



Community Mortgage Residential Mortgage Program & Underwriting Guidelines

April 18, 2024

Community Mortgage Residential Mortgage Program & Underwriting Guidelines



Community Mortgage

Effective Date:
04/18/2024

Primary Residence			
	LTV / CLTV	FICO	Reserves
Purchase / Rate & Term Refinance	75% / 75%	680	24 months
	70% / 70%		18 months
Primary Residence			
	LTV / CLTV	FICO	Reserves
Cash Out Refinance	70% / 70%	680	24 months
	65% / 65%		18 months
Maximum Loan Amount			
> \$1,000,000 up to \$2,000,000 max		75% LTV / 75% CLTV	
Additional Financed Properties			
Refer to guidelines for reserve requirement calculations tied to additional financed properties owned by the borrower(s).			

Products*	
30 Year Fixed	
*ARM & Interest Only products are not permitted.	
Credit Requirements	
Mortgage History	0 x 30 x 12
Foreclosure Seasoning	24 months
Short Sale/DIL Seasoning	24 months
BK Seasoning	24 months

Additional Program Requirements	
Appraisal	Loan amounts over \$2,000,000 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. *Properties located within a Declining Market as defined by the appraiser require a 5% reduction to the max LTV/CLTV offered (refer to grid above).
Assets	Sourced and seasoned for 30 days
Cash Out	Texas 50(a)(6) loans not permitted
Citizenship	US Citizen, Permanent Resident Alien & Non-Permanent Resident Alien (with US credit)
Compliance	See guidelines for Escrow requirements • Compliance with all applicable federal and state regulations No section 32 or state high cost • "Total borrower paid points and fees up to 5%"
Credit	Standard two (2) tradelines reporting for 12+ months or one (1) tradeline reporting for 24+ months with activity in the most recent 12 months.
Ineligible States	District of Columbia (DC), Maine, Maryland, Nevada, North Carolina, Pennsylvania, Washington and West Virginia
Max Financed Properties	Maximum 10 financed properties including subject property.
Mortgage History	0 x 30 x 12. Recent Forbearance: 24 months seasoning required after borrower exits forbearance plan.
Occupancy	Primary Residence only
Prepayment Penalty	Not allowed.
Program Specific Disclosures	Borrower(s) must fully execute the following forms: 4506C, Form 8821, and the ADA/CDFI Attestation
Property Types	SFR, PUD, Detached Condo (max 75% LTV), Attached Condo (max 70% LTV), Non-Warrantable Condo (max 50% LTV), 2-4 Unit, Modular & Rural Homes. Log Homes & Manufactured Homes are not eligible.
Qualifying Rate	Fixed = Note Rate
Reserves	Follow grid above for the subject property. Cash out cannot be used towards the reserves requirement.
Subordinate Financing	Max 75% 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 Residential Mortgage Program & Underwriting Guidelines

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:

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/URLA) 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

Community Mortgage Residential Mortgage Program & Underwriting Guidelines

IV. Community Mortgage Loan Terms

Loan Types	30 Year Fixed Rate
Loan Term	360 months
Prepayment Penalty	None
Balloon Payment	None
Impound Account	Required
Minimum Loan Amount	\$100,000
Program Specific Required Disclosures	Borrower(s) must execute the following forms: 4506-C, Form 8821, and the ADA/CDFI Attestation
Ineligible States	District of Columbia, Maine, Maryland, Nevada, North Carolina, Pennsylvania, Washington, West Virginia
State Specific Restrictions	Illinois: Allowed provided payment is based on fully indexed rate

V. Community Mortgage Program Eligibility & Credit Guidelines

A. Eligible Transactions

Eligible Transactions	Requirements
Purchase	Maximum 75% LTV / 75% CLTV
Rate & Term Refinance	<p>Maximum 75% LTV / 75% CLTV. 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	<p>Maximum 70% LTV / 70% CLTV.</p> <ul style="list-style-type: none"> • Cash-Out Seasoning of less than (6) months is not permitted unless the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation). <ul style="list-style-type: none"> ○ If the property was owned by a LLC that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards

meeting the borrower's six month ownership requirement.

- If the property was owned by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the borrower's six-month ownership requirement if the borrower is the primary beneficiary of the trust.

Loans not eligible for cash out:

- A prior cash out transaction within the last 12 months unless a documented benefit exists.

