



**HOME EQUITY
LENDING
PROGRAM**

ALT-QM
UNDERWRITING
GUIDELINES

09/03/2024

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OVERVIEW

Alt-QM guidelines are structured to guide its users towards making common sense lending decisions on loans to borrowers who may have limited access to credit. These borrower's situations generally require the consideration of alternative forms of documenting income and/or compensating factors which offset risk indicated by a recent credit event or elevated debt-to-income ratio. The borrower's ability to repay must be proven in all instances.

Loans eligible for sale to a Government Sponsored Entity (Federal National Mortgage Association ("Fannie Mae" or "FNMA") or Federal Home Loan Mortgage Corporation ("Freddie Mac" or "FHLMC") are not eligible for the Alt-QM programs.

For any guideline not addressed in these guides, defer to Fannie Mae Guidelines.

Closed End Second - Eligibility

Loan Amount / Credit Score / CLTV Matrix

Standard Documentation

Loan Amount	Credit Score	Primary Residence	Second Home	Investment
\$350,000	740	90%	80%	60%
	700	85%	80%	60%
	680	75%	75%	N/A
\$500,000	740	85%	75%	60%
	700	85%	75%	60%
	680	75%	70%	N/A

Alternative Documentation

Loan Amount	Credit Score	Primary Residence	Second Home	Investment
\$350,000	740	85%	75%	60%
	700	80%	70%	60%
	680	75%	65%	N/A
\$500,000	740	80%	70%	60%
	700	75%	65%	60%
	680	70%	60%	N/A

General Requirements

Product and Term	<ul style="list-style-type: none"> Fixed Rate - fully amortizing terms of 10, 15, 20, 25 & 30 years
Loan Amounts	<ul style="list-style-type: none"> Minimum: \$75,000 Maximum: \$500,000
Combined Loan Balance	<ul style="list-style-type: none"> The CLTV of the combined loan balances are restricted as follows: <ul style="list-style-type: none"> Combined loan balance > \$2,000,000 - maximum 80% CLTV Combined loan balance > \$3,000,000 - maximum 75% CLTV Maximum combined loan balance for all liens not to exceed \$4,000,000
Loan Purpose	<ul style="list-style-type: none"> Stand-Alone Cash Out (minimum ownership of 6 months required)
Occupancy	<ul style="list-style-type: none"> Primary Residence, Second Home, Investment
Cash Out	<ul style="list-style-type: none"> Maximum cash out not to exceed \$500,000
Eligible Borrowers	<ul style="list-style-type: none"> U.S. Citizen Permanent Resident Alien
State Restrictions	<ul style="list-style-type: none"> Not Eligible: <ul style="list-style-type: none"> Texas Territories: Puerto Rico, Guam, & the US Virgin Islands Restricted: <ul style="list-style-type: none"> CT, IL, NJ (Max CLTV 80%, Min FICO 720)
Ineligible Loan Features	<ul style="list-style-type: none"> Lien Free Properties - if the subject property is lien free, including delayed financing, ineligible. Unseasoned Cash Out - if the existing lien is a cash out, measured within six (6) months of the note date to note date. Frequent Refinances - Two (2) or more cash out refinances in the past twelve (12) months. All existing subordinate liens must be satisfied except for solar panels, see guidelines.

Income Requirements

Standard Documentation	<ul style="list-style-type: none"> Wage/Salary: YTD Pay stubs, 1-year W2, IRS Form 4506C, Verbal VOE Self-employed: 1-year Personal and Business (if applicable) Tax returns, YTD P&L, 2 recent months business bank statements, IRS Form 4506C
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Personal Bank Statements	<ul style="list-style-type: none"> • 12 or 24 months of personal and 2 months of business bank statements • Qualifying income is determined by the total eligible deposits from the 12 or 24 months of personal statements divided by the number of statements. • The business bank statements must reflect business activity and transfers to the personal accounts.
Business Bank Statements	<ul style="list-style-type: none"> • 12 or 24 months of business bank statements. Qualifying income is determined by one of the following analysis methods: <ul style="list-style-type: none"> ◦ Fixed Expense Ratio (50%) ◦ Expense ratio provided by a 3rd party (CPA, EA or tax preparer) with min. ratio of 10% ◦ 3rd party prepared Profit & Loss Statement (CPA, EA, or tax preparer)
IRS Form 1099	<ul style="list-style-type: none"> • 1-year 1099 • Fixed Expense Ratio of 10% • YTD documentation to support continued receipt of income
Underwriting Requirements	
First Lien	<ul style="list-style-type: none"> • First Lien documentation (refer to guidelines for full requirements): <ul style="list-style-type: none"> ◦ Copy of 1st lien Note and Deed of Trust; and ◦ Copy of most recent monthly mortgage payment statement • Ineligible First Liens with high-risk features which can include, but are not limited to: <ul style="list-style-type: none"> ◦ Forbearance, modification, or deferrals (including COVID-19 related events) completed or reinstated within 12-months of the Note date. ◦ Loans in active forbearance or deferment ◦ Negative amortization including loans with Payment-to-Kind (PIK) features ◦ Balloon, if the balloon payment becomes due during the amortization of the new 2nd ◦ Reverse Mortgages ◦ First liens for the subject property not reporting on the credit report <ul style="list-style-type: none"> ▪ e.g., Private party mortgages including any loan not reporting on credit ◦ Loans secured by more than one underlying property, including blanket mortgages ◦ Home Equity Line of Credit ◦ Note with default interest rate greater than the Note rate
Credit	<ul style="list-style-type: none"> • Full trimerge credit report • Gap credit report for Undisclosed Debt Monitoring (UDM)
Qualifying Credit Score	<ul style="list-style-type: none"> • Use credit score of the borrower with the highest qualifying income • Middle of 3 scores or lower of 2
Housing History	<ul style="list-style-type: none"> • 0 x 30 x 12 - verification of mortgage history required on all loans • Verify the 1st Lien P&I payment with all of the following: <ul style="list-style-type: none"> ◦ Copy of the 1st Lien Note and most recent monthly mortgage payment statement
Credit Events	<ul style="list-style-type: none"> • Foreclosure, Short Sale, Deed in Lieu, Bankruptcy: 48-month seasoning required
Tradelines	<ul style="list-style-type: none"> • Min. 2 reporting 24-months with activity in the last 12-months or 3 reporting 12-months with recent activity • If the primary borrower has 3 credit scores, the minimum tradeline requirement is waived
Reserves	<ul style="list-style-type: none"> • Not required
Assets	<ul style="list-style-type: none"> • Account statements should cover the most recent 30-day period, all pages are required.
DTI Requirements	<ul style="list-style-type: none"> • Maximum DTI ratio: <ul style="list-style-type: none"> ◦ 50% DTI for CLTV ≤ 80% ◦ 45% DTI for CLTV > 80%
Age of Documents	<ul style="list-style-type: none"> • Credit documents: May not be over 90-days old at the time of closing • Appraisals, Title Report: May not be over 120-days old at time of closing. <ul style="list-style-type: none"> ◦ AVM may not be over 30-days old at time of closing.

Appraisal and Property

Eligible Properties	<ul style="list-style-type: none"> • Single Family (Attached, Detached, PUD) • 2-4 Unit residential properties (75% max CLTV) • Condominiums (80% max CLTV)
Appraisals	<ul style="list-style-type: none"> • HPLM loans that are not Qualified Mortgages require a full appraisal with an interior inspection, regardless of the loan balance. • Any simultaneous transaction requires a full appraisal. • Transferred appraisals are not permitted. <p><u>Loan Amount ≤ \$250,000</u></p> <ul style="list-style-type: none"> • AVM within 30-days of the Note date from approved vendor with acceptable FSD and a Property Condition Report (PCR) with acceptable findings, or • Exterior Drive-By appraisal (Hybrid or 2055 or 1075), or • New Appraisal (FNMA Form 1004/1025/1073), or • Prior 1st Lien appraisal dated within 12-months of subject loan Note date allowed subject to the following: <ul style="list-style-type: none"> ◦ The lender on the prior appraisal must be the same as the subject loan, and ◦ A new Property Condition Report (PCR) with acceptable findings, and ◦ Recertification of value by the original appraiser. <p><u>Loan Amount > \$250,000</u></p> <ul style="list-style-type: none"> • New Appraisal (FNMA Form 1004/1025/1073), or • Prior 1st Lien appraisal dated within 12-months of subject loan Note date allowed subject to the following: <ul style="list-style-type: none"> ◦ The lender on the prior appraisal must be the same as the subject loan, and ◦ A new Property Condition Report (PCR) with acceptable findings, and ◦ Recertification of value by the original appraiser. ◦ AVM within 30-days of the Note date from approved vendor with acceptable FSD <ul style="list-style-type: none"> • The lower of the prior Appraisal value or the current AVM will be used to qualify
Recently Listed Property	<ul style="list-style-type: none"> • Properties listed for sale within the most recent 6-months are not eligible
Declining Market	<ul style="list-style-type: none"> • Properties located w/in a Declining Market as defined by the Appraiser/AVM - 80% max CLTV
Title Insurance	<p><u>Loan Amount ≤ \$250,000, provide one of the following:</u></p> <ul style="list-style-type: none"> ◦ Owner and Encumbrance Report (O&E) ◦ ALTA Full Title Policy ◦ ALTA Short Form Residential Limited Coverage Junior Loan Policy <p><u>Loan Amount > \$250,000, provide one of the following:</u></p> <ul style="list-style-type: none"> ◦ ALTA Full Title Policy ◦ ALTA Short Form Residential Limited Coverage Junior Loan Policy
Flood Certificate and Flood Insurance	<ul style="list-style-type: none"> • Flood determination required for every transaction • Properties within a flood zone require evidence of insurance in accordance with the HFIAA <ul style="list-style-type: none"> ◦ Loss payee clause must reflect CHM as additional insured.
Escrows / Impounds	<ul style="list-style-type: none"> • Escrows for taxes and hazard insurance are not required
Hazard Insurance	<ul style="list-style-type: none"> • Hazard Insurance coverage must provide for claims to be settled on a replacement cost basis • Loss payee clause must reflect CHM as additional insured.

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HOME EQUITY LENDING PROGRAM

PROGRAM ELIGIBILITY

- **Home Equity Lending Program** – Closed End 2nd TDs: Stand-Alone Cash Out

Eligible Products

- 10, 15, 20, 25 & 30 Year Fixed

Interest Only Period: Not permitted

Amortization Period: Fully amortized over the entire duration of the loan product.

Refer to program matrices for additional requirements.

LOAN AMOUNTS

Minimum Loan Amount

- \$75,000

Maximum Loan Amount

- \$500,000

COMBINED LOAN BALANCE

- The CLTV of the combined loan balances are restricted as follows:
 - Combined loan balance > \$2,000,000 – maximum 80% CLTV
 - Combined loan balance > \$3,000,000 – maximum 75% CLTV
- Maximum combined loan balance for all liens not to exceed \$4,000,000

OCCUPANCY

- Primary Residences
- Second Homes
- Investment Properties

MINIMUM FICO

- 680

MAXIMUM CLTV

- 90% Standard Doc
- 85% Alt Doc

QUALIFYING PAYMENT

Qualifying DTI includes the Principle and Interest payment of the subject loan and any existing first lien payment. Qualifying payment to be determined with the following:

- First lien Principal & Interest payment
 - Transaction Type:
 - **Stand-alone:** Utilize mortgage payment from credit report
- Subject loan Principal and Interest payment based upon the Note rate
- Hazard Insurance Premium
- Flood and Other Insurance Premiums, if applicable
- Real Estate Taxes
- Association Dues, if applicable

FIRST LIEN DOCUMENTATION REQUIREMENTS

Verify the 1st lien P&I payment with all the following:

- Copy of 1st lien Note and Deed of Trust
 - Default interest rate on Note cannot exceed Note rate
 - If Interest Only and/or ARM, terms of the Note to be reviewed (see DTI Requirements)
- Copy of most recent monthly mortgage payment statement
 - Utilized to determine if payment includes escrows (see DTI Requirements)

INELIGIBLE FIRST LIENS

First liens with the following high-risk features are not eligible:

- Forbearance, modifications, or deferrals completed or reinstated within 12-months of the Note date
- Loans in active forbearance or deferment
- Negative amortization payment including loans with Paid-In-Kind (PIK) features
- Balloon term, if the balloon payment becomes due during the amortization period of the new 2nd lien
- Reverse Mortgages
- First liens for the subject property not reporting on credit are ineligible
 - e.g., Private party mortgages not reporting on credit
- Loans secured by more than one underlying property, including cross collateralized loans or blanket mortgages
- Home Equity Line of Credit (HELOC)
- Note terms that include a default interest rate greater than the Note rate

BORROWER CONTACT CONSENT FORM

To assist the loan servicer in contacting the borrower in a timely manner, the Loan Officer is required to obtain a valid phone number for the borrower(s). The phone number can be collected on the 1003 loan application or by using the Borrower Contact Consent Form (Exhibit F) in the Exhibit section of the Guide.

BORROWER STATEMENT OF OCCUPANCY

The borrower must acknowledge the intended occupancy of the subject property (“Primary Residence”, “Second Home”, or “Investment Property”) by completing and signing the appropriate sections of the “Occupancy Certification” disclosure form located in the Exhibits section of this guideline.

STATE AND FEDERAL HIGH-COST LOANS

High-cost loans are not permitted.

PREPAYMENT PENALTY

Prepayment penalty is not required.

ESCROWS – IMPOUND ACCOUNTS

Escrow accounts are not required on second lien products.

If the property is located in a flood zone, evidence of flood insurance is required.

SUBORDINATE FINANCING

All existing subordinate liens must be satisfied except for solar panel liens/UCCs (restrictions apply, see Solar Panel section of the guidelines).

AGE OF DOCUMENTS

The following credit documents may not be more than 90 days old at closing (the date the Note is signed):

- Credit Report
- Mortgage/rental verification
- Asset documents/bank statements
- Income verification/pay stubs

The following Title documents may not be more than 120 days old at closing (the date the Note is signed):

- Title Commitment/Preliminary Report/Binder
- Owner & Encumbrance Report (O&E)

The following Appraisal documents must be dated within the following timeframes:

- Full Appraisal (FNMA 1004/1025/1073) and Exterior Drive-By Appraisal (2055/1073) must be dated within 365 days of the Note date.
- Recertification of value is required if the report exceeds 120 days of the Note Date. Refer to the Appraisal Requirements section of the guidelines.
- AVMs must be dated within 30 days of the Note date.

UNDERWRITING

All files are manually underwritten.

INTEREST CREDITS

Loans closed within the first 5 days of the month may reflect an interest credit to the borrower.

ASSUMABILITY

Loans are not assumable.

PROPERTY INSURANCE

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. Property insurance policies that provide for claims to be settled on an actual cash value basis are not acceptable. Policies that limit, depreciate, reduce, or otherwise settle losses at anything other than replacement cost basis are also unacceptable.

Extended coverage must include, at minimum: wind, civil commotion (including riots), smoke, hail, and damage caused by aircraft, vehicle, or explosion.

Policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damage, or any other perils that normally are included under an extended endorsement are not acceptable. Borrowers may not obtain property insurance policies that include such limitations or exclusions unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril, or from an insurance pool that the state has established to cover the limitations or exclusions.

The hazard insurance coverage should be equal to the lessor of:

- Replacement Cost Estimator
 - Provided from the property insurer, or
 - Provided from a 3rd party source (i.e., Corelogic)
- Estimated cost to replace the dwelling from a recent appraisal, if provided
- The unpaid principal balance of the mortgage (s).

Loss payee clause must reflect CHM as additional insured.

FLOOD INSURANCE

CHM must ensure that the property securing the subject mortgage loan is adequately protected by flood insurance when required. Flood insurance coverage is required when a mortgage loan is secured by a property located in:

- A Special Flood Hazard Area (SFHA), or
- A Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA).

CHM must determine whether or not the property is located in an SFHA by using the Standard Flood Hazard Determination form endorsed by FEMA. All flood zones beginning with the letter “A” or “V” are considered SFHAs.

The following table describes how to evaluate a property to determine if flood insurance is required. For the purpose of these requirements, the “principal structure” is the primary residential structure on the property securing the mortgage loan.

If...	Then flood insurance is...
any part of the principal structure is located in an SFHA,	required.
the principal structure is not located in an SFHA, but a residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the SFHA	required for the residential detached structure.
The principal structure is not located in an SFHA, but a non-residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the SFHA	not required on either structure.
The principal structure is not located in an SFHA, but a detached structure attached to the land that does not serve as part of the security for the mortgage loan is located within the SFHA	not required on either structure.

The maximum amount of flood insurance required is the lowest of:

- 100% of the replacement cost of the insurable value of the improvements,
- The maximum insurance available through the NFIP, or
- The unpaid principal balance (UPB) of the loans tied to the subject property.

Minimum coverage must be equal to the dwelling coverage for hazard insurance, subject to the following:

- 1-4 Unit Properties: If dwelling coverage for hazard insurance is greater than \$250,000 then flood coverage must be \$250,000 as this is the maximum allowed per FEMA.

The flood insurance policy must be one of the following:

- A standard policy issued under the NFIP, or
- A policy issued by a private insurer as long as the terms and amount of coverage are at least equal to that provided under an NFIP policy based on a review of the full policy issued by a private insurer.

TRANSACTION TYPES

ELIGIBLE TRANSACTIONS

Stand Alone Cash Out:

Any transaction not used to purchase the subject property is considered cash out.

- Subject property must be owned a minimum of six (6) months to be eligible, as measured from acquisition date to the date of the new Note.
- Loans not eligible for cash out:
 - Primary Residence, Second Home, or Investment properties listed for sale within the past six (6) months.
 - There has been a prior cash out transaction within the past six (6) months
 - Lien Free Properties – If the subject property is lien free, including delayed financing, ineligible
 - Frequent Refinances – Two (2) or more cash out refinances within the past twelve (12) months
 - All existing subordinate liens must be satisfied. No resubordinating permitted.
 - Payoff of a Land Contract/Contract for Deed.
 - If the 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 plus documented improvements.

INTERESTED PARTY TRANSACTIONS

A non-arm's length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required, as well as the payment history pattern (VOM) to ensure the mortgage being paid off is current.

OCCUPANCY TYPES

- Primary Residence – A primary residence is a property that the borrower occupies as his or her principal residence. May also be referred to as owner-occupied.
- Second Home – A second home is a property occupied by the borrower for some portion of the year. The following criteria applies:
 - Restricted to 1-unit dwellings.
 - Must be suitable for year-round occupancy.
 - The borrower must have exclusive control over the property. Cannot be subject to any agreements giving control over occupancy to a management firm, rental pool, or timeshare agreement.
- Investment Property – An investment property is owned but not occupied by the borrower.

BORROWER ELIGIBILITY

INELIGIBLE BORROWERS

- First-Time Homebuyers (Definition: An individual is considered to be a first-time home buyer if they have had no ownership interest in a residential property in the most current 3-year period.)

- Non-Occupant Co-Borrowers
- Not-For-Profit Entity

RESIDENCY

Eligible	<ul style="list-style-type: none"> • U.S. Citizen • Permanent Resident Alien
Ineligible	<ul style="list-style-type: none"> • Non-Permanent Resident Alien • Applicants possessing diplomatic immunity • Foreign National • Borrowers from OFAC sanctioned countries • Politically exposed borrowers • Any material parties (company or individual) to transaction listed on HUD’s Limited Denial or Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list or any other exclusionary list.

Refer to Fannie Mae guidelines for all definitions of eligibility status.

US CITIZEN

Eligible without guideline restrictions

PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States. The Green Card (Form 1-551) is evidence of employment authorization.

- Acceptable evidence of permanent residency include the following:
 - Alien Registration Receipt Card I-551 (referred to as a green card).
 - Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card).
 - Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) that has an 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 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.”
- Eligible without guideline restrictions.

INTER VIVOS REVOCABLE TRUST

An inter vivos revocable trust is permitted when the trust has an ownership interest in the subject property for all transaction types. The following requirements should be met. Not all requirements may be addressed, Fannie Mae requirements should be followed if these guides are silent.

The trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. The trust must become effective during the lifetime of the person establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.

The trustee must include either:

- The individual establishing the trust (or at least one of the individuals, if 2 or more); or
- An institutional trustee that customarily performs trust functions in and is authorized to act as trustee under the laws of the applicable state.

The trustee must have the power to hold the title and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage.

The following documentation is required:

- The trust was validly created and is duly existing under applicable law,
- Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all the following:
 - The trust is revocable,
 - The borrower is the settler of the trust and the primary beneficiary of the trust,
 - The trustee is:
 - Duly qualified under applicable law to serve as trustee,
 - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets.

In lieu of the above, a complete copy of the trust documents certified by the borrower to be accurate, or a copy of the abstract or summary for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents instead of the trust agreements can be provided. The Attorney also needs to verify that the trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect.

CREDIT

CREDIT REPORTS

A credit report is required for each individual borrower, including any member of an entity providing a personal guaranty. The credit report should provide merged credit data from the three major credit repositories: Experian, TransUnion, and Equifax. Either a tri-merged credit report, or a Residential Mortgage Credit Report is required.

The credit report used to evaluate a loan may not reflect a security freeze. Any frozen credit must be unlocked, and a new credit report (tri-merge or Residential Mortgage Credit Report) must be obtained to reflect current and updated information from all required repositories.

GAP CREDIT REPORTING

A gap credit report or Undisclosed Debt Monitoring report is required no more than 10 days prior to loan closing or any time after closing. Any new debt must be included in determining the DTI ratio.

CREDIT INQUIRIES

Any credit inquiries listed on the report within 90 days of the report date must be explained by the borrower. If new credit was extended borrowers must provide documentation on the current balance and payment. If no credit was extended borrower must state the purpose of the inquiry. Borrowers are obligated to inform the Loan Officer of any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

HOUSING HISTORY

The credit report must be reviewed to determine the payment status of all reported mortgage accounts for all real estate owned for the previous 12 months. Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility.

- Housing payments must be paid current as of 45 days of the loan application date
- Any REO owned free & clear require a property profile report or similar document
 - Property taxes, hazard insurance, and homeowner's association dues (if applicable) are to be verified and included in DTI
- Borrower(s) who sold a primary residence within the past six (6) months, current residing rent-free, and purchasing a new primary residence are allowed.
 - 12-month mortgage history required on previous primary residence.
- If the borrower is renting current residence, then a most recent rental history is required reflecting paid as agreed.
 - A 3rd party VOR is required when the borrower is currently renting.
 - Any VOR completed by a private party, or any non-institutional landlord must be supported by alternative documentation showing the most recent six-month history (e.g., canceled checks, rental statements including pay history, etc.).

Mortgage Reporting on Credit Report

If adequate mortgage payment history is not included in the borrower's credit report the following must be provided to verify the borrower's payment history:

- Credit supplement; or
- Request for Verification of Mortgage (VOM) completed by the creditor; or
- Loan payment history from the Servicer; or
- Borrower's proof of payment (e.g., cancelled checks, ACH payments, bank statements, etc.)

Subject Mortgage(s) Not Reporting on Credit Report

First liens for the subject property not reporting on the credit report are ineligible for Stand-Alone cash out transactions.

CONSUMER CREDIT

Any non-mortgage account can be no more than 30 days delinquent at the of application. Any delinquent account must either be brought current or paid off at closing.

Installment Debt

Installment debt with less than 10 months' payments remaining may be excluded from the DTI, as long as the Borrower has the assets to make the remaining payments. If the payment is substantial and exceeds 5% of the borrower's qualifying income, the overall transaction should be reviewed to ensure the remaining payments will not impact the borrower's ability to handle the new mortgage payment.

Borrowers may pay down the debt such that the remaining balance is less than the sum of 10 months' payments. The assets used must be sourced. Loans secured by financial assets (i.e. 401k, margin loan, etc.) do not need to be included in the DTI provided the asset balance exceeds the loan balance.

Lease Payments

Lease payments must be considered as recurring monthly debt obligations and included in the DTI ratio calculations. This is regardless of the number of months remaining on the lease. This is because the expiration of a lease agreement for rental housing or automobile typically leads to either a new lease agreement, the buyout of the existing lease, or the purchase of a new vehicle or house.

Student Loans

If a monthly student loan payment is provided on the credit report, that payment may be used for qualifying purposes. If the credit report does not reflect the correct monthly payment, the payment that is on the student loan documentation (the most recent student loan statement) may be used to qualify the borrower. If the credit report does not provide a monthly payment for the student loan, or if the credit report reflects \$0 as the monthly payment, the qualifying monthly payment is determined as follows:

- A payment equal to 1% of the outstanding balance (even if this amount is lower than the actual fully amortized payment), or
- A fully amortized payment using the documented loan repayment terms.

Deferred Installment Debt

Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For deferred installment debts other than student loans, if the borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, the borrower's payment letters or forbearance agreement must be obtained to determine the monthly payment that will be used in calculating the borrower's total monthly obligations.

Authorized User Accounts

Authorized User accounts can be excluded from the DTI ratio.

Open 30-Day Charge Accounts

For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, borrower funds must be verified to cover the account balance. The verified funds must be in addition to any funds required for closing costs and/or reserves.

Timeshares

Timeshare obligations will be treated as a consumer installment loan.

Business Debt

A business debt is a financial obligation of a business but may also be the responsibility of the business owner, making that person also liable for the debt. If the debt is reflected on the borrower's personal credit report, the borrower is personally liable for the debt, and it must be included in the DTI ratio. When a self-employed borrower claims that a monthly obligation that appears on their credit report (such as a Small Business Administration loan) is being paid by the borrower's business, documentation must be provided to verify that the obligation was actually paid out of company funds to exclude the debt.

