers
- Any material parties (company or individual) to a transaction listed on HUD's Limited Denial of
- Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party-list, or any other exclusionary list.
- Business (will vest in business name with Personal Guaranty for non-owner occupied transactions only)

7.6 Credit: Social Security Number

A valid Social Security Number is required for all Borrowers with US Citizenship and Permanent Resident Aliens.

7.7 Credit: FICO Score Method

The indicator score of the primary income earner is used as the Representative Credit Score for each loan. Select the middle score when 3 agency scores are provided and the lower score when only 2 agency scores are provided. An applicant's documented income may not be excluded to manipulate the primary income-earner on a file. The primary wage earner must have a valid score from at least 2 of the following 3 agencies: Experian (FICO), Trans Union (Empirical), and Equifax (Beacon). Only scores from these agencies are acceptable. Credit score codes should be consistent with tradeline information and use. Credit scores that do not appear to represent an accurate assessment of the borrower's credit risk will not be considered valid and usable. Additional borrowers on the loan must have at least one valid score of 600 or greater.

• Asset Allowance: Generally, use the lowest middle score on the file. If one applicant is providing 75%+ of the assets for the subject transaction, including funds to close and all post-closing reserve requirements, in accounts that are either solely in their name or jointly with persons who are not applicants on the transaction, then they are deemed to be the primary asset contributor and their FICO may be used for guideline purposes.

A gap report is required and should be dated within 10 business days of the Note date.

7.8 Credit: Rapid Rescore

Rapid Rescores of credit are permitted to confirm the effect of pay down/ payoff of debt, the correction of reporting errors, the impact of additional months of payment rating/account aging. The updated credit scores will be used whether the score has improved or declined.

If the generation of a new credit report (and resulting revision to FICO scores) is more convenient for the borrower following the processing of debt pay down or payoff, a newly updated credit report can be substituted for the original credit report.

7.9 Credit: Accounts Not Appearing on Credit Reports

Accounts that are not verified on the credit report must be verified with either a written direct verification or an acceptable alternative.

- Private Mortgage Ratings:
  - Subject Mortgage - Cancelled Checks or month-by-month Servicing Ledger / Pay History
  - Non-Subject Mortgage: Written Verification of Loan
- Professional Rental Property Manager: Written Verification of Rent
- Property Owner Managed Rental:
  - For current residence – up to 12 months Cancelled Checks and Copy of Lease
    - If 12 months canceled checks cannot be provided, an Owner Managed Written Verification of Rent is allowed provided the following:
      - Minimum 660 credit score
      - LTV reduction of 5%
  - For prior residence – Verification of Rent completed by Property Owner
- Non-Reporting Installment/Revolving Debt: Written Verification of Loan
- Asset-secured Loans: Copy of consecutive statements showing payment postings

7.10 Credit: Housing Expense

Housing and mortgage-related obligations include property taxes, premiums, and similar charges that are required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments.

All properties personally vested in the applicant's name must be fully documented with regard to housing obligations including:

- Mortgage balances and pay histories
- Property taxes
- Insurance premiums (Hazard, Flood, Earthquake, Lava Flow)
- Homeowners Association Dues and
- Charges that are required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments.

These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowner's association billing statements, information obtained from a valid and legally executed contract.

7.11 Credit: Housing Payment History

Each loan application must include a fully documented, recent, consecutive, 24-month housing history and provide mortgage/housing payment history for a minimum of the 12 months leading up to the application date. On non-owner occupied transactions, a mortgage/housing history is required on the subject property as well as the primary residence and any other properties the borrower owns.

0X30x12 is the expected payment history on any mortgage/rent in the past 12 months for all borrowers combined for prime borrowing. (See matrices for credit grading with mortgage lates.)

If there are multiple borrowers on the loan, only one of the borrowers must have a primary housing history, however, a non-occupant co-borrower's history may not be used to satisfy this requirement.

If a property is owned free and clear and the applicant is current with real estate taxes, insurance, and/or HOA dues, the mortgage/housing history will be treated as 0x30x24 for credit grade determination.

7.12 Credit: Verification of Mortgage

The following are acceptable for verifying mortgage payments:

- A current credit bureau report or credit supplement
- An institutional Verification of Mortgage (VOM)
- Images of canceled checks (front and back)
- Bank statements showing ACH transaction

For private mortgages see: Credit: Accounts Not Appearing on Credit Reports

A combination of mortgage and rent verification may be provided to complete a 12-month housing payment history. When the borrower moved from rental to ownership a gap month is acceptable from the end of the rental period to the first payment due date, if applicable.

Incomplete housing history may be accepted with written explanation on an exception basis.

7.13 Credit: No Housing History in last 12 months

Borrower(s) who own their primary residence free and clear aren't considered living rent-free.

Documentation of timely payment of Real Estate Tax and Hazard Insurance is sufficient evidence of timely 12-month housing history payment.

Borrowers who do not have a complete 12-month housing history are subject to the following restrictions:

- Minimum 6 months reserves after closing
- 10% minimum borrower contribution (i.e. of 10% of purchase price)
- VOR/VOM must be obtained for all months available reflecting paid-as-agreed (See Credit: Accounts Not Appearing on Credit Reports for Private VOM and VOR requirements)
- Bank Statement income documentation program only.

*Borrowers who lack a primary mortgage/housing history or do not have a complete history as required by the program guidelines are eligible if the following is met:

- Borrower has a fully documented, recent, consecutive 12 or 24-month mortgage history, as required by program guidelines, on a personally held investment property.

If the borrower indicates that they are living rent-free the following will be required:

- A signed letter from the owner/primary resident of the home must be provided verifying that the borrower is living rent-free.
- The letter needs to indicate the relationship between the borrower and owner/primary resident and the reason why the borrower is living rent-free at the home.
- DTI may not exceed 45%
- Reduce LTV by 5% of the maximum allowed per Program Matrix

7.14 Credit: Past Due Balloon Payment on Existing Mortgage

Balloon mortgages (for lenders other than FundLoans) that have passed their due-in-full date will not be considered a derogatory housing event if there is a documented extension in place prior to maturity, no gap in payments between maturity and extension, and the mortgage will be paid in full via the refinance within 60 days of the new maturity date.

7.15 Credit: Adverse Credit Seasoning

The waiting period commences on the completion, discharge, or dismissal date (as applicable) of the derogatory credit event and ends on the disbursement date of the new loan unless otherwise noted.

7.16 Credit: BK/FC/SS/DIL/Forbearance or Modification

For any credit/housing event below, superior pricing and LTVs require 4-year seasoning. Minimum 2-year seasoning required for reduced LTV's and additional LLPA's (see matrix and rate sheet for more information.) When under 4 years of seasoning, new 0x30x12 housing history needs to be reestablished.

7.17 Credit: Bankruptcy History

Recent bankruptcies are allowed, all bankruptcies must be settled at the time of application. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the note date.

All bankruptcies must be discharged or dismissed for the minimum number of months from the closing date as shown on the Matrix. See Matrix for specific details.

No multiple credit/housing events (FC, BK, SS/DIL) in the last seven (7) years.

7.18 Credit: Foreclosure Seasoning

Seasoning of a foreclosure is measured from the settlement date (final property transfer) to the note date.

Foreclosure must be seasoned for the minimum number of months from the closing date (see Matrix for details).

No multiple credit/housing events (FC, BK, SS/DIL) in the last seven (7) years.

7.19 Credit: Short Sale / Deed in Lieu Seasoning

Seasoning of a short sale or deed-in-lieu is measured from the settlement date (sale or final property transfer) to the note date.

Short sale or deed-in-lieu must be seasoned for the minimum number of months from the closing date (see Matrix for details).

No multiple credit/housing events (FC, BK, SS/DIL) in the last seven (7) years.

7.20 Credit: Forbearance or Modification

Forbearance or mortgage loan modification resulting in any of the attributes listed below is subject to Housing Event seasoning (see Matrix for details):

- Length of time of any mortgage forbearance is limited to 12 months
- Forgiveness of a portion of principal and/or interest on either the first or second mortgage
- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness
- Conversion of any portion of the original mortgage debt to a "soft" subordinate mortgage
- Conversion of any portion of the original mortgage debt from secured to unsecured

At least 3 payments must have been made on any forbearance plan. A letter or explanation from the borrower addressing the situation that made forbearance or modification necessary must be provided. The current housing payment history along with the new housing payment must be considered when determining if the situation is adequately resolved.

7.21 Credit: Unresolved Disputed Installment & Revolving Accounts

The following guidelines can be utilized to address disputed accounts:

- Account with zero balance and no derogatory information – no action required
- Account with a positive balance and no derogatory information – no action necessary
- Account with zero balance and derogatory information – LOE & pull a new credit report to remove
- Account with a positive balance and derogatory information – LOE & pull a new credit report to remove.

Note: A credit supplement is not allowed to document disputed accounts. A new report must be pulled.

Every reasonable attempt should be made to resolve the dispute and obtain an updated credit report/FICO score.

Disputed accounts do not need to be removed under the following circumstances:

- Non-derogatory disputed accounts with zero balance.
- Disputed medical collections.
- Disputed derogatory credit resulting from identity theft, credit card theft, or unauthorized use.

To exclude these balances, a copy of the police report or other documentation from the creditor to support the status of the accounts.

7.22 Credit: Public Records

All existing public records must be reviewed to ensure that are no outstanding judgments or liens against all borrowers. The public record search findings along with documentation to clear any alerts raised must be included in the loan file.

See the individual policies for Judgments, Tax Liens, Collections, and Charges Offs for guidance on what accounts, if any, need to be paid by or at closing.

7.23 Credit: Judgments/Tax Liens

Any outstanding judgments or tax liens may remain open under the following conditions:

- Must be on a repayment agreement seasoned a minimum of 3 months
- Must document the most recent 12 months' payments (or payments-to-date if an agreement has been in place less than 12 months) have been made in a timely manner
- Must include the payment in the DTI; and
- For refinances, if the judgment or tax lien is recorded against the property it must be subordinated and the program's LTV/CLTV limits must be calculated with the subordinated lien considered.

If the conditions above are not met, the judgment or tax lien must be paid off prior to or at closing and cash-out proceeds may be utilized for this purpose.

For tax liens, the title company must provide written confirmation confirming:

- the title company is aware of the outstanding tax lien, and
- there is no impact to first lien position

Collection and charge-off account balances remaining after the exclusions listed above may remain open when one of the following is met:

- Borrower has sufficient reserves to cover remaining collection and charge-off balances (in addition to meeting all down payment/cash-to-close/required reserves); or
- Payment for remaining collections and charge-offs included in DTI results in final DTI ≤ 50% (payment calculated at 5% of the balance of remaining unpaid collections and charge-offs).

A combination of the two options above is allowed. A portion of the unpaid collection balance can be included in the DTI while the remainder is covered by excess reserves. Collections and charge-offs that cannot be factored into DTI or reserves must be paid off.

7.24 Credit: Medical Collections

Medical collections may remain open regardless of the amount.

7.25 Credit: Rolling Lates

On a case-by-case basis, the presence of a single incidence of a “rolling” 30-day late episode in housing payments (primary, second home, or investment) can be considered as meeting the 1x30x12 payment rating standard. Multiple incidents of rolling lates will not be treated as a single event and each occurrence of contractual delinquency will be considered individually for grading credit or meeting creditworthiness lending standards.

7.26 Credit: Lawsuits

If the application, title, or credit documents indicate that the borrower is involved in a lawsuit or litigation, additional documentation (e.g., attorney’s explanation, copy of the complaint, and/or other supporting documentation) is required. The title company closing the loan must provide a letter stating affirmative coverage of the subject lien position. Generally, lawsuits and pending litigation are not eligible, but situations in which the lawsuit or pending litigation can be determined not to have a meaningful impact on the borrower’s ability to repay the mortgage may be permitted.

LIABILITIES

8.1 Liabilities: Business Debt in Applicant’s Name

Business debt in the borrower’s name may be excluded form DTI when:

- The account in question does not have a history of delinquency;
- The P&L’s show itemized interest sufficient to account for the account payments (CPA (or Enrolled Agent if license can be verified) Expense Letter notes that the expense ratio includes that portion of interest expense for the specific loan in question); and
- The most recent 6 months canceled checks are drawn against the business account (or evident on business bank statement checks or ACH transfers)

If the Underwriter cannot confirm, the minimum payments for the debt must be included in the Borrower’s DTI.

8.2 Liabilities: Unreimbursed Business Expenses

The full amount of an automobile or expense allowance may now be excluded (if reported on credit) with 12 months of canceled checks and/or expense receipts.

8.3 Liabilities: Debt-to-Income Ratio Definition

The DTI ratio includes:
The primary residence monthly housing expenses plus:

- Minimum Monthly payment on Revolving charges (If the payment is not reflected on the credit report, 5% of the outstanding balance will be used);
- Scheduled monthly payment of Installment debts with 10 or more remaining payments (automobile leases must be included in the DTI even if fewer than 10 payments remain);
- PITIA of any non-rental Real estate loans on the personally held property (e.g., second home);
- Real estate net rental losses (gains are credited to income) from all investment properties owned. (Commercial properties are excluded when the borrower is not personally liable);
- Child support payments with 10 or more remaining payments (Alimony/Maintenance is a debt, but can be subtracted from income);
- Court-ordered (or settlement agreement) obligations, if applicable, for divorced or separated borrowers; and
- Student loans, whether deferred, in forbearance or repayment the payment noted on the credit report or monthly account statement OR 1% of the unpaid balance.

For any open 30-day accounts that do not reflect a monthly payment on the credit report, or that reflect a monthly payment that is identical to the account balance (e.g. AMEX) Borrower must document sufficient assets/funds to cover the balance of the 30-day account. Assets/funds required are in addition to any other assets required pursuant to these guidelines (reserves, closing costs, etc.). Cash-out may be used for this purpose.

ASSETS

9.1 Assets: Documentation Options

Various forms of documentation are acceptable depending on the borrower's asset type. Assets and reserves should be calculated and documented to Fannie Mae guidelines unless otherwise specified in these guidelines.

9.2 Assets: Large Deposits

When bank statements (typically covering the most recent two months) are used for Earnest Money, Down Payment, Closing Costs, Prepaids, and Reserves, the lender must evaluate large deposits, which are defined as a single deposit that exceeds 50% of the total monthly qualifying income for the loan need to be documented and sourced.

9.3 Assets: Cryptocurrency

Cryptocurrency that has been exchanged into U.S. dollars is acceptable for the down payment, closing costs, and financial reserves, provided the following requirements are met:

- there is documented evidence that the virtual currency has been exchanged into U.S. dollars and is held in the U.S. or state-regulated financial institutions,
- and the funds are verified in U.S. dollars prior to the loan closing.

A large deposit may be from a virtual currency that was exchanged into U.S. dollars. The lender must obtain sufficient documentation to verify the funds originated from the borrower's virtual currency account.

Virtual currency may not be used for the deposit on the sales contract (earnest money) for the purchase of the subject property.

9.4 Assets: Asset Types

9.4.1 Depository Assets:

Depository assets (checking and savings accounts, money market funds, and certificates of deposit) require two consecutive monthly bank statements (60 days of account activity).

Monthly bank statements must be dated within 45 days of the initial loan application date.

Quarterly bank statements must be dated within 90 days of the initial loan application date, and the lender must confirm that the funds in the account have not been transferred to another asset account that is verified with more current documentation.

9.4.2 Bridge Loan:

Bridge loans should also be considered in the Net Equity calculation for properties that are Pending Sale. (In other words, the amount of the bridge loan should be subtracted from the net proceeds to avoid counting this asset twice.)

9.4.3 Earnest Money Deposits:

Earnest Money must be documented and come from a sourced and seasoned bank account. Earnest Monies failing documentation standards can be resent from a sourced and seasoned account (with an overpayment of Earnest Money being refunded to the applicant following the transfer).

Earnest Money is considered seasoned when supported by payroll/income deposits in the 60 days leading up to the withdrawal of Earnest Money. Non-payroll/income deposits need to be sourced to determine if they are an acceptable source of closing cash. Fannie Mae guides on acceptable sources of down payment and closing costs can be used.

9.4.4 Gift Funds:

Any transaction that contains a gift must meet the minimum borrower contribution and documentation requirements of Fannie Mae Seller Guide Section B3-4.3-04.

Gift funds for non-owner occupied properties are allowed after borrower's minimum 20% contribution.

9.4.5 Gift of Equity:

A "gift of equity" refers to a gift provided by the seller of a property to the buyer. The gift represents a portion of the seller's equity in the property and is transferred to the buyer as a credit in the transaction.

A gift of equity:

- is permitted for principal residence and second home purchase transactions;
- can be used to fund all or part of the down payment and closing costs (including prepaid items); and
- cannot be used towards financial reserves.

The acceptable donor and minimum borrower contribution requirements of Fannie Mae Seller Guide Section B3-4.3-04 also apply to gifts of equity. When a gift of equity is provided by an acceptable donor, the donor is not considered to be an interested party and the gift of equity is not subject to interested party contribution requirements.

9.4.6 Net Equity:

At the time of Underwriting, net equity from properties pending sale can be estimated using the following formula:

(Present Market Value × 90%) – Amount of Mtgs. & Liens

If a bridge loan is obtained, the amount of the bridge loan should be subtracted from the net proceeds.

A loan condition for the Settlement Statement will be required to be met by closing.

9.4.7 Secured Borrowed Funds:

Borrowers can borrow against an asset they own, such as a 401(k) account, real estate, or other assets of value. The loan should be an institutional loan or, in the case of real estate, a publicly recorded lien. Terms sheet or Note/Financing Agreement must be provided. Evidence of the proceeds checks from the lender must be provided, as well as evidence of deposit to the applicant's account.

9.4.8 Sale of an Asset:

Generally, a four-step process is required:

- Proving ownership of the asset
- Establishing the Value of the Asset
- Bill of Sale
- Evidence of receipt of funds and deposit of funds into the applicant's documented bank statement

Example: Sale of automobile: Provide auto title in applicant's name; Kelly Blue Book or auto appraiser's estimate; sales agreement between applicant/seller and buyer; image of buyer's check; and deposit to applicant's account.

9.5 Assets: Assets Held in Retirement Accounts or Stocks/Bond/Mutual Funds

For Retirement accounts or Stocks/Bond/Mutual Funds, FundLoans requires two consecutive monthly bank statements (60 days of account activity).

Monthly bank statements must be dated within 45 days of the initial loan application date. Quarterly bank statements must be dated within 90 days of the initial loan application date.

Funds in these accounts may be used for down payment and reserves as follows:

- Stocks/Bond/Mutual Funds - 100% of such accounts for closing and reserves.
- Vested Retirement Account funds – 80% may be considered for closing and reserves if the borrower(s) have reached the age of 59 ½ or 70% if they have not at the time of closing.

Any assets which produce income or are used as income already included in the income calculation are not eligible for use as down payment or reserves.

9.6 Assets: Use of Business Funds

Business funds may be used for the down payment, closing costs, and for the purposes of calculating reserves. The borrower must be listed as the sole owner or co-owner of the account and the account needs to be verified per the requirements of this Guide.

If Business funds are used, the borrower must be the sole proprietor or 25% owner of the business. The Lender must determine that the withdrawal of funds will not have a negative impact on the business by one of the following methods based upon the income documentation:

- A signed letter from CPA (or Enrolled Agent if license can be verified) or borrower verifying that the withdrawal of funds for the transaction will not have a negative impact on the business. If borrower letter provided, then Borrower to detail the minimum obligations the business must cover in the next 60 days and compare it to the anticipated income to indicate that sufficient cash flow will exist after withdrawal of funds used for closing.

- Business Expense Coverage: Using the most recent business bank statement(s) used for income documentation perform the following calculation:

  Most Recent Statement(s) Ending Balance(s)
  (Plus) Funds Available from Personal Account(s)
  (Minus) Transaction Down Payment
  (Minus) Transaction Closing Costs
  (Minus) Program Required Reserves
  = “Funds Available for Business Expense Coverage”

  “Funds Available for Business Expense Coverage” must be a positive number and reflect:

  - A minimum of 2 months of average expenses as reflected on the P&L or as determined by using the expense factor; or
  - The balance sheet for the business must reflect positive working capital.

Working capital is the difference between the current assets less current liabilities. The result represents the maximum amount of business funds available to use towards the down payment, closing cost, and reserves

9.7 Assets: Reserves

The FundLoans Bank Statement programs include minimum reserve requirements as outlined on the FundLoans Product matrices.

Reserves must be sourced and documented. (See Assets: Asset Types)

Business Funds can be used for Reserves (See Assets: Use of Business Funds)
Proceeds from a cash-out refinance can be used to meet the minimum reserve requirements. Proceeds from 1031 Exchange cannot be used to meet reserve requirements.

Reserve requirements are waived for Rate/ Term Refinance transactions when the transaction results in a reduction to the monthly principal and interest payment of 10% or greater AND housing history is 1x30x12 or better. Additional Reserves for other financed properties are still required. (Waiver not eligible for DTI greater than 50%)

For Debt consolidation loans on Primary residences meeting requirements under the Debt Consolidation section of this guide, the reserve requirement is reduced to 1 month required. Additional Reserves for other financed properties are still required.

Additional Reserves - All financed properties, other than the subject property, require an additional two (2) months PITIA in reserves for each property. The total reserve requirement is not to exceed twelve (12) months.

9.8 Assets: Reserve Calculations

- Reserves for a loan with an Interest Only feature can be calculated based upon the Interest Only housing payment.
- Reserves for an ARM loan can be calculated based upon the initial PITIA, not the FIAR or qualifying payment.

9.9 Assets: Assets Held in Foreign Accounts

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing unless held in a multi-national Banking institution that has active branch locations in the U.S. (EXAMPLES: Applicant has funds in Hong Kong branch of J.P Morgan Chase, or European branch of Credit Suisse)

Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table.

A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds.

10.1 Program Exceptions

FundLoans will consider loans that meet a significant portion of key program parameters but may be slightly outside of the recommended LTV, FICO, DTI, or Reserves so long as the file has significant strengths in the remaining key program parameters.

"Case by case" referenced throughout is an "exception" to these Guidelines and FundLoans reserves the right to refuse to grant such case by case scenario or exception, and any granted are subject to additional LLPAs at the discretion of FundLoans.

Guidelines Updates (10-22-2024 v5.3)

1. §9.6 Assets: Use of Business Funds: Revised ownership percentage to 25% to match Minimum Business Ownership Percentages allowed.
2. §1.7 Programs: Interested Party Contributions: Removed FNMA reference and simplified to 6% on OO/2nd home and 3% on NOO.
3. §7.14 Credit: Past Due Balloon Payment on Existing Mortgage: Changed to require only documentation of extension in place prior to maturity and no gap in payment(s).