Debt Consolidation

Cash out transactions meeting the following additional requirements may be treated and priced as Rate & Term transactions:

- Borrower is solely paying off debt and can receive up to \$2,000 incidental cash in hand.
- The Closing Disclosure must reflect the paid off debts

Delayed Financing Option

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:

- 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:
 - No mortgage financing was used to obtain the subject property
 - The original purchase transaction is documented by a settlement statement which confirms no mortgage financing was used to obtain the subject property.
 - The preliminary title search or report must confirm there are no existing liens on the property.
 - If the source of the 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 must reflect that all net proceeds are being used to pay off or pay down, as applicable, the loan used to purchase the property.

Community Mortgage Residential Mortgage Program & Underwriting Guidelines

Any payments on the balance remaining from the original loan must be disclosed in the liabilities section of the loan application.

- 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.
- All other rate & term refinance eligibility requirements are met. Rate & Term pricing applies.

Secondary/Subordinate Financing

- Allowed up to 75% max CLTV.
- Secondary financing must be institutional. Seller-held subordinate liens are not permitted.
 - Existing secondary financing must be subordinated and recorded or refinanced, paid off or closed. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation the line of credit is past its draw period.

TILA High Priced Mortgage Loan

Allowed, subject to TILA HPML requirements.

B. Community Mortgage Eligibility Grids:

Primary Residence	LTV/CLTV	FICO	Reserves ^①
Purchase / Rate & Term	75% / 75%	680	24 months
	70% / 70%		18 months
Primary Residence	LTV/CLTV	FICO	Reserves ^①
Cash Out	70% / 70%	680	24 months
	65% / 65%		18 months
Maximum Loan Amounts			
> \$1,000,000 up to \$2,000,000 max	75% LTV / 75% CLTV		
Additional Financed Properties			
Refer to Verification of Reserves section of the guidelines.			

^① Community Mortgage Reserve Calculation Index: 1 month reserve = 1-month PITIA.

C. Borrower Eligibility

Borrower Type	Requirements
<p>U.S. Citizens An individual who was born or naturalized as a citizen of the United States.</p>	<p>Must have a valid Social Security Number.</p>
<p>Permanent Resident Aliens (Green Card) An individual legally authorized to reside and work in the United States indefinitely.</p>	<p>Legally authorized to reside and work in the United States indefinitely.</p> <ul style="list-style-type: none"> ● Must have a valid Social Security Number

Community Mortgage Residential Mortgage Program & Underwriting Guidelines

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

Max Number of Borrowers Allowed

4 Borrowers. Greater than 4 borrowers considered on a case-by-case basis.

Ineligible Borrowers

- Non-Occupant borrowers/co-borrowers
- Any borrower suspended, debarred, or otherwise excluded per the LDP/GSA and/or OFAC/SAM findings
- Diplomats, Diplomatic Immunity
- Applicants with temporary protected status (i.e., DACA, Asylum)
- Irrevocable Trusts
- Land Trusts
- Limited or general partnerships (LLC)
- Corporations, S Corporations

D. Property Eligibility

Eligible Properties

- Primary Residences
- 1-4 Unit Residential Properties
- Condominiums
 - Fannie Mae warrantable up to max 70% LTV
 - Detached Condos up to max 75% LTV
 - Non-Warrantable up to 50% max LTV
- Agriculturally/Rural Zoned Properties
 - Working farms, ranches or orchards are ineligible.

Ineligible Properties

- Investment Properties
- Condotels, Co-ops
- Manufactured / Mobile Homes
- Zoned Retail / Commercial
- Log Homes
- Properties that exceed 10 acres

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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 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 coverage.

Condominiums

Follow review process as required by Fannie Mae.

Non-Warrantable Condominiums

- Stacking of risk is not allowed, meaning only one variance in the grid below will be permitted.
- Change Wholesale will not finance more than 20% of the units in any one project
- 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.
- A full review of the project is required. The following documents must be provided:
 - Fully executed Change Wholesale HOA Questionnaire
 - Master property, liability, and flood insurance (if applicable)
 - HOA Budget
 - Current Balance Sheet
 - CC&Rs and Bylaws (new construction and conversion only)
 - Litigation court documents, if applicable
 - Ground lease, if applicable
- Refer to grid on following page for exception considerations.

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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 50% 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	Annual budget specifies a minimum of 5% allocation of replacement reserves.
Investor Concentration	Investor concentration in project 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.
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.
Single Entity Ownership	Single entity ownership up to 25%.

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 per Fannie Mae requirements. • 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.

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Blind Trust	Acceptable, see Revocable Trust.
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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• Life Estate
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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. A full interior/exterior appraisal is required.
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Second Appraisal	A Second Appraisal from a Change Wholesale approved appraiser or AMC is required when the loan amount exceeds \$2,000,000. 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.
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Appraisal Review	All appraisals require an acceptable, pre-closing, third-party desk appraisal review by an approved vendor in accordance with Appraisal Policy. If the Appraisal Review Product reflects a value more than 10% below the appraised value or cannot provide validation, the next option in the review waterfall must be followed. The next option would be either a field review or second appraisal, both must be from a different appraisal company and appraiser than the original appraisal. On transactions where the difference in appraised value is less than 10%, the acceptability of the appraisal is subject to UW Management review and discretion. The final appraised value is based on the lowest reported value amongst all of the appraisal documents/reviews.
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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. Properties located within a Declining Market as defined by the appraiser require a 5% reduction to the max LTV/CLTV offered.
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Property Flipping	<p>For all HPML transactions only where the subject property was purchased by the seller within 6 months of the new subject purchase contract date where the contract price exceeds the seller's acquisition price by the following:</p> <ul style="list-style-type: none">• More than a 10% price increase if the seller acquired the property in the past 90 days or• More than a 20% price increase if the seller acquired the property in the past 91-180 days
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A Second appraisal is required from a Change Wholesale approved AMC:

- Second appraisal must be dated prior to the loan consummation/note date; and
- Property seller on the purchase contract must be the owner of record
- TPO Transactions: The Broker is responsible for any costs incurred for the second appraisal.

Increases in value should be documented with commentary from the appraiser and recent comparable sales

Appraisal Age All appraisals must be dated within 120 days of the Note date. At 121 days, a new full appraisal is required.

Loan to Value (LTV) Purchase Transactions – LTV equals the lesser of the purchase price or appraised value.
Refinance Transactions – 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 ≥ 680
Tradelines Requirement	Two (2) tradelines reporting for 12+ months or one (1) tradeline reporting for 24+ months, all with activity in the most recent 12 months. At least one borrower must meet the tradeline requirement. *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. For VOMs tied to private mortgages – 12 months recent canceled checks and/or bank statements are required to support the VOM provided as well as a copy of the original Note plus any additional Riders or subsequent Modifications to ensure the loan being

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	paid off is current and is not past its maturity date as that is considered being in default.
Forbearance	For recent forbearance: 24 months seasoning required after borrower exits forbearance plan.
Foreclosures, Short/Deed-in-Lieu Sales	<p>A two (2) 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.</p> <ul style="list-style-type: none"> 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, a two (2) year seasoning period is required.
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 48 months totaling more than \$25,000 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 URLA must reflect a complete Schedule of Real Estate for all properties owned by the Borrower. The property taxes, hazard insurance premium(s) and/or HOA dues (full PITIA) tied to any additional properties owned no longer require validation. Refer to the Verification of Reserves section to determine how to calculate the additional required reserves based on the total UPB of any mortgages tied to these additional financed properties.

H. Verification of Asset Eligibility

Verification of Assets	Requirements
Verification of Reserves	<ul style="list-style-type: none"> If the borrower owns additional financed properties in addition to the subject property the reserves must be calculated and documented as follows:

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- 1.5% of the aggregate UPB of all mortgages tied to the additional financed properties.
- 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.
- 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.
- Cryptocurrency is not permitted.
- Cash out cannot be applied towards the 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 down payment requirements.
- 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.
- Cryptocurrency is not permitted.
- 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.
 - Gift Donors must be immediate family members of the borrower(s). Immediate family members are defined as parents, siblings, spouse and/or children.
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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
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Seller Credit

Seller credit not to exceed 6% on purchase transactions.

I. Homeowner Education

Counseling Requirement on all transactions:

Borrower Paid Cost (POC)

- | | |
|---|-------|
| • Framework Online Homebuyer Course | \$75 |
| • Colorado Housing Enhanced HUD Counseling | \$125 |
| • *Required on all Colorado property transactions in lieu of Framework Course in addition to a fully executed "Colorado LO Reasonable Inquiry Attestation". | |

*All Homeowner Education completion certifications are valid up to 12 months.