Any of the following supporting documentation can be included in the credit file to exclude business debt:

- Most recent six (6) months of canceled checks drawn against the business account
- Tax returns reflecting the business expense deduction
- Business bank account statement showing assets remaining after funds to close and reserve requirements are deducted, with a balance greater than or equal to the balance of the debt.

If the debt is less than six (6) months old, the payment must be included in the DTI ratio.

Contingent Liability on Cosigned Obligations (Debt Paid by Others)

Contingent liability applies, and the debt must be included in the underwriting analysis, if an individual applying for a mortgage is a cosigner/co-obligor on:

- Car loan
- Student loan
- Mortgage
- Any other obligation

If documented proof is provided showing the borrower is not the part who is repaying the debt then the payment may be excluded from the qualifying DTI ratio. In order to exclude the debt, the most recent 12-months canceled checks or bank statements from the other party making the payments must be provided showing paid as agreed with no delinquent payments.

Alimony/Child Support

Alimony may be deducted from income rather than included as a liability, provided the alimony payments are tax deductible to the payer. Otherwise, include as a liability. Child support must be included as a liability. Alimony or child support with less than 10 months' payments remaining based on Note date may be excluded from the DTI, as long as the borrower has the assets to make the remaining payments.

Consumer Credit Charge-Offs and Collections

Delinquent credit, such as charge-offs of non-mortgage accounts and collections, have the potential to affect loan position or diminish borrower equity.

- Individual collection and non-mortgage charge-off accounts equal to or greater than \$250, and accounts that total more than \$2,000, must be paid in full prior to or at closing. See below for exceptions.
- Medical collections may remain open regardless of amount.
- 2nd mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination based upon the charge off date
- Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded. Evidence of expiration must be documented.

Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following:

- Payments for open charge-offs or collections are included in the DTI (Subject to program DTI restrictions) based on a documented payment plan or a 5% estimated payment based on the current account balance.
- Reserves are sufficient to cover the balance of the charge-offs or collections and also meet reserve requirements.

Consumer Credit Counseling Services

Borrower enrollment in Consumer Credit Counseling Services (CCCS) is allowed when a minimum of 12 months have elapsed on the plan, and evidence of timely payments for the most recent 12-months is provided. The CCCS Administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.

A monthly CCCS plan payment must be included in the DTI calculation.

Judgment or Liens

All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing.

Income Tax Liens

All income tax liens (federal, state, local) must be paid off prior to or at loan closing.

BANKRUPTCY HISTORY

All bankruptcies must be settled at time of application. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the note date. Please refer to the program matrices for requirements.

Bankruptcy seasoning required for the Bridge program is 48 months (all bankruptcy types).

FORECLOSURE SEASONING

Recent foreclosures are not allowed. The length of time is measured from the settlement date to the note date.

In the case of a foreclosure which was included in Bankruptcy, the seasoning timeline will start from the earlier of: a) the date of discharge of bankruptcy; and b) the foreclosure completion date.

Foreclosure seasoning required for the Bridge program is 48 months.

SHORT SALE/DEED IN LIEU SEASONING

Recent short sales/deed-in-lieu of foreclosures are not allowed. The length of time is measured from the settlement date to the note date.

In the case of a short sale/deed-in-lieu which was included in Bankruptcy, the seasoning timeline will start from the earlier of: a) the date of discharge of bankruptcy; or b) the short sale/deed-in-lieu completion date.

Short Sale / Deed in Lieu seasoning required for the Bridge program is 48 months.

FORBEARANCE, MODIFICATION, OR DEFERRAL

Forbearances, modifications, and deferrals are considered under housing payment history as outlined below:

Greater than 12-months from Note Date:

- Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated greater than 12-months from the Note date of the subject transaction and having a 0x30x12 housing history are allowed.

Within 12-months of the Note Date:

- Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12-months of the Note date of the subject transaction are not eligible.

CREDIT SCORE

Credit Score Selection:

- **Decision Score Definition-** Loan eligibility is based upon the representative credit score, also referred to as the Decision Credit score. A valid Decision Credit score requires at least one (1) borrower to have a minimum of (2) two credit scores. To determine a borrower(s) credit score, use the lower of two (2) or middle of three (3) credit scores.
- **For loans with multiple borrowers:** The borrower with the higher monthly income is considered the primary borrower and their credit score can be used as the Decision Credit score. When both borrowers are self-employed and jointly own the business, the highest score amongst the borrowers is used as the Decision Credit score.

TRADELINER REQUIREMENTS

If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived. For loans when the primary borrower has less than three (3) credit scores, each borrower must meet the minimum tradeline requirements, unless the co-borrower is the spouse of the borrower. In that case, only one (1) spouse is required to meet the minimum tradeline requirements outlined below.

The **minimum tradeline requirements** are as follows:

- At least three (3) tradelines reporting for a minimum of 12-months, with activity in the last 12-months, or
- At least two (2) tradelines reporting for a minimum of 24-months, with activity in the last 12-months.

Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirement by meeting the requirements below:

- No fewer than eight (8) tradelines are reporting, one (1) of which must be a mortgage or rental history.
- At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months.

- The borrower has an established credit history of at least eight (8) years.
- Tradelines with recent serious adverse history are not acceptable.
- Student loans can be counted in credit depth as long as they are in repayment and not being deferred.

The following are not acceptable to be counted as a tradeline:

- Self-reported tradelines
- Any liabilities in deferment status
- Accounts discharged through bankruptcy
- Authorized user accounts
- Disputed accounts
- Non-Traditional credit as defined by FNMA
- Charge-offs, collection accounts,
- Foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales.

OBLIGATIONS NOT APPEARING ON CREDIT REPORT

Housing and Mortgage Related Obligations

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 owned by the borrower must be fully documented in this regard. 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.

Current Debt Obligations, Alimony, and Child Support

A lender may use a credit report to verify a borrower’s current debt obligations, unless the lender has reason to know that the information on the report is inaccurate or disputed. Obligations that do not appear on the credit report, such as alimony and child support, must be documented through other methods according to Fannie Mae guidelines.

When the borrower is required to pay alimony, child support, or separate maintenance payments under a divorce decree, separation agreement, or any other written legal agreement – and those payments must continue to be made for more than 10 months – the payments must be considered as part of the borrower’s recurring monthly debt obligations. However, voluntary payments do not need to be taken into consideration and an exception is allowed for alimony. For alimony obligations, the option to reduce the qualifying income by the amount of the alimony obligation in lieu of including it as a monthly payment in the DTI ratio is permitted. If this option is exercised, a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation must be obtained and retained in the loan file.

ASSETS

ASSET REQUIREMENTS

Asset documentation is only necessary when the borrower is required to bring in funds to close. Assets should be liquid or able to be liquidated without restriction by the borrower. The documentation requirement for all transactions is a single account statement covering a one (1) month period and dated within ninety (90) days of the Note date.

ASSET DOCUMENTATION

The following may be used as asset documentation for down payment, closing costs, and reserves.

- Account Statements
 - Statements must include the following:
 - Name of financial institution
 - Reflect borrower as the account holder (funds held jointly with another individual are considered 100% of the borrower's funds)
 - Account number
 - Statement date
 - Time period covered by the statement
 - Available balance in U.S. dollar denomination
 - Assets held in foreign accounts must be translated to English and verified in US Dollar equivalency at the current exchange rate either <http://www.xe.com> or the Wall Street Journal conversion table.
- Assets held in a Trust require the following:
 - Obtain written documentation (e.g., bank statements) of the value of the Trust account from either the Trust Manager or the Trustee, and
 - Document the conditions under which the borrower has access to the funds
- Accounts verified using a 3rd party vendor participating in the FNMA Day 1 Certainty process.
- Verification of Deposit completed by the verifying financial institution (FNMA Form 1006).
- Borrowed funds secured by an asset are an acceptable source of funds for the down payment, closing costs, and reserves, since borrowed funds secured by an asset represent a return of equity. Assets that may be used to secure funds include automobiles, artwork, collectibles, real estate, or financial assets, such as savings accounts, CDs, stocks, bonds, and 401k accounts. When loans are secured by the borrower's financial assets, monthly payments for the loan do not have to be considered as long-term debt.

When bank statements are used, large deposits must be evaluated. Large deposits are defined as a single deposit that exceeds 50% of the borrower's qualifying monthly income.

- Stocks/bonds/mutual funds – 100% of the account(s) may be considered for assets.
- Vested retirement account (e.g., IRA, 401k, Keogh, 403b) – 70% of the vested balance may be considered for assets. For down payment and closing costs, if the funds haven't been liquidated, confirm the borrower can access/withdraw funds.
- Business accounts may be considered for assets.

- The amount of business assets that may be utilized is limited to the borrower’s ownership percentage in the business.
- Cash Value of Life Insurance – 100% of the cash surrender value less any loans may be considered for assets.
- Non-regulated Financial Assets
 - Crypto Currency – Bitcoin and Ethereum are eligible sources of funds for the down payment, closing costs, and reserves.
 - Down payment and closing costs: currency must be liquidated and deposited into an established US bank account.

RESERVES

Stand-Alone Transactions: Reserves are not required.

GIFT FUNDS

Gift funds are not permitted.

INELIGIBLE ASSETS

- Non-vested or restricted stock accounts
- Cash-on-hand
- Sweat Equity
- Down payment assistance programs
- Grant or Gift Funds which must be repaid
- Unsecured loans or cash advances
- 529 savings plan
- Funds contributed by a non-borrowing spouse unless documented as a gift.

INCOME

INCOME ANALYSIS

Employment/Income Verification

- A minimum of two (2) years of employment history for both wage/salary or self-employment, is required to be documented on the loan application. When the borrower has less than a two (2) year history of employment, positive factors should be documented to offset the shorter employment history, such as education or training.

- Any gaps of employment that span one or more months must be explained.
- Salary/Wage Earner – income derived from employment at a business. Compensation may be based upon a salary, hourly wage, bonus, commission, or overtime.
- Any borrower with a 25% or greater ownership interest in a business/entity or is paid using IRS Form 1099 is considered self-employed.
- The following are common business structures:
 - Sole proprietorship
 - Limited Liability Company (LLC)
 - Partnerships
 - S-Corporations
 - Corporation
- If any borrower is no longer employed in the position disclosed on the loan application at the time the loan is purchased, the loan will not be eligible for purchase.

Earnings Trends

When 24-months of income are analyzed for qualification, year after year income amounts must be compared using the borrower’s W2 forms, signed federal income 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-month 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.

DEBT-TO-INCOME (DTI) RATIO

The Debt-To-Income (DTI) ratio is calculated and reviewed for adherence to guidelines and the inclusion of all income and liability expenses. Refer to most recent program matrix for applicable details.

- **Maximum DTI Ratio:**
 - 50% DTI for CLTV ≤ 80%
 - 45% DTI for CLTV > 80%

DOCUMENTATION OPTIONS

Standard and Alt Doc income documentation options are available. In addition to wage/salary income, Standard documentation includes various other types of income. See Other Sources of Income section for documentation requirements. Income should be calculated and documented according to these guidelines. If a specific source of income is not referenced in these guidelines, the FNMA guidelines for that income source may be used.

INELIGIBLE INCOME SOURCES

- Boarder income

- Educational benefits
- Gambling winnings
- Mortgage Credit Certificates
- Mortgage Differential Payments
- Refunds of federal, state, or local taxes
- Cannabis (see below)
 - Guidelines for income derived from cannabis:
 - Self-employed income (active or passive) derived from a company involved in cultivation, transportation, retailing, etc. is not allowed regardless of percentage of company ownership.
 - Income from borrowers who are wage earners only in the industry are allowed.

STANDARD DOCUMENTATION

A minimum two (2) year history of receipt of wage/salary or self-employment income is required. Eligibility and pricing differences exist for the 12- or 24- month documentation options.

Wage/Salary Income

- The borrower’s most recent pay stubs reflecting 30 days of pay and YTD earnings, along with IRS W2 forms or W2 transcripts covering the most recent one (1) or two (2) years depending upon documentation option selected; or
- Income verification provided by a FNMA approved 3rd party Vendor (e.g., The Work Number) evidencing income from the most recent 1 or 2 years (as applicable) along with year-to-date earnings.
 - FNMA WVOE Form 1005 is not eligible for standard income documentation unless used in conjunction with documents verifying variable income. See Overtime/Bonus/Commission section.
- When tax returns are required, as in the case of income earned from subject or non-subject investment property REO, the most recent one (1) or two (2) years of tax returns should be provided. The definition of the “most recent” is the last return scheduled to have been filed with the IRS. Any borrower who applied for a tax return extension must provide a copy of the extension in the credit file along with the prior one (1) or two (2) years tax returns based on the documentation method selected.
- Employment status can be established as follows for wage/salary borrowers:
 - A YTD pay stub dated within 30 days of the Note date; **or**
 - A Verbal VOE dated no more than 10 calendar days prior to the Note date. The VVOE should include the following data:
 - Borrower name
 - Loan number
 - Current position
 - Verification that borrower’s employment is currently active
 - Employer name/company name
 - Employer contact name and title
 - Name of individual who completed the VVOE
 - Business phone number must be independently verified; **or**

- A verification via e-mail exchange with the borrower's current employer date no more than 10 calendar days prior to the Note date. Due diligence must be conducted to confirm the e-mail address for the employer is accurate. The VVOE should include the following data:
 - Work e-mail address of the individual contacted by the employer
 - Borrower name
 - Current position
 - Current employment status

Self-Employment Income

- The most recent one (1) or two (2) years of tax returns (including evidence of filing). If applicable, both personal and business (including all K-1s and schedules), signed and dated by each borrower.
 - Evidence of filing may include one of the following:
 - IRS Form 8879 e-File Signature Authorization for the provider that prepared the return, or
 - E-mail provided from the software used to prepare the return showing successful submission of the return to the IRs,
 - If evidence of filing is not provided, tax transcripts for personal and business returns are required.
 - In lieu of tax returns, tax transcripts for the most recent one (1) or two (2) years may be provided as applicable. In certain cases, tax returns will be required as transcripts will not provide the details required to establish eligible qualifying income for the borrower.
- If the borrower pays themselves wage income, a YTD pay stub must be included in the file.
- When analyzing tax returns, the following may be added back to the applicant's income calculation:
 - Depreciation
 - Depletion
 - Business use of home
 - Amortization/casualty loss
 - Ordinary income (loss) from other partnerships
 - Nonrecurring other (income) loss
 - Any expense(s) that can reasonably be documented to be one-time and non-recurring
 - Net operating loss carryforwards from years prior to the tax returns provided
- If the tax return date exceeds 90 days from the Note date, a YTD Profit and Loss Statement (P&L), signed and dated by the borrower, up to and including the most recent month preceding the loan application date and two (2) business checking account statements for the two (2) most recent months reflected on the P&L. The P&L may be either: prepared by a 3rd party or prepared by the borrower. If a gap exists between the tax return ending date and the start date of the P&L, a gap-year P&L is also required. The qualifying income is determined from the tax returns; the P&L is used to determine the stability of that income. The bank statements for the two (2) most recent months must reflect deposits that support the sales from the P&L and the qualifying income from the prior year(s) tax returns.
- Employment status can be established as follows for self-employed borrowers:
 - If the most recent tax return in the file is dated within 90 days of the Note date, no additional verification required.
 - If the tax return exceeds 90 days of the Note date, a YTD P&L dated within 90 days of the Note date is required, along with two most recent bank months of bank statements supporting the income used to qualify.

Other Sources of Income

- **Alimony or Child Support:** Alimony or child support income is allowed with 3rd party documentation evidencing receipt of at least six (6) months. Document the support will continue for at least three (3) years by one of the following:
 - Alimony:
 - Copy of final divorce decree or final separation agreement describing the payment terms.
 - Any other type of written legal agreement or court decree describing the payment terms.
 - Child Support:
 - Copy of final divorce decree or final separation agreement describing the payment terms.
 - Any other type of written legal agreement or court decree describing the payment terms.
 - The full amount of qualifying child support income may be treated as nontaxable and grossed up at 25% without supporting documentation verifying the nontaxable status.

- **Auto Allowance:** The borrower must have received payments for at least two (2) years. Add the full amount of the allowance to monthly income and the full amount of the lease or financing expenditure to the monthly debt obligations.

- **Capital Gains:** Capital Gains income must be averaged over two (2) years and documented with the following:
 - Most recent two (2) years of personal tax returns, including IRS Form 1040, Schedule D.
 - 3rd party documentation to evidence that additional assets may be sold to support the qualifying income.
 - The 3rd party documentation must evidence the capital gain income will continue for a minimum of three (3) years.

- **Disability Income – Long Term:** Generally, long-term disability will not have a defined expiration date and should be expected to continue. Obtain a copy of the borrower’s disability policy or benefits statement to verify the following:
 - Eligibility for the benefits,
 - Amount and frequency of payments, current proof of receipt, and
 - If there is a contractually established termination or modification date.

- **Employed by a Relative:** Income for borrowers who are employed by a relative must be verified using Standard Documentation for two (2) years, including the following:
 - Federal income tax returns for the most recent two (2) years.
 - W2s for the most recent two (2) years.
 - Pay stub(s) covering the most recent 30-day period.
 - Clarification of the potential ownership of family-owned businesses by the borrowers may also be required. A borrower may be an officer of a family-owned business, but not an owner. Verification of borrower’s status should be provided by written confirmation obtained from a CPA or legal counsel.

- **Employment Offers or Contracts:** For borrower(s) starting new employment, the loan file must contain a copy of an executed offer or contract plus the first pay stub. The first pay stub must be dated prior to the Note date.

- The offer or contract cannot be for employment by a family member or interested party to the transaction.
- **Foreign Income:** Foreign income is income earned by a borrower (US Citizen or Permanent Resident Alien) who is employed by a foreign corporation or foreign government and is paid in foreign currency. Borrowers may use foreign income to qualify if they provide copies of the following:
 - Signed federal income tax returns or transcripts for the most recent two (2) years that include foreign income.
 - Standard documentation requirements based upon the source and type of income.
 - Any documents not in English or US currency must be translated.
- **Foster Care Income:** Income received from a state or county sponsored organization for providing temporary care for one or more children may be considered acceptable stable income if the following requirements are met:
 - Verify the foster care income with letters of verification from the organization providing the income.
 - Documentation verifying that the borrower has received foster care income for a minimum one (1) year period.
 - Qualifying income is based upon the current amount received.
- **Housing/Parsonage Income:** Housing or parsonage income may be considered qualifying income if there is documentation that the income has been received for the most recent 24 months and the allowance is likely to continue for the next three (3) years. The housing allowance may be added to income but may not be used to offset the monthly housing payment. The following documentation is required:
 - The two (2) most recent years of tax returns are required.
 - Written documentation, such as WVOE, provided by the church, must be obtained.
 - The housing allowance, although not subject to federal income taxes, is subject to self-employment taxes. Gross income on Schedule SE of the borrower's IRS Form 1040 should include the housing allowance paid.
- **Interest/Dividends:** Verify the borrower's ownership of the assets on which the interest or dividend income was earned. Documentation of asset ownership must be in compliance with the Age of Document Requirements section.
 - Document a two-year history of the income, as verified by copies of the borrower's federal income tax returns.
 - Develop an average of the income received for the most recent two (2) years.
 - Subtract any assets used for down payment or closing costs from the borrower's total assets before calculating expected future interest or dividend income.
- **Non-Taxable Income:** If the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, it is possible to develop an "adjusted gross income" for the borrower by adding an amount equivalent to 25% of the nontaxable income to the borrower's income.
 - Child support income: The full amount of qualifying child support income may be treated as nontaxable and grossed up 25% without supporting documentation verifying the nontaxable status.
 - Social Security income: Income may be grossed up at 15% without documentation verifying the nontaxable status.

- **Notes Receivable Income:** Note receivable income may be used for qualifying subject to the following:
 - Verify that the income can be expected to continue for a minimum of three (3) years from the date of the mortgage application.
 - Obtain a copy of the Note to establish the amount and length of payment.
 - Document regular receipt of income for the most recent 12-months using either canceled checks, bank statements, or federal tax returns.
 - Payments on a Note executed within the past 12 months, regardless of the duration, may not be used as stable income.

- **Pension, Retirement, Annuity:** If retirement income is paid in the form of a distribution from a 401k, IRA, or Keogh retirement account, determine whether the income is expected to continue for at least three (3) years after the Note date. In addition, the borrower must have unrestricted access to the accounts without penalty. Document regular and continued receipt of the income with the following:
 - Pension/Social Security/VA – provide one of the following:
 - Award letter(s) from the organizations providing the income, **or**
 - Two years prior 1099s and 30-days current proof of receipt
 - To gross up – see Non-Taxable Income section.
 - 401k/Keogh/IRA – provide all of the following:
 - Account statement(s) reflecting available balance for withdrawals
 - One-year 1099
 - One month’s proof of current receipt
 - Minimum history of withdrawals for the most recent 12-months is required.

- **Rental Income (Standard Documentation):** Rental income may be used for qualifying income subject to the following documentation requirements:
 - Rental income from other properties must be documented with the borrower’s most recent signed federal income tax returns that includes Schedule E. Leases are required for properties where rental income is being used to qualify and the property was acquired during or subsequent to the most recent tax filing year or the rental property was out of service for an extended period. For commercial properties a copy of the lease or rent roll is required.
 - Proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease on a purchase of an investment property.
 - Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 2 months or the time period after the lease expired.
 - A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rent by 75% and subtract the PITIA to arrive at the rental income/loss used for qualifying.
 - Commercial properties owned on Schedule E must be documented with a rent roll and evidence that the primary use and zoning of the property is commercial.
 - Application of Rental Income:
 - Primary Residence
 - The monthly qualifying rental income (as defined above) must be added to the borrower’s total monthly income. (The income is not netted against the PITIA of the property.)
 - The full amount of the mortgage payment (PITIA) must be included in the borrower’s total monthly obligations when calculating the DTI ratio.

- Investment Property
 - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
 - If the monthly qualifying income minus the full PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
 - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.
 - The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

- **Restricted Stock Units (RSU) Income:** Restricted stock units (RSU) are issued to an employee through a vesting plan and distribution schedule. RSUs give an employee interest in company stock but have no tangible value until vesting is complete. The RSUs are assigned a fair market value when they vest and are considered ordinal income with a portion of the shares withheld to pay income taxes upon vesting. The employee receives the remaining shares and can sell them at their discretion. Restricted stock options may be used as qualifying income when all the following requirements are met:
 - Income has been consistently received for the prior two (2) years and is verified it will continue for three (3) years.
 - RSU income is calculated using the past two (2) year average.
 - If the RSU income is declining, proof of stability must be provided, and the most conservative average must be used for qualifying.
 - Borrowers must be employed at the same company that issued the RSUs.
 - Employer must be a publicly traded entity (e.g., a Fortune 500 company).
 - Non-vested restricted stock is not an acceptable source of income or reserves.
 - Vested RSUs may not be considered as qualifying income if there are also used for down payment, closing costs, and/or reserves.
 - The following documentation is required:
 - Evidence that the stock is publicly traded.
 - The most recent vesting schedule or issuance agreement showing continuance of RSU income.
 - Evidence of the payouts of RSUs for the past two (2) years. Acceptable verification includes any of the following:
 - Tax returns for the last two (2) years, reflecting RSU income.
 - Year-end pay stubs reflecting the RSU payout,
 - Any employer-provided statement paired with a brokerage or bank statement, showing the transfer of shares or funds, that includes the (a) date of the payout and (b) the number of vested shares and their cash equivalent distributed to the borrower.

- **Royalty Income:** Confirm that the borrower has received royalty payments for at least the last 12-months and that the payments will continue for a minimum of three (3) years after the Note date. Obtain copies of the following:
 - Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income.

- The borrower's most recently signed federal income tax return, including IRS Form 1040 and Schedule E.
- **Teacher Income:** Teachers are paid on a 9-month, 10-month, or 12-month basis. The pay structure should be determined before calculating the monthly income. If unable to determine the pay frequency, documentation such as the copy of their contract or documents from the school district's personnel office may be required.
- **Tip Income:** Tips and gratuity income may be considered if the receipt of such income is typical for the borrower's occupation (i.e., waitperson, taxi driver, etc.). Tip income should be received for the most recent two (2) years. Documentation will be based upon the documentation type selected (12- or 24-months). Obtain one (1) or two (2) years of federal income tax returns along with a YTD pay stub. Income should be averaged over the time period verified. If the tip income is not reported on the pay stub(s) or tax returns, then it may not be included in the qualifying income.
- **Trust Income:** Confirm the trust income by obtaining a copy of the trust agreement or the trustee's statement confirming the amount, frequency, and duration of payments:
 - Trustee statement evidencing borrower is a beneficiary and income will continue for three (3) years.
 - Variable trust income: Use an average over the length of time per the doc type selected.
 - Fixed trust income: Use the fixed payment as documented.
 - If the borrower creates the trust as trustee, the assets within the trust must be verified with 3rd party documentation (i.e., bank statements). Income will be calculated using asset utilization methodology.
 - Unless the income is received monthly, documentation of current receipt of the income is not required if the income is on the borrower's most recent tax return.
- **Unemployment Benefit Income:** Income derived from unemployment compensation is generally not allowed due to the limited duration of its receipt. Seasonal unemployment, however, can be considered if the borrower is employed in a field where weather affects the ability to work, and where unemployment compensation is often received (i.e., construction). The income can be used to qualify with a two-year history in the same field of work and a two-year history of receipt of unemployment compensation. Income should be averaged over the time period verified.
- **VA Benefits:** Document the borrower's receipt of the VA benefits with a letter or distribution form from the VA, along with a one-month proof of receipt. Verify that the income can be expected to continue for a minimum of three (3) years from the Note date. (Verification is not required for VA retirement or long-term disability benefits.) Education benefits are not acceptable income because they are offset by education expenses.
- **Variable Income – Overtime/Bonus/Commission:** Variable income sources are eligible provided the borrower has a minimum 2-year history of receiving such income in the same line of work. Variable income earned for less than one (1) year may not be used to qualify. Variable earnings must be averaged over the most recent one (1) or two (2) years based upon the documentation type, and include the following:
 - Most recent YTD pay stub reflecting the variable earnings;
 - W2 forms covering the most recent 1-year or 2-year period;

- A completed Written Verification of Employment (WVOE) – FNMA Form 1005 detailing base, overtime, commission, or bonus earnings.

ALT DOC – BANK STATEMENTS

Personal bank statements or business bank statements may be used to document self-employment income.

Bank statements may be obtained from the borrower or obtained from a 3rd party asset vendor participating in the FNMA Day 1 Certainty process.

- Borrowers must be self-employed for at least two (2) years. The employment section of the loan application must be completed with a minimum of two (2) years self-employment history.
 - If the nature of the borrower’s business cannot be determined from the loan application, a business narrative may be provided by the borrower.
- The business being used to source income must be in existence for a minimum of two (2) years as evidenced by one of the following:
 - CPA Letter, or
 - Business License, or
 - Bank statement from 24 or more months prior to the Note date reflecting activity, or
 - Other reasonable evidence of business activity.
- Nonprofit Entities are not eligible.
- Income and expense documentation must be prepared or validated by an acceptable 3rd party source with knowledge of the borrower’s business.
- Funds/Deposits in an IOLTA (Trust) are ineligible.
- Tax returns and 4506C are not required for the bank statement option.
- Alt Doc income may be combined with other income sources that are documented as Standard Doc but not associated with self-employment, such as wage income from spouse or domestic partner. When wage income is combined with Alt Doc, a tax return is not required for the standard full income documentation. If the 4506C form is provided, box 8 should be checked to obtain a transcript of W2 earnings.

Bank Statement Options / Income Analysis

In addition to the factors described in the Income Analysis section of the Standard Documentation section, the following should also be considered:

- Deposits should be reviewed for consistency.
- Deposits from alternative payment processing applications (i.e., Square, Venmo) are eligible.
- Inconsistent or large deposits should be sourced or excluded from the analysis. The definition of an inconsistent or large deposit is any deposit exceeding 50% of the average monthly sales of the business.
- Changes in deposit pattern must be explained.
- Income documented separately, but included as deposits in the statement under review, must be backed out of deposits.

Personal Bank Statement Review

A personal bank account is held in the individual borrower(s) name. The following documentation requirements and analysis methods apply:

Documentation Requirements:

- 12- or 24-months of consecutive personal bank statements, the most recent statement dated within 90=days of the Note date.
- Most recent two (2) months of business bank statements.
- Verify that the borrower owns at least 20% of the business by providing one of the following:
 - CPA Letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower’s ownership percentage.

Calculation Method

- Only transfers or deposits from the business account(s) are eligible deposits. Qualifying income is calculated using the sum of the total eligible deposits from the statements reviewed divided by the number of statements. The most recent bank statement must be consistent with the qualifying income.
- If the personal account is jointly owned, and the joint owner is not an owner of the business, deposits that are not readily identifiable as transfers from the business accounts or business deposits must be excluded unless sourced.
- ATM deposits may be included if a consistent pattern of such deposits is present.
- Two (2) months of business bank statements, which must:
 - Evidence activity to support business operations.
 - Reflect transfers to the personal account.

Business and Co-mingled Bank Statement Review

A business bank statement used for ongoing operations of the business must reflect the name of the business as completed on the loan application.

- Verify that the borrower has ownership of at least 25% of the business by providing one of the following:
 - CPA Letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower’s ownership percentage.
- Net income from the analysis of the bank statements is multiplied by the borrower’s ownership percentage to determine the borrower’s qualifying income.

A co-mingled bank statement is a personal account used by a borrower for both business and personal use. A separate business account is not required.

- Verify that the borrower has 100% ownership of the business by providing one of the following:
 - CPA Letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower’s ownership percentage.
- The borrower must be the sole owner of the business listed on the loan application.

Borrower and spouse with a combined 100% ownership of the account are eligible.

Standard Expense Ratio – 50%

- Documentation Requirements
 - A standard 50% expense factor will be applied to the total of all eligible deposits.
 - 12- or 24-months of consecutive business bank statements, the most recent statement dated within 90 days of the Note date

- Income Calculation Method
 - Total deposits from all bank statements, less any inconsistent deposit(s), multiplied by 50%, multiplied by ownership percentage, divided by the number of bank statements reviewed.
 - $\text{Deposits} \times 50\% \times (\text{ownership \%}) / 12 \text{ or } 24 = \text{qualifying income.}$

3rd Party Prepared Business Expense Statement Letter

- Documentation Requirements
 - 12- or 24-months of consecutive business bank statements, the most recent statement dated within 90 days of the Note date.
 - Business expense statement letter to include:
 - Name of business
 - Business expenses as a percentage of the gross annual sales/revenue
 - Prepared or reviewed by a 3rd party with knowledge of the business (e.g., CPA/Accountant, IRS Enrolled Agent, or tax preparer)
 - Signed by the 3rd party preparer/reviewer
- Income Calculation Method
 - Total deposits from all bank statements, less any inconsistent deposit(s), multiplied by the expense factor provided (subject to a minimum total expense percentage of 10%), multiplied by the ownership percentage, divided by the number of bank statements reviewed.
 - $\text{Deposits} \times (\text{expense ratio}) \times (\text{ownership \%}) / 12 \text{ or } 24 = \text{qualifying income.}$

3rd Party Prepared P&L Statement

- Documentation Requirements
 - 12- or 24-months of consecutive business bank statements, the most recent statement dated within 90 days of the Note date.
 - P&L covering 12- or 24-months (determined by the months of bank statements provided)
 - Prepared or reviewed and acknowledged by CPA/accountant/IRS Enrolled Agent, or tax preparer.
 - Signed by the 3rd party preparer/reviewer.
- Income Calculation Method
 - P&L Sales/Revenue must be supported by the provided bank statements. Total deposits reflected on the bank statements, minus any inconsistent deposits, must be greater than or no more than 20% below the sales/revenue reflected on the P&L. The bank statement and P&L must cover the same time period. If the deposits support the sales, qualifying income is the lower of:
 - The net income indicated on the P&L divided by the number of statements (12 or 24), or
 - Total deposits reported on the bank statements, minus any inconsistent deposits, divided by the number of statements (12 or 24).
 - When analyzing the P&L statement, the following may be added back to the applicant's income calculation:
 - Depreciation
 - Depletion

- Amortization/casualty loss

Non-Sufficient Funds

Non-sufficient funds (NSFs) or negative balances reflected on the bank statement(s) 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 exists:

- 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 transfer exceeded the amount of the overdraft transfer, (b) the linked 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, and (b) a payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within thirty (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 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 period.
 - If there are zero (0) occurrences in the most recent three (3) month time period, up to five (5) occurrences in the most recent 12-month time period are acceptable.
- Exception requests for tolerance deviations must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading up to the occurrences was rectified, and (b) additional compensating factors outlined by the underwriter supporting the viability of the income
- The underwriter must consider the financial strength of a self-employed borrower's business.

ALT DOC – RENTAL INCOME

Rental income may be included in loan qualification for Alt Doc income types, to be considered the following documentation must be provided:

- **Long Term Rental:**
 - A copy of the lease(s) for the rental property.
 - Must provide two (2) months of proof of receipt of rental income. The deposits must be to a separate bank account. Any deposits in the business bank statements used in the business income analysis are not eligible.
 - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.
 - If the deposits cannot be validated in a separate account, the full PITIA of the rental unit must be included in the qualifying DTI ratio.
 - If the transaction type is a purchase of an investment property, and the income from the subject property is considered in the underwriting, proposed rental income from the

comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease.

- **Short Term Rental:**
 - Property leased on a short-term basis utilizing an online service such as Airbnb gross monthly rents can be determined by using a 12-month look back period to account for seasonality.
 - Rents for the look back period must be documented with either 12 monthly statements or an annual statement provided by the online 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 a specific property.
 - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.
 - A screen shot of the online listing must show the property(s) activity marketed as a short-term rental.

Application of Rental Income:

- **Primary Residence**
 - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property.)
 - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the DTI ratio.
- **Investment Property**
 - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
 - If the monthly qualifying income minus the full PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
 - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.
 - The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation

ALT DOC – IRS FORM 1099

Permitted for individual(s) earning 100% commission or for independent contracts.

- 1-year or 2-years of 1099s or 1099 transcript(s) permitted
 - One of the following business expense analysis methods:
 - 90% net margin (10% Expense Factor), or
 - 3rd party prepared P&L (CPA, EA, accountant, tax preparer).
- A minimum 2-year self-employment history is required (e.g., 1099 income) as documented from the employment section of the loan application.

- Qualifying income is the 12- or 24-month monthly average from the total number of 1099's minus the expense factor from the method chosen above.
- YTD earnings must be documented when the 1099 reporting period is greater than 90 days from the Note date. YTD earnings must support the ongoing receipt of income as shown on the 1099s by:
 - Checks or a single check stub(s) with YTD totals if available, or
 - Bank Statements (YTD).
 - The YTD earnings from the total of the check stubs or the tally of deposits from the bank statements must be within 10% or greater than prior year earnings.

PROPERTY ELIGIBILITY

APPRAISALS

Appraisal Requirements

Primary and secondary valuation products are required. Primary valuation products are referenced below. See Appraisal Review Products section for eligible valuation products.

HPML loans that are not Qualified Mortgages require a full appraisal with an interior inspection, regardless of the loan balance.

Transferred appraisals are not permitted.

Loan Amount ≤ \$250,000 (One of the following is required)

- AVM from approved vendor with acceptable FSD and a new Property Condition Report (PCR) with acceptable findings, or
- Exterior Drive-by appraisal (Hybrid/2055/1073), or
- New Appraisal (FNMA 1004/1025/1073)
- Prior 1st lien appraisal dated within 12-months of subject Note date allowed subject to the following:
 - The lender on the prior appraisal must be the same as the subject loan, and
 - A new Property Condition Report (PCR) with acceptable findings, and
 - Recertification of value by original appraiser.

Loan Amount > \$250,000 (One of the following is required)

- New Appraisal (FNMA Form 1004/1025/1076), or
- Prior 1st lien appraisal dated within 12-months of subject Note date allowed subject to the following:
 - The lender on the prior appraisal must be the same as the subject loan, and
 - A new Property Condition Report (PCR) with acceptable findings, and
 - Recertification of value by original appraiser, and
 - AVM within 30-days of the Note date from approved vendor with acceptable FSD.
 - The lower of the Prior Appraisal or the current AVM will be used to determine CLTV.

AVM Vendors

The following AVM Vendors are acceptable:	
AVM Vendor	Acceptable FSD Score Range at 90%
Clear Capital	0.00 to 0.13
Collateral Analytics	0.00 to 0.10
House Canary	0.00 to 0.10

Property Condition Reports

When required, a Property Condition Report (i.e., Clear Capital Property Condition Inspection) should be obtained to include an exterior photo of the subject property along with a rating of the property’s physical condition and characteristics.

Appraisal Review Products (1-4 Residential Property)

An appraisal review product is required on every loan file unless a second appraisal is obtained. The appraisal review product should provide an “as is” value for the subject property (the “Appraisal Review Value”) as of the date of the subject loan transaction.

The following review products are eligible when the primary valuation is a full appraisal:

- If the FNMA Collateral Underwriter score exceeds 2.5 the file must include either an enhanced desk review, field review, or second appraisal.
- An enhanced desk review product from one of the following choices:
 - ARR from Stewart Valuation Intelligence FKA Pro Teck
 - CDA from Clear Capital
- If the enhanced desk review or BPO product reflects a value more than 10% below the appraised value or cannot provide a valuation, the file must include either a field review or second appraisal. A field review or second appraisal is acceptable. These may not be from the same appraiser or appraisal company as the original report.
- AVM with 30-days of the Note date (if primary valuation based on an AVM, review must be a different vendor)
 - If two AVMs are ordered, the AVM with the higher FSD (closest to zero) will be treated as the primary valuation product.
 - The second AVM will be treated as the secondary valuation product and must support the primary AVM within 10%.
 - If both AVMs have the same FSD, the lower of the two property values must be utilized for determining the CLTV.
- Broker Price Opinion (BPO)

Minimum Property Requirements

Minimum square footage:

- Single Family Residence - minimum 700 square feet
- Condominiums – minimum 500 square feet
- 2-4 units – minimum 400 square feet per individual unit

All properties must:

- Be improved real property.
- Be accessible and available for year-round residential use.
- Contain a full kitchen and a bathroom.
- Represent the highest and best use of the property.
- Not contain any health or safety issues.

Personal Property

Any personal property transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV.

Escrow Holdbacks

Escrow holdbacks are not allowed. Any repair or maintenance required by the appraiser must be completed prior to loan purchase.

Declining Markets

The loan transaction is subject to a CLTV cap if the property is in a declining market as defined by the appraiser and/or AVM. The program specific CLTV caps are as follows:

- 80% CLTV for Purchases and Refinance

ELIGIBLE PROPERTY TYPES

- Single Family Detached, PUD
- Single Family Attached, PUD
- 2-4 Unit residential properties
- Condominiums

INELIGIBLE PROPERTY TYPES

- Vacant land or land development properties
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy regardless of location
- Properties with agricultural features (e.g., vineyards, farms, ranches, orchards, equestrian facilities)
- Manufactured or mobile homes
- Units subject to timeshare agreements
- Properties with fractional ownership
- Condo-hotels or Co-op developments
- Properties used as boarding houses, bed/breakfast properties, or single room occupancy
- Properties used as healthcare facilities (e.g., assisted living, elder care, recovery/treatment)
- Properties with nonresidential, income-producing structures on premises (e.g., billboards, cell phone towers, commercial workshops)
- Properties with zoning violations or illegal use
- Dome or geodesic homes
- Homes on Native American Land (Reservations)
- Log homes that are not common to the area

- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Properties used for the cultivation, distribution, manufacture, or sale of marijuana.
- Rural property:
 - A property is classified as rural if:
 - The appraiser indicates in the neighborhood section of the report a rural location; or
 - The following two (2) conditions exist:
 - The property is located on an unpaved road, and
 - Two of the three comparable properties are more than five (5) miles from the subject property.

ACREAGE LIMITATION

- A maximum of 20 acres
- No truncating allowed

PROPERTY FLIPPING

- Applies to covered HPML transactions
 - Qualified Mortgages (QM) are excluded.
- A property is considered a “flip” if either of the following are true:
 - The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower’s purchase agreement. The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower’s purchase agreement.
 - The acquisition date is the day the Seller became the legal owner. The purchase date is the day the borrower and seller signed the home purchase agreement. Start with the day after the acquisition date and count up to and including the purchase date.
- If the property is a “flip” as defined above, the following additional requirements apply:
- Second appraisal required from an Approved AMC.
- If the loan is subject to Regulation Z, a copy of the second appraisal must be provided to the borrower in compliance with the federal HPML requirements.
- Second appraisal must be dated prior to the loan consummation/note date.
- 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.) must be provided, if applicable.

SOLAR PANEL REQUIREMENTS

Solar panels are allowed unless they are financed through PACE, HERO, or equivalent. Solar panels purchased through financing may or may not include the real estate as collateral.

Financed and collateralized (UCC on Title)

The solar panels are collateral for the separate debt used to purchase the panels, but they are a fixture to the real estate because a UCC fixture filing* has been filed for the panels in the real estate records (on title report). *Note: A Notice of Independent Solar Energy Producer Contract on title is not to be treated as a UCC fixture filing*.

- Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing, related promissory note and related security agreement that reflect the terms of the secured loan
 - Include the debt obligation in the DTI ratio.
- Provided that the panels cannot be repossessed for default on the financing terms, instruct the appraiser to consider the solar panels in the value of the property (based on standard appraisal requirements).
- Include the solar panels financing balance in the LTV/CLTV ratio calculation (if unable to obtain, utilize the original balance). The UCC fixture filing must be subordinated with one of the following:
 - Subordination Agreement
 - UCC Termination
 - Debt obligation is to be included in the DTI ratio and the LTV/CLTV unless proof is provided verifying the debt has been paid down to zero (UCC termination does not automatically verify the debt is paid off).
- CLTA Endorsement 150-06 is not eligible to be used in lieu of a Subordination agreement or UCC Termination.

*A fixture filing is a UCC-1 financing statement authorized and made in accordance with the UCC adopted in the state in which the related property is located. It covers property that is, or will be, affixed to improvements to such real property. It contains both a description of the collateral that is, or is to be, affixed to that such property, and a description of such real property is located. It is filed in the same office that mortgages are recorded under the law of the state in which the real property is located. Filing in the land records provides notice to third parties, including title insurance companies, of the existence and perfection of a security interest in the fixture. If properly filed, the security interest in the described fixture has priority over the lien of a subsequently recorded mortgage.

Financed and collateralized (UCC not on Title)

The solar panels are reported to be collateral for separate (non-mortgage) debt used to purchase the panel, but do not appear on the title report.

Note: A Notice of Independent Solar Energy Producer Contract on title is not to be treated as a UCC fixture filing.

- Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing, related promissory note and related security agreement that reflect the terms of the secured loan
 - Include the debt obligation in the DTI ratio.
- Instruct the appraiser not to provide contributory value of the solar panels towards the appraised value because the panels are collateral for another debt.
- Do not include the panels in the LTV/CLTV ratio calculation.
- If a previously filed UCC was temporarily removed from title through a UCC termination, evidence must be provided that the UCC was paid in full otherwise the financed balance must be included in the LTV/CLTV.

Requirements for properties with solar panels that are leased or covered by a Power Purchase Agreement

If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar lease arrangement, the following requirements apply (whether to the original agreement or as subsequently amended):

- Seller must obtain and review copies of the lease or power purchase agreement.
- The monthly lease payment must be included in the DTI ratio calculation unless the lease is structured to:
 - Provide delivery of a specific amount of energy at a fixed payment during a given period, and
 - Have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period.
- Payments under power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI ratio.
- The value of the solar panels cannot be included in the appraised value of the property.
- The value of the solar panels must not be included in the LTV/CLTV, even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority.
 - A “precautionary” UCC filing is one that lessors often file to put third parties on notice of their claimed ownership interest in the property described in it.
 - When the only property described in the UCC filing as collateral is the solar equipment covered by the lease or power purchase agreement, and not the home or underlying land, such a precautionary UCC filing is acceptable (and a minor impediment to title), as long as the loan is underwritten in accordance with this topic.
- The value of the solar panels must not be included in other debt secured by real estate in the CLTV calculation because the documented lease or power purchase agreement status takes priority.
- The property must maintain access to an alternate source of electric power that meets community standards.
- The lease or power purchase agreement must indicate that:
 - Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home);
 - The owner of the solar panels agrees not to named loss payee (or named insured) on the property owner’s property insurance policy covering the residential structure on which the panels are attached. As an alternative to this requirement, the seller may verify that the owner of the solar panels is not a name loss payee (or named insured) on the property owner’s property insurance policy; and
 - In the event of foreclosure, the seller or assignee has the discretion to:
 - Terminate the lease/agreement and require the 3rd party owner to remove the equipment;
 - Become, without payment of any transfer or similar fee, the beneficiary of the borrower’s lease/agreement with the 3rd party; or
 - Enter into a new lease/agreement with the 3rd party, under terms no less favorable than the prior owner.

TITLE REQUIREMENTS

- **For loan balances ≤ \$250,000**, provide one of the following:
 - Owner and Encumbrance Report (O&E), to include:
 - Current Grantee/Owner
 - How property was conveyed to current owner
 - Liens (e.g., mortgages, UCC, other financing)
 - Involuntary liens and judgements
 - Property Tax information with breakdown of all taxes including special assessments
 - Legal Description
 - ALTA Full Title Policy
 - ALTA Short Form Residential Limited Coverage Junior Loan Policy

- **For Loan balances > \$250,000**, provide one of the following:
 - ALT Full Title Policy
 - ALTA Short Form Residential Limited Coverage Junior Loan Policy

TITLE VESTING & OWNERSHIP

Ownership must be fee simple. Leaseholds are not eligible.

Subject property must be owned a minimum of six (6) months to be eligible, as measured from acquisition date to the date of the new Note.

Acceptable forms of vesting are:

- Individuals
- Joint tenants
- Tenants in common
- Inter Vivos Revocable Trust

Irrevocable Trusts, Land trusts, Blind Trusts and IRAs are not eligible forms of vesting.

For Investment Properties Only

A Business Purpose Loan where the borrower is an entity is limited to the following structure: Limited Liability Company (LLC).

To vest a loan in an Entity, the following requirements must be met:

- Purpose and activities are limited to ownership and management of real property.
- Entity must be domiciled in a U.S. State.
- Any business structure is limited to a maximum of 4 owners or members.
- All members, partners, or shareholders of the Entity, as the case may be, (each, a “Member”, and up to a maximum of 4 members per Entity) must provide personal guarantees (Exhibit I) of the obligations of the Entity in a form satisfactory to Change Wholesale.
- Each Entity Member must complete an URLA or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. The application of each Member and such person’s credit score and creditworthiness will also be used to determine qualification and pricing.

- Each Member of the Entity must receive notice of the loan and its terms prior to closing.
- The following Entity documentation must be provided:
 - Entity Articles of Organization, or Partnership or Operating Agreement(s)
 - Evidence of good standing
 - Tax Identification Number (TIN) or Employee Identification Number (EIN) in the name of the LLC validated directly by the IRS
 - Single member LLC may use EIN or the guarantor social security number.
 - Multi-member LLCs require an EIN.
 - Certificate of Authorization for the person(s) executing all documents on behalf of the Entity Borrowing Certificate (Exhibit D for Single Member or Exhibit E for Multiple Members)

Documents required

Documents must be completed and signed as follows:

- Loan Application (URLA)
 - Completed for each member of the Entity providing a guaranty
 - Section labelled “Title will be held in what Name(s)” should be completed with **only** the LLC name.
 - Signed by Individuals
- Loan documents
 - Business purpose loan disclosures as applicable (e.g., LE, CD, ECOA, etc.)
 - Any state or federally required settlement statement as applicable
- Note, Deed of Trust/Mortgage, and all applicable Riders must be executed by the guarantor(s) in their capacity as authorized signer(s) for the entity.
- Personal Guaranty
 - The guaranty must be full recourse
 - The guaranty must reference the Note and loan amount
 - Personal guaranties from community property states must be accompanied with a Spousal Consent to Pledge.

Examples of Signature Requirements

[Authorized Signatory] may be replaced by other label as specified in the Member Consent (e.g. Managing Member, Member, etc.).

Sample 1:

Borrower: JJ Investors, LLC and James Johnson Single Member of LLC

Note, Security Instrument & all Riders:

Signature Block

JJ INVESTORS, LLC a [_____] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

Sample 2:

Borrower: JJ Investors, LLC, James Johnson, and Jane Nelson 2 Members of LLC

Both Members are Authorized Signatories of LLC

Note, Security Instrument & all Riders:

Signature Block

JJ INVESTORS, LLC a [] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

and

JJ INVESTORS, LLC a [] limited liability company

Jane Nelson

By: Jane Nelson

Title: [Authorized Signatory]

POWER OF ATTORNEY

Power of Attorney is not eligible.

LIMITATIONS ON FINANCED PROPERTIES

- Max 20 financed properties
- Change Wholesale’s exposure to a single borrower shall not exceed \$5,000,000 in current UPB or ten (10) properties

DISASTER AREAS

The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site 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.

Guidelines for disaster areas should be followed for 120-days from the disaster period end date or the date of the event, whichever is later.

Appraisals Completed Prior to Disaster Event

An 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 purchase

Appraisals Completed After Disaster Event

- Appraiser must comment on the adverse event and certify that there has been no change in the valuation.
- Any existing damage notated from the original report must be repaired and re-inspected prior to purchase.

Disaster Event Occurs After Closing But Prior to Loan Purchase

A loan is ineligible for purchase until an inspection is obtained based on the following:

- A Post Disaster Inspection (PDI) Report from a 3rd party vendor (i.e. Clear Capital, Stewart/Pro Teck) may be used. Any indication of damage reflected in the report will require a re-inspection by the appraiser.
 - If a re-inspection is required, the appraiser may utilize FNMA Form 1004D and comment on the event and certify that there has been no change to the value.

CONDOMINIUMS

Fannie Mae eligible projects are allowed.

Ineligible Projects

- A project subject to the rules and regulations of the U.S. Securities Exchange Commission.
- Condominium Hotel – Condotel
 - a. Condominium Project in which any unit owner or the homeowners’ association is a party to a revenue-sharing agreement with either the developer or another third-party entity.
 - b. Condominium project where the unit is not the lessee’s residence.
 - c. Projects that are managed and operated as a hotel or motel, even though the units are individually owned.
 - d. Projects with the names that include the words “hotel,” “motel,” “resort,” or “lodge.”
 - e. A project that includes registration services and offer rentals of units on a daily, weekly or monthly basis.
 - f. Hotel or motel conversions (or conversions of other similar transient properties.)
- Timeshare or Projects that restrict the owner’s ability to occupy the unit.
- 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.
- A Common-interest apartment or a project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.
 - The project or building is often owned by several owners as tenants-in-common or by a homeowners’ association.
- Fragmented or segmented ownership
 - Ownership is limited to a specific period on a recurring basis (i.e., timeshare, quarter share).

- 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 (cannot be rebuilt to current density).
- Any project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association
- Any project in need of critical repairs with one of the following characteristics:
 - Mold, water intrusions or potentially damaging leaks to the project’s building(s), or
 - Unfunded repairs costing more than \$10,000 per unit undertaken within the next 12-months (does not include repairs made by the unit owner or repairs funded through special assessment).
- Any project with significant deferred maintenance or has received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions.

Condominium Insurance Requirements

Project to meet all FNMA insurance requirements for property, liability, and fidelity coverage.

- The maximum deductible amount must be no greater than 5% of the face amount of the policy.
- HO-6 Coverage: If the master or blanket policy does not provide interior unit coverage (replacement of improvements and betterments coverage to cover any improvements that the borrower may have made) the borrower must obtain an HO-6 Policy or “walls-in” coverage. The HO-6 insurance policy must provide coverage in an amount as established by the HO-6 insurer.

General Project Criteria

To qualify as an acceptable condominium unit, the condominium project must be common for the area and demonstrate good marketability.

- All loans secured by condominium projects require a completed Homeowners Association (HOA) questionnaire and condominium review except for:
 - Site condominiums
 - 2-4 Unit project provided the following are met:
 - Project is not ineligible (see Ineligible Project section).
 - Evidence of sufficient, hazard, flood, and walls-in insurance coverage if the subject unit has individual coverage. If the insurance covers the entire project, it must be sufficient in the event of a total loss.
 - Homeowner’s association dues to be included in the DTI, if applicable.
- Special assessment information is to be provided to determine if there is a critical repair. Provide purpose, amount, term, balance, status, and cost per unit.
- Any projects with significant deferred maintenance or have received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions are not eligible for purchase. Significant deferred maintenance includes deficiencies that meet one or more of the following criteria:
 - Full or partial evacuation of the building to complete repairs is required for more than seven days or an unknown period of time.
 - The project has deficiencies, defects, substantial damage, or deferred maintenance that
 - Are severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements; **or**
 - Has improvements in need of substantial repairs and rehabilitation including any major components; **or**

- Impedes the safe and sound functioning of one or more of the building’s major structural or mechanical elements, including but not limited to the foundation, roof, load bearing structures, electrical systems, HVAC, or plumbing; **or**
 - Has critical repairs with one of the following characteristics:
 - Mold, water intrusions or potentially damaging leaks to the project’s building(s); or
 - Unfunded repairs costing more than \$10,000 per unit undertaken within the next 12-months (does not include repairs made by the unit owner or repairs funded through special assessment).
- Florida Condominiums:
 - For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 years if within 3 miles of the coast), a structural inspection is required for projects greater than 5 stories. The inspection needs to address items that substantially conform to the definition of a milestone inspection as defined in Florida statute 553.899.
 - Inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements.
 - Projects with an unacceptable or no inspection are ineligible.
- Project exposure maximum shall be \$5,000,000 or 20% of the total units in a project greater than 4 units, whichever is lower.
- Projects consisting entirely of detached (site) units will not require a project review and are eligible for single-family dwelling LTV/CLTV. Completion of the HOA questionnaire is not required.
- Project has been created and exists in full compliance with applicable local jurisdiction, State, and all other applicable laws and regulations.
- Subject Unit Minimum Requirements: Minimum 500 square feet, full-sized kitchen, minimum of one (1) bedroom.
- Commercial space allowed up to 50% of the project.
- No more than 20% of the total units in the project may be 60 days or more past due on the condominium/HOA fees.
- For condominium projects consisting of five (5) or more units, single entity ownership is limited to 20% of the project.
- Investor concentration allowed up to 60%. A higher percentage may be considered when the subject transaction is an investment property when a history of a high percentage of rental units in the project can be demonstrated.
- Projects involved in litigation are acceptable provided the lawsuit(s) are not structural in nature which impact the subject unit and do not affect the marketability of the project unit and potential damages do not exceed 25% of the HOA reserves or documentation from the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense and the HOA insurance policy is sufficient to cover the litigation expense.
- Project approval is subject to confirmation that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.

Established Projects

- 90% of the total units in the project must be sold and conveyed to the unit owners.
- 40% of the total units in the project must be owner occupied.
- All phases are complete.
- HOA must be conveyed to the unit owners – no developer or builder-controlled projects allowed.

- All comparable sales may be from within the subject's project if the project is established and consists of 100 or more units. Recent sales of model match units, if available, must be utilized in the appraisal report.

New or Newly Converted Projects

- 50% of the total units in the project or subject's phase must be sold and conveyed to the unit owners AND at least 50% of the units must be owner occupied.
- Project or subject's legal phase along with the other development phases must be complete. All common elements in the project or legal phase must be 100% complete.
- Project may be subject to additional phasing.
- The project developer may be in control of the condominium association provided the Master Agreement allows for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time frame.

Non-Warrantable Condominium Projects

Not permitted on the Home Equity Lending product.

OCCUPANCY CERTIFICATION

Borrower: _____

Co-borrower(s): _____

Property Address: _____

I/We the undersigned certify that:

Primary Residence: I/We will occupy the property as my/our principal residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/We will continue to occupy the property as my/our principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing.

Second Home: I/We will occupy the Property as a second home (vacation, etc.) while maintaining a principal residence elsewhere.

Investment Property: I/We will not occupy the property as a principal residence or second home. I/We will not occupy the property for more than 14 days in any calendar year. The property is an investment to be held or rented rather than for household or personal use.

INVESTMENT PROPERTY ONLY (the following **must** be completed on an investment property loan):

I/We understand that consumer protection laws applicable to consumer loans will not apply to this loan, including the Truth in Lending Act (15 U.S.C. § 1601 *et seq.*), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 *et seq.*), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 *et seq.*), and Homeowners Protection Act (12 U.S.C. § 5101 *et seq.*).

REFINANCE ONLY (the following **must** be completed on a refinance transaction):

I/We the undersigned, certify that the property referenced above is **NOT** currently listed for sale or under contract to be listed for sale.

I/We the undersigned acquired this property on _____, _____.

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.

I/We understand that failure to comply with the requirements in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the Lender to exercise its remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

Borrower Date Borrower Date

Borrower Date Borrower Date

CONDOMINIUM PROJECT QUESTIONNAIRE

Project Legal Name: _____ Date: _____
 Project Physical Address: _____ HOA Tax ID: _____
 Unit Address: _____ Loan Number: _____
 HOA Name: _____ Lender Name: _____
 HOA Management Address: _____ HOA Management Co. Tax ID: _____

PART I: BASIC PROJECT INFORMATION

1. Please provide actual numbers and not percentages in the chart below.

Legal Phase #, Previous and Future Phases	# of Units per Phase	# of Buildings	# of Units Complete	# of Units for Sale	# of Units Sold or Under Contract	# of Owner Occupied and Second Homes*	# of Investor Units

* If unable to provide number of second homes, provide number of off-site addresses.

2. Please provide a breakdown of the total number of units in the Project below.

# of Owner Occupied Units		# of Investor Units		# of Units Rented by Developer	
# of Second Home Units		# of Units owned by the HOA		# of Units in Entire Project	

3. Complete the following table if more than one unit is owned by the same individual or entity.

Individual / Entity Name	Developer or Sponsor (Yes or No)	# of Units Owned	Percentage Owned of Total Project Units	# Leased at Market Rent	Number Leased under Rent Control
			%		
			%		
			%		
			%		
			%		

4. Does the project have any of the characteristics listed below? Yes No **If Yes, please check all that apply:**

- Hotel/Motel/Resort Activities Any restriction on the Unit owner’s ability to occupy the unit
 Mandatory Rental Pool Mandatory fee-based memberships for use of project amenities/services

- Deed/Resale restrictions Non-incident income from business operations
- Manufactured Housing Supportive or continuing care for seniors or residents with disabilities

Provide additional detail here, if applicable (optional):

PART II: PROJECT COMPLETION INFORMATION

- 5. Are all units and common elements 100% complete and not subject to any additional phasing and/or additions? Yes No
If yes, when was the Project completed? _____
- 6. **If no**, complete lines a-f:
 - a. *Is the project subject to additional phasing or annexation?* Yes No
 - b. *Is the project legally phased?* Yes No
 - c. *How many phases have been completed?* _____
 - d. *How many total phases are legally planned for the project?* _____
 - e. *How many total units are planned for the project?* _____
 - f. *Are all planned amenities and common facilities fully complete?* Yes No
- 7. Has the developer turned over Project control to unit owners? Yes No
If yes, when was it turned over? _____
If no, what is the anticipated date the Project will be turned over to the unit owners? _____
- 8. Is the Project a conversion within the past 3 years of an existing structure that was used as an apartment, hotel/resort, retail or other professional business, industrial or for other non-residential use? Yes No
If yes – complete lines a-h:
 - a. *What year was the property built?* _____
 - b. *What date was the conversion completed?* _____
 - c. *Was the conversion a full gut rehabilitation of the existing structure(s), including replacement of all major mechanical components?* Yes No
 - d. *What was the original use of the building?* _____
 - e. *Does the report from the licensed engineer indicate that the project is structurally sound, and that the condition and remaining useful life of the project’s major components are sufficient?* Yes No
 - f. *Are all repairs affecting safety, soundness, and structural integrity complete?* Yes No
 - g. *Are replacement reserves allotted for all capital improvements?* Yes No
 - h. *Are the project’s reserves sufficient to fund the improvements?* Yes No

PART III: FINANCIAL INFORMATION

- 9. How many units are over 60 days delinquent on HOA dues or assessments? _____
- 10. In the event a unit is taken over in foreclosure or a deed-in-lieu of foreclosure, is the mortgagee responsible for paying delinquent common expense assessments? Yes No
If yes, for how long is the mortgagee responsible for paying these expenses? (select one): 1 to 6 months
 7 to 12 months
 12+ months
- 11. Is the HOA or developer involved in any litigation and/or arbitration, including the project being placed in receivership, bankruptcy, deed-in-lieu of foreclosure or Foreclosure? Yes No

If yes, please describe the details and provide documentation directly from the Court(s) relating to the litigation: _____

PART IV: OWNERSHIP & OTHER INFORMATION

12. Do the unit owners have sole ownership interest in and the right to use the project amenities and common areas? Yes No

If No, explain who has ownership interest in and rights to use the project amenities and common areas:

13. Are any of the units or any part of the building used for non-residential or commercial space? Yes No
If Yes, complete the following table:

Type of Commercial or Non-Residential Use	Name of Owner or Tenant	# of Units	Square Footage	% Square Footage of Total Project Square Footage
				%
				%
				%

14. What is the total square footage of commercial space in the building that is separate from the residential HOA? Include above and below grade space used for commercial purposes, such as public parking facilities, retail space, apartments, commercial offices and so on:

Total square footage of commercial space: _____

PART V: INSURANCE INFORMATION & FINANCIAL CONTROLS

15. Are units or common elements located in a flood zone? Yes No

If Yes, flood coverage is in force equaling (select one):

- 100% replacement cost
- Maximum coverage per condominium available under the National Flood Insurance Program
- Some other amount (enter amount here): \$ _____

16. Check all of the following that apply regarding HOA financial accounts:

- HOA maintains separate accounts for operating and reserve funds.
- Appropriate access controls are in place for each account.
- The bank sends copies of monthly bank statements directly to the HOA.
- Two members of the HOA Board of Directors are required to sign any check written on the reserve account.
- The Management Company maintains separate records and bank accounts for each HOA that uses its services.
- The Management Company does not have the authority to draw checks on, or transfer funds from, the reserve account of the HOA.

17. Supply the information requested below. Do NOT enter "contact agent."

Type of Insurance	Carrier/Agent Name	Phone Number	Policy Number
Hazard			
Liability			
Fidelity			
Flood			

PART VI: BUILDING SAFETY, SOUNDNESS, STRUCTURAL INTEGRITY, AND HABITABILITY

18. When was the last building inspection by a licensed architect, licensed engineer, or any other building inspector? _____

19. Did the last inspection have any findings related to the safety, soundness, structural integrity, or habitability of the project’s building(s)? Yes No

19a. **If Yes**, have recommended repairs/replacements been completed? Yes No

If the repairs/replacements have not been completed:

19b. What repairs/replacements remain to be completed?

19c. When will the repairs/replacements be completed? _____

Provide a copy of the inspection and HOA board meeting minutes to document findings and action plan.

20. Is the HOA aware of any deficiencies related to the safety, soundness, structural integrity, or habitability of the projects building(s)? Yes No

20a. **If Yes**, what are the deficiencies?

20b. Of these deficiencies, what repairs/replacements remain to be complete?

20c. Of these deficiencies, when will the repairs/replacements be completed? _____

21. Are there any outstanding violations of jurisdictional requirements (zoning ordinances, codes, etc.) related to the safety, soundness, structural integrity, or habitability of the project’s building(s)? Yes No

If Yes, provide notice from the applicable jurisdictional entity.

22. Is it anticipated the project will, in the future, have such violation(s)? Yes No

If Yes, provide details of the applicable jurisdiction’s requirement and the projects plan to remediate the violation.

23. Does the project have a funding plan for its deferred maintenance components/items to be repaired or replaced? Yes No

24. Does the project have a schedule for the deferred maintenance components/items to be repaired or replaced? Yes No

If Yes, provide the schedule.

25. Has the HOA had a reserve study completed on the project within the past three (3) years? Yes No
26. What is the total of the current reserve accounts balance? _____
27. Are there any current special assessments unit owners are obligated to pay? **If Yes:** Yes No
- 26a. What is the total amount of the special assessment(s): \$ _____
- 26b. What are the terms of the special assessments(s)?

- 26c. What is the purpose of the special assessment(s)?

28. Are there planned special assessments unit owners are obligated to pay? **If Yes:** Yes No
- 26a. What will be the total amount of the special assessment(s): \$ _____
- 26b. What will be the terms of the special assessments(s)?

- 26c. What will be the purpose of the special assessment(s)?

29. Has the HOA obtained any loans to finance improvements or deferred maintenance? Yes No
- 28a. Amount borrowed? \$ _____
- 28b. Terms of repayment? _____

PART VI: PREPARER INFORMATION

Preparer Name: _____ Phone: _____
Title: _____ Email: _____
Preparer's Company Name: _____
Preparer's Company Address: _____

When completed by HOA representative, this form will be utilized to help determine financing eligibility of a unit within the Project. Completion of this form does not create legal liability on the part of the preparer.

The undersigned hereby certifies that the above information is true and correct to the best of the preparer's knowledge and is presented on behalf of the Homeowners Association for the Project listed.

Signature of HOA Representative: _____ Date: _____

PART VII: REQUIRED DOCUMENTATION

New Projects:

- Fannie Mae Application for Project Approval (Form 1026) Project Certification, Change Home Mortgage Condominium questionnaire, or similar.
- FNMA Warranty of Project Presale signed by developer/builder as authorized representative (Form 1029).
- FNMA Warranty of Condominium Project Legal Documents (Form 1054) or comparable lender's warranty.

- FNMA Final Certification of Substantial Project Completion completed by developer. (Form 1081).
- Current Annual Budget.
- Current Balance Sheet (dated within the last 60 days).
- Evidence of current HOA/Project Insurance in compliance with FNMA guidelines.
- Project legal documents: Declarations, By-Laws, and any Amendments.
- Schedule of outstanding loan information.
- Letter from construction lender stating financing is in good standing.
- Evidence there are no contractor liens outstanding.
- Project Marketing Analysis: sales and marketing plan.
- Photos of subject property and two comparable projects including site, improvements, facilities/amenities, and parking.
- PERS Preliminary Approval, if applicable.

Established Projects:

- Fannie Mae Application for Project Approval (Form 1026) Project Certification, Change Home Mortgage Condominium questionnaire, or similar.
- Established Project Certification.
- Current Annual Budget.
- Current Balance Sheet (dated with the last 60 days).
- Evidence of current HOA/Project Insurance in compliance with FNMA guidelines.

Re-Certification of Projects:

- Fannie Mae Application for Project Approval (Form 1026) Project Certification, Change Home Mortgage Condominium questionnaire, or similar.
- Project Approval Certification Form.
- Current Annual Budget.
- Current Balance Sheet (dated with the last 60 days).
- Evidence of current HOA/Project Insurance in compliance with FNMA guidelines.
- Any amendments, supplements, etc. to Project legal documents.

EXHIBIT C: DEVELOPER/BUILDER QUESTIONNAIRE

DEVELOPER/BUILDER QUESTIONNAIRE

Project Name: _____
 Legal Address: _____

Developer Company Name: _____ **President/Owner:** _____
Address: _____ **Phone:** _____
Website: _____ **Email:** _____

Builder Name: _____ **President/Owner:** _____
Address: _____ **Phone:** _____
Website: _____ **Email:** _____

Broker/Marketing Co. Name: _____ **Sales Manager:** _____

1. Is the marketing firm affiliated with the developer/builder? *If yes describe the relationship.* Yes No

2. Are sales or financing concessions offered as part of the marketing of units? *If yes, what concessions are being offered? Please provide sales and marketing plan.* Yes No

BUILDER/DEVELOPER CONSTRUCTION EXPERIENCE

3. Number of condo projects: _____
4. Number of units: _____
5. Unit types: _____
6. Does the developer have previous experience with conversion projects? Yes No
7. Number of units currently being rented by Builder/Developer: _____
8. Number of units currently being renovated/converted into condominiums: _____
9. What is the anticipated completion date of the units being renovated/converted? _____

PROJECTS COMPLETED

Project Name	Location	# of Units	Year Completed

BUILDER/DEVELOPER PRE-SALE CERTIFICATION

Status	Subject Phase	Completed Phases	Future Phases	TOTAL Project
# of units closed to borrower other than Builder/Developer				
# of units under contract/signed Purchase Agreement				
# of units under construction				
# of units available for sale				
# of units owned or intended as owner occupied				
# of units owned or intended as rental units				
# of units currently rented by Builder/Developer				
Total # of units				

10. Does the builder/developer plan to retain ownership of any units, common elements, or other Project facilities Other than during initial marketing period? Yes No *If yes, please provide an explanation of what is being retained and the reason:* _____

11. Are there any mechanic's liens, complaints or litigation filed against the property? *If yes, please provide an explanation and any supporting documentation:* Yes No _____

DEVELOPER/BUILDER REQUIRED DOCUMENTATION

- Current reserve study (within three years), or equivalent, evidencing current condition of the Project elements, what work is needed, remaining life, and estimate of cost to replace.
- FNMA Form 1081 Final Certification of Substantial Project Completion or Project Occupancy Certification.
- Rent roll/absorption.
- Schedule of outstanding loans.
- Letter from construction lender stating financing is in good standing or statement from Builder/Developer indicating no financing exists.
- Evidence of available fund to complete the Project, e.g., certificate, letter of credit, or verification of liquid assets.
- Project Marketing Analysis: Sales and Marketing Plan.
- Project status letter detailing what is being completed/improved, cost estimate, and estimated date of completion.

CERTIFICATION

Builder/Developer has completed the information above, including the occupancy grid (or has attached a list documenting same in excel format), and attests to its accuracy.

_____ Builder/Developer Name (please print)	_____ Title
_____ Builder/Developer Signature	_____ Date

Title 18 U.S.C. 1014, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any matter in the jurisdiction of any department or agency of the United States, shall be fined not more than \$1,000,000 or imprisoned for not more than 30 years or both. In addition, violation of this or others may result in debarment and civil liability for damages suffered by the Department.

LIMITED LIABILITY COMPANY BORROWING CERTIFICATE

TO: [LENDER LEGAL NAME]

The undersigned, being the sole member of [_____, a limited liability company] ("**Borrower**"), does hereby certify that it is the sole and only member of Borrower and, under the Borrower's [Operating Agreement][Limited Liability Company Agreement] and by these presents, the undersigned is authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower's act and deed:

1. To borrow money from [LENDER LEGAL NAME] ("**Lender**") and to assume any liabilities of any other person or entity to Lender, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Lender, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Lender shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with Lender; Borrower shall be bound to Lender by and Lender may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower provided that Lender believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower's real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments and other evidences of indebtedness authorized hereby, and to execute and deliver to Lender such deeds of trust, mortgages, pledge agreements and/or other security agreements as Lender shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Lender deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Lender, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Lender, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [\$] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Lender and shall continue in full force and effect until Lender shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Lender prior to Lender's receipt of such notice.

The undersigned further certifies that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower's continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [_____, 20] .

[INSERT SIGNATURE BLOCK FOR SOLE MEMBER]

LIMITED LIABILITY COMPANY BORROWING CERTIFICATE

TO: [LENDER LEGAL NAME]

The undersigned, being all of the members of [_____, a ____ limited liability company] (“Borrower”), do hereby certify that they are, respectively, all of the managers and members of Borrower and, under the Borrower’s [Operating Agreement][Limited Liability Company Agreement] and by these presents, the undersigned are each authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower’s act and deed:

1. To borrow money from [LENDER LEGAL NAME] (“Lender”) and to assume any liabilities of any other person or entity to Lender, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Lender, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Lender shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with [LENDER LEGAL NAME] Lender; Borrower shall be bound to Lender by and Lender may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower provided that Lender believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower’s real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments and other evidences of indebtedness authorized hereby, and to execute and deliver to Lender such deeds of trust, mortgages, pledge agreements and/or other security agreements as Lender shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Lender deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Lender, including, without limitation, any modifications, renewals and/or extensions of any of Borrower’s obligations to Lender, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [\$ _____] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Lender and shall continue in full force and effect until Lender shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Lender prior to Lender’s receipt of such notice.

We further certify that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower’s continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [_____, 20__].

[INSERT SIGNATURE BLOCKS FOR MEMBERS AND ALL MANAGERS]

EXHIBIT F: BORROWER CONTACT CONSENT FORM

BORROWER CONTACT CONSENT FORM

To insure we have the correct contact information for servicing your loan, please provide the following information.

By signing I authorize my mortgage servicer (its transfers and/or assigns) to contact me regarding the servicing of my loan using the following contact information.

Mailing address for your mortgage statements and other correspondence:

- Same as the subject property
- Please use this mailing address instead:

Cell phone number:

- I choose not to provide a cell phone number.

I understand that by providing a cell phone number and by signing this form, I am giving the holder of my mortgage Note and its billing servicer permission to use the cell phone number to contact me regarding my loan.

Borrower: _____

Co-Borrower: _____

Email address:

- I choose not to provide an email address.

I understand that by providing an email address, I am giving the holder of my mortgage Note and its billing servicer permission to use this email to contact me regarding my loan.

Borrower: _____ @ _____

Co-Borrower: _____ @ _____

Signature(s)

Borrower: _____ Date

Co-Borrower: _____ Date

CONDOMINIUM PROJECT WARRANTY CERTIFICATION

Project Name:	
Project Address:	
Phase:	
Borrower Name:	
Subject Address:	
Lender Name:	
Loan Number:	

This certification represents and warrants that the above condominium project meets all eligibility requirements for sale as required by Fannie Mae.

The Lender representative certifies that they have completed a Full Condo Project review as outlined in the Fannie Mae guidelines section B4-2.2-02 Full Review including review of all required documentation for the project type.

Project Type: Established New 2-4 unit

Project Documents reviewed include:

- Condo Questionnaire
- Current Annual HOA/Project Budget
- Current Balance Sheet
- Evidence of Project Insurance
- Project Legal Documents as required by Project Type

Lender certifies that it has retained all supporting documentation used to complete the review for this Warranty Certification. The Lender Representative certifies that all appropriate documentation has been examined and that the Representative and Lender warrant that the Project meets all requirements set forth in the Fannie Mae guidelines for a Full Review.

Signature of Lender Representative Certifying Project

Name of Lender Representative (please print)

Title of Lender Representative

Date of Certification

EXHIBIT H: BORROWER CERTIFICATION OF BUSINESS PURPOSE

BORROWER CERTIFICATION OF BUSINESS PURPOSE

Date:

Borrower(s) Name:

Borrower(s) Address:

Loan No:

Property Address:

Borrower or its members (“Borrower”) hereby warrants and represents that they wish to continue with the loan application, that the loan is for commercial purposes and not consumer purposes, and that the loan proceeds are intended to be used and shall be used for commercial purposes only, not for personal, family or household purposes. Borrower also represents that none of the properties securing the loan is currently occupied by Borrower as their primary residence or vacation home, but instead all properties are leased or intended to be leased or occupied by an entity or person other than Borrower, and that Borrower shall not occupy or reside in any of the properties during the term of the loan.

Borrower’s purpose in applying for the loan is to use the proceeds of the loan for:

Because the loan would be made exclusively for commercial purposes as noted immediately above, laws applicable to consumer purpose loans, such as the following laws, are not applicable to the loan: Truth in Lending Act (15 U.S.C. § 1601 *et seq.*), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 *et seq.*), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802–6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 *et seq.*), and Homeowners Protection Act (12 U.S.C. § 4901 *et seq.*).

By signing below Borrower hereby confirms that they have read and understand the Borrower Certification of Business Purpose, that the information provided in connection with obtaining the loan is complete and accurate as of the date above, and that the Properties are non-owner occupied investment properties.

Borrower(s):

Signature Date

Signature Date

Print Name

Print Name

Signature Date

Signature Date

Print Name

Print Name

EXHIBIT I: PERSONAL GUARANTY AGREEMENT

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Agreