



Community Mortgage Residential
Mortgage Program & Underwriting
Guidelines

April 15, 2021

Primary Residence & Second Home			
	LTV	FICO	Reserves
Purchase Rate & Term Refinance	75%	740	3 months
		700	9 months
		680	12 months
		640	18 months
Primary Residence & Second Home			
	LTV	FICO	Reserves
Cash Out Refinance	70%	740	3 months
		700	9 months
		680	12 months
		640	18 months
Maximum Loan Amounts			
All LTVs based on grid above	\$3,000,000		
Additional Financed Properties			
Each additional financed property owned requires 2 months additional reserves of each property's PITIA			

Products	
5/6m ARM, 7/6m ARM & 10/6m ARM, 30 Yr Fixed	
5/6m ARM IO, 7/6m ARM IO & 10/6m ARM IO, 30 Yr Fixed IO	
I/O feature available for fixed period of ARM or 10 years on 30 Yr Fixed Rate Product	
ARM Margins & Caps	
5/6 Month ARM	Margin: 2.75 Caps 2/2/5
7/6 Month ARM	Margin: 2.75 Caps 2/2/5
10/6 Month ARM	Margin: 2.75 Caps 2/2/5
Index =30 Day Avg SOFR Floor = Start Rate	

Credit Requirements	
Mortgage History	0 x 30 x 12
Foreclosure Seasoning	12 months
Short Sale/DIL Seasoning	12 months
BK Seasoning	Settled/Discharged

Additional Program Requirements	
Appraisal	Loan amounts over \$1,500,000 automatically require two appraisals. Every appraisal requires a Desk Review. Properties with a condition rating of C5 or C6 or a quality rating of Q6 are not acceptable.
Assets	Sourced and seasoned for 30 days
Citizenship	US Citizen, Permanent Resident Alien & Non-Permanent Resident Alien (with US credit)
Compliance	See guidelines for Escrow requirements • Fully documented ability-to-repay • Compliance with all applicable federal and state regulations No section 32 or state high cost • "Total borrower paid points and fees up to 5%"
Max Financed Properties	Maximum 20 financed properties including subject property.
Mortgage History	0 x 30 x 12. For current or recent Forbearance: If the borrower has resolved missed payments through a loss mitigation solution, they are eligible for a new mortgage loan if they have subsequently made at least three (3) timely payments. Follow FNMA requirements regarding forbearance reinstatement.
Occupancy	Primary Residence and Second Homes
Prepayment Penalty	Not allowed.
Property Types	SFR, PUD, Townhome, Condominium, Non-Warrantable Condominiums (max 65% LTV) , 2-4 Unit, Modular, Rural & Log Homes. Manufactured Homes are not eligible.
Qualifying Rate	Fixed = Note Rate; ARM: 5/6m = Greater of Note Rate or Fully Indexed Rate; 7/6m & 10/6m = Note Rate
Reserves	Follow grid above. ***LTVs ≤ 60% only require 3 months PITIA reserves regardless of loan amount. Cash out can be used towards the reserves requirement.
Subordinate Financing	Max 85% CLTV. Secondary financing must be institutional. Seller carrybacks are not permitted.
Seller Concessions	Up to 6%

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Community Mortgage Residential Mortgage Program & Underwriting Guidelines

I. Loan Program Mission

Empowering the dreams of diverse homeowners and underserved communities by providing non-traditional access to prime capital for underbanked borrowers and communities.

II. Community Development Financial Institution (“CDFI”) Overview

A. CDFI Certification

Notice of Certification dated April 20, 2018, Certification Number 171CE014651 issued by the U.S. Department of Treasury certifying The Change Company, LLC and Change Wholesale, each as a CDFI as defined in 12 C.F.R. 1805.104.

B. CDFI Exemption

Under Applicable Law, a loan originated by a CDFI is exempt from the Ability-to-Repay (“ATR”) requirements set forth in Section 1411 of the Dodd-Frank Act and Regulation Z. So long as originator is certified as a CDFI when it originates the loan, the exemption to ATR is effective and unconditional. Accordingly, the originator or purchaser of such loan shall not have any liability with respect to claims to legal actions brought by borrowers based on originators failure to comply with the ATR requirement.

III. Community Mortgage Residential Mortgage Program Overview

Community Mortgage focuses on underbanked and underserved borrowers and communities with a holistic approach to credit underwriting and loan origination focused on the Five C’s of Credit Principles:

Character	Measures the borrower’s reputation, record of accomplishment and experience of repayment.
Collateral	Measures the lender’s security for the loan.
Capital	Measures the borrower’s equity contribution and level of seriousness.
Capacity	Measures the borrower’s capacity to repay the loan.
Conditions	Measures the terms of the loan verses the purpose of the loan.

Community Mortgage mortgages are well structured to help borrowers establish and enhance their credit to improve their access to prime financing and do not have predatory prepayment penalties or other consumer adverse terms or conditions.

Community Mortgage borrowers often need credit underwriters to consider compensating factors or alternative documentation due to limited or irrelevant quantitative underwriting factors to establish a reasonable expectation of repayment in the following areas:

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Character & Credit History	Credit underwriting seeks to understand a borrower's character as part of the process. This can include reference letters, community activities, and reputation as well as credit history. Certain borrowers with limited FICO scores (e.g., new immigrants etc.) or with irrelevant or misleading FICO scores (e.g., identity theft etc.) may need more bespoke underwriting which considers alternative credit scoring and borrower character to evaluate the borrower's reliability and reasonable expectation of repayment.
Income	Borrowers who meet the Community Mortgage eligibility requirements are not required to provide income documentation. Income is therefore not calculated nor stated on the loan application (1008/1003) nor is a debt-to-income ratio calculated as part of the programs established reasonable expectation of repayment.
Loan Documentation	Credit underwriting will often use "common sense" approach and use alternative and compensating forms of documentation to evaluate a reasonable expectation of repayment.

Community Mortgage focuses on the following borrower populations:

- Low Income Individuals and Communities
- Underserved and/or underbanked borrowers due to ATR and Regulation Z requirements:
 - Limited Income History
 - Limited or No Credit History
 - Inadequate Income Documentation

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IV. Community Mortgage Loan Terms

Loan Types	<ul style="list-style-type: none"> • 5 Year Fixed Rate ARM • 7 Year Fixed Rate ARM • 10 Year Fixed Rate ARM • 30 Year Fixed Rate
Loan Term	360 months
Payments	Payments, unless otherwise required, are interest only minimum payment for the fixed period of the ARM or first 10 years on Fixed Rate product, and then fully amortized for the remaining life of loan.
ARM Index	30 day avg SOFR
Floor Rate	Start Rate
ARM Margin	4.500% - Subject to any loan level margin adjustments
ARM Interest Rate Caps	<ul style="list-style-type: none"> • 5/6 Month ARM 2/2/5 Caps • 7/6 Month ARM 5/2/5 Caps • 10/6 Month ARM 5/2/5 Caps
Prepayment Penalty	None
Balloon Payment	None
Impound Account	Required
Minimum Loan Amount	\$100,000
Eligible States	Arizona, California, Colorado, Florida, Georgia, Idaho, Illinois, Iowa, Louisiana, Michigan, Minnesota, Montana, New Mexico, Ohio, Oregon, Tennessee, Texas, Utah, and Virginia
State Specific Restrictions	<p>California: Interest Only prohibited for FICOs below 660</p> <p>Colorado: All loan transactions require the following:</p> <ul style="list-style-type: none"> • Fully executed Colorado LO Reasonable Inquiry Attestation • HUD Counseling Certification from the Colorado Housing Assistance Corporation <p>Illinois: Allowed provided payment is based on fully indexed rate</p> <p>Texas: Interest Only prohibited</p> <p>Ohio: Interest Only prohibited on Adjustable-Rate (ARM) loans</p>

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V. Community Mortgage Program Eligibility & Credit Guidelines

A. Eligible Transactions

Eligible Transactions	Requirements
Purchase	Maximum 75% LTV
Rate & Term Refinance	<p>Maximum 75% LTV. Borrower proceeds limited to the lesser of 2% of loan amount or \$5,000 max cash in hand.</p> <p>Any subordinate loan not used in the initial acquisition of the subject property is eligible for payoff should one of the following apply:</p> <ul style="list-style-type: none"> • Closed end loan, at least 12 months seasoning has occurred; or • HELOC, at least 12 months of seasoning has occurred and total draws over the most recent 12 months are less than \$2,000. HELOC must be closed.
Cash Out Refinance	Maximum 70% LTV.
Debt Consolidation	<p>Cash out transactions meeting the following additional requirements may be treated and priced as Rate & Term transactions:</p> <ul style="list-style-type: none"> • Loan proceeds are to be applied solely to debt payoff only. • The Closing Disclosure must reflect the paid off debts • Borrower can receive no more than \$2,000 incidental cash in hand.
Delayed Financing Option	<p>Borrowers who purchased the subject property within the past 6 months are eligible for a cash out refinance if all of the following requirements are met:</p> <ul style="list-style-type: none"> • 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, CLTV and HCLTV ratios for the refinance transaction based on the lower of the initial purchase price or current appraised value. • At least one of the following must exist: <ul style="list-style-type: none"> ○ No mortgage financing was used to obtain the subject property <ul style="list-style-type: none"> ▪ The original purchase transaction is documented by a settlement statement which confirms no mortgage financing was used to obtain the subject property.

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Each additional financed property owned requires 2 months additional reserves of each property's PITIA

① Community Mortgage Reserve Calculation Index: 1 month reserve = 1 month PITIA

*All transactions with a LTV ≤ 60% only require a total of 3 months reserves.

C. Borrower Eligibility

Borrower Type	Requirements
U.S. Citizens An individual who was born or naturalized as a citizen of the United States.	Must have a valid Social Security Number.
Permanent Resident Aliens (Green Card) An individual legally authorized to reside and work in the United States indefinitely.	Legally authorized to reside and work in the United States indefinitely. <ul style="list-style-type: none">• Must have a valid Social Security Number• A fully executed Certification of Resident Alien Status Form must be provided at the time of submission
Non-Permanent Resident Aliens An individual employed in the United States but does not have a green card.	Valid Social Security Number is required. The borrower's current visa must meet lender requirements and have a minimum of one year remaining prior to expiration.
Max Number of Borrowers Allowed	4 Borrowers. Greater than 4 borrowers considered on a case-by-case basis.
Ineligible Borrowers	<ul style="list-style-type: none">• Any borrower suspended, debarred, or otherwise excluded per the LDP/GSA and/or OFAC/SAM findings• Diplomats, Diplomatic Immunity• Applicants with temporary protected status• Irrevocable Trusts• Land Trusts• Limited or general partnerships (LLC)• Corporations, S Corporations

D. Property Eligibility

Eligible Properties

- Primary Residences
- Second Homes
 - must be occupied by the borrower some portion of the year

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- must be located a reasonable distance from the borrowers current residence
- restricted to one-unit dwellings
- the borrower must have exclusive control over the property
- must not be a rental property or a timeshare agreement
- 1-4 Unit Residential Properties
- Condominiums
 - Fannie Mae warrantable up to max LTV per eligibility grid
 - Non-Warrantable up to 65% max LTV
- Agriculturally/Rural Zoned Properties
 - Working farms, ranches or orchards are ineligible.
 - Acreage limited to 40 acres max
- Mixed-Use Properties
 - The property must be a 1-unit dwelling the borrower occupies as a primary residence
 - The borrower must be both the owner and operator of the business
 - The property must be primarily residential in nature
 - The dwelling may not be modified in a manner that has an adverse impact on its marketability
 - The appraisal must:
 - provide a detailed description of the mixed-use characteristics of the subject property;
 - indicate the mixed use of the property is a legal, permissible use of the property under local zoning requirements;
 - report any adverse impact on marketability and market resistance to the commercial use of the property; and
 - report the market value based on its residential characteristics only

Ineligible Properties	<ul style="list-style-type: none"> ● Investment Properties ● Condotels ● Manufactured / Mobile Homes ● Zoned Commercial
Condominiums	Follow review process as required by Fannie Mae.
Non-Warrantable Condominiums	<p>Stacking of risk is not allowed, meaning only one variance in the grid below will be permitted.</p> <p>Change Wholesale will not finance more than 20% of the units in any one project</p> <p>A full review of the project is required. The following documents must be provided:</p>

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- Fully executed Change Wholesale HOA Questionnaire
- Master property, liability and flood insurance (if applicable)
- HOA Budget and Current Balance Sheet
- CC&Rs and Bylaws (new construction and conversion only)
- Litigation court documents, if applicable
- Ground lease, if applicable
- Investor concentration in project is allowed up to 60%. Higher percentages may be considered on investment property transactions when an established history of a high percentage of rental units in the condo project can be demonstrated. Unsold units owned by a builder/developer are not considered as investor owned.

Characteristic	Exception Considerations
Commercial Space	Subject property unit must be 100% residential. Project/building commercial percentage must be ≤ 50%. When commercial space exists, it must be "typical for market & have no negative impact on marketability." Commercial percentage is determined by the appraiser. No further assessment required. Commercial space in the building/project exceeding 50% will be reviewed on a single loan exception basis. Commercial entity cannot control the HOA.
New Projects	The project, or the subject's legal phase along with the other phases, must be complete. All common elements in the project or legal phase must be 100% completed. At least 25% of the units must be sold or under a bona-fide contract. Unsold units owned by a builder/developer are not considered as investor owned and can be included in the presale requirement.
Delinquent HOA Dues	No more than 20% of the total units in the project may be 60 days or more past due on the payment of condominium/association fees.
HOA Control	The developer may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period.
HOA Reserves	<ul style="list-style-type: none"> • 3-5% allocation of replacement reserves - annual budget required • < 3% allocation of replacement reserves - annual budget required & reserve study completed by a professional • Projects with excessive insufficient budgetary reserves are allowed on a case by case basis with a reserve study completed within the last 5 years by a professional (Engineer, Architect, CPA, General Contractor, or Property Manager w/ 3 years experience)
Litigation	Pending litigation will be considered on a case by case basis. Pending litigation is not allowed under any circumstance when the litigation involves structural items or items that impact marketability or safety of the project.

Hazard Insurance

- The insurance coverage should reflect one of the following:
- 100% of the insurable value of the improvements, as established by the property insurer (including guaranteed replacement, if applicable); or
 - 100% of the Total Estimate Cost-New per the appraiser; or
 - the unpaid principal balance of the mortgage, as long as it is at least equals the minimum amount – 80% of the insurable value of the improvements –

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required to compensate for damage or loss on a replacement cost coverage.

E. Vesting Eligibility

Vesting Type	Requirements
Individual / joint Tenant	Acceptable, follow each individual state allowances
Community Property	Acceptable, follow each individual state allowances
Tenants in Common	ALL parties must be borrowers on the transaction, follow each individual state allowances
Power of Attorney	<ul style="list-style-type: none">• Acceptable for rate/term refinance, no cash out and purchases military use only.• Must be “specific” and reference the loan transaction.• POA needs to be notarized prior to and within 60 days of note date
Revocable Trust / Inter-Vivos	A completed Trust and / or Trust Certification. At least one borrower on the transaction must be the Trustor (Settlor) and a Trustee.
Blind Trust	Acceptable, see Revocable Trust.
Ineligible Vesting	<ul style="list-style-type: none">• Tenants in Common with parties who are NOT borrowers on transaction• Irrevocable Trust, Qualified Personal Residence Trust (QPRT)• Corporation

F. Appraisal Eligibility

Appraisal Items	Requirements
Appraisal Ordering	All appraisals must be ordered and completed by a Change Wholesale approved appraiser or AMC, in accordance with Appraisal Policy.
Second Appraisal	A Second Appraisal from a Change Wholesale approved appraiser or AMC is required when the loan amount exceeds \$1,500,000. When a second appraisal is provided, the transaction’s “Appraised Value” will be the lower of the two appraisals. The second appraisal must be from a different company and appraiser than the first appraisal.
Appraisal Review	All appraisals require an acceptable, pre-closing, third-party desk appraisal review by an approved vendor in accordance with Appraisal Policy.

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Distressed Markets	If an appraiser identifies a property as “distressed”, it must be determined whether any deterioration is material and impactful to the overall value of said property. A minimum reduction of the maximum program LTV will be applied, additional reduction will be subject to underwriter discretion.
Appraisal Age	All appraisals must be dated within 120 days from the closing / funding of loan. At 121 days, a new full appraisal is required.
Loan to Value (LTV)	<u>Purchase Transactions</u> – LTV equals the lesser of the purchase price or appraised value. <u>Refinance Transactions</u> – If seasoned ownership is 12 months or greater, current appraised value is used. If the seasoned ownership is less than 12 months, use lesser of original purchase price or current appraised value.

G. Credit Eligibility

Credit Items	Requirements
Minimum Credit Score	FICO ≥ 640
Tradelines Requirement	Two (2) tradelines reporting for 12+ months or one (1) tradeline reporting for 24+ months, all with activity in the last 12 months. *First Time Home Buyers are allowed to apply a 12 month recent and satisfactory VOR towards the tradeline requirement. The following are not acceptable tradelines: <ul style="list-style-type: none">• “Non-traditional” credit as defined by Fannie Mae• Any liabilities in deferment status• Accounts discharged through bankruptcy• Authorized user accounts• Charge-offs or collection accounts• Foreclosures, deed in lieu of foreclosure, or short sales
VOM	VOM required on refinance transactions only. If Primary is owned free and clear, no VOM is required. Mortgage being paid off through the transaction must be current, cannot be currently past due. 0 x 30 last 12 months. All disclosed mortgage payment history is subject to review at Underwriter discretion.
Forbearance	If the borrower has resolved missed payments through a loss mitigation solution, they are eligible for a new mortgage loan if they have subsequently made at least three (3) timely payments: <ul style="list-style-type: none">• For a repayment plan, the borrower must have made either three payments under the repayment plan or completed the repayment plan, whichever occurs first.

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- For payment deferral, the borrower must have made three (3) consecutive timely payments following the effective date of the payment deferral agreement.

Note: The source of funds used to reinstate the loan must be documented if the reinstatement was completed after the application date of the new transaction. The required three (3) consecutive timely payments cannot be paid in advance or in a lump sum.

Foreclosures, Short/Deed-in-Lieu Sales

A one (1) year waiting period is required. All of these major derogatory events require a letter of explanation from the borrower. The situation causing the event must be adequately documented as resolved. If multiple events exist in this time frame each must be addressed in the explanation. Compensating documentation may be required at the underwriter’s discretion. The length of time is measured from the settlement date to the note date.

- In the case of any event which was included in Bankruptcy, the seasoning timeline will start from the earlier of: a) the date of discharge of the bankruptcy; or b) the event completion date. Re-established credit of at least two (2) tradelines paid as agreed for the most recent 12 months is required or the event date will be used. Active major derogatory events are not allowed.

Bankruptcies

Must be fully discharged, no seasoning requirements. LOE required. Compensating documentation may be required at underwriter’s discretion.

Judgements

Must be paid at time of closing. Acceptable LOE required.

Tax liens

Acceptable, proof of release. LOE required – compensating documentation may be required at underwriter’s discretion.

Derogatory Credit

LOE required. Compensating documentation may be required at underwriter’s discretion.

Collections

Acceptable, all open collections reporting in the most recent 24 months totaling more than \$5,000 must be paid in full prior to or at closing. LOE required. Compensating documentation may be required at underwriter’s discretion. Medical collections not included.

Schedule of REO

Initial 1003 must reflect a complete Schedule of Real Estate for all properties owned by the Borrower and must also include the full PITIA validation for each property.

H. Verification of Asset Eligibility

Verification of Assets

Requirements

Verification of Reserves

- Reserves are calculated after considerations for required down payment.

- 100% value of stocks, bonds, mutual funds, 401k, retirement accounts and deferred compensation are acceptable sources of reserves.
- Must provide API data or most recent 1 month third-party statement in borrower's name to meet reserves requirements. Documentation provided must, at minimum, validate the current month's beginning balance, total deposits, total withdrawals, and current month's ending balance. Assuming this required information is provided, all pages of the statements may not be required.
- Must provide source of funds for any recent significant deposits. A significant deposit is defined as 10% or more of the loan amount.
- Business funds are acceptable, must show proof of ownership. Business funds used to qualify are calculated based on the borrower's percentage of ownership in the company. For example if a borrower owns 25% of the business then only 25% of the available balance of the account would be allowed to qualify.
- Gift funds are not acceptable for reserves.
- Cash out from transaction can be used to meet reserve requirement.

Verification of Down Payment or Principle Pay Down

- Must provide API data or most recent 1 month third-party statement in borrower's name to meet reserves requirements. Documentation provided must, at minimum, validate the current month's beginning balance, total deposits, total withdrawals, and current month's ending balance. Assuming this required information is provided, all pages of the statements may not be required.
- Must provide source of funds for any recent significant deposits. A significant deposit is defined as 10% or more of the loan amount.
- Business funds are acceptable, must show proof of ownership. Business funds used to qualify are calculated based on the borrower's percentage of ownership in the company. For example if a borrower owns 25% of the business then only 25% of the available balance of the account would be allowed to qualify.
- Assets held in foreign accounts may not be used as a source of funds to close or for reserves. These funds must be transferred to a U.S. banking institution account in the Borrower's name and seasoned at least thirty (30) days prior to closing.

Gift Funds

- Gift funds are acceptable for 100% or a portion of the down payment, principal pay down & closing costs, and require a gift letter with the givers name, address, relationship to borrower, amount and verify that the money is a gift and does not have to be repaid.

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- Must document sufficient funds to cover the gift are either in the Donor's account or have been transferred to the Borrower's account or directly to the closing agent. Follow Fannie Mae requirements.
 - Gifts of equity are not permitted
-

Seller Credit

Seller credit not to exceed 6% on purchase transactions.

I. Homeowner Education

Counseling Requirement on all transactions *At least 1 borrower must complete:

Borrower Paid Cost (POC)

Framework Online Homebuyer Course

\$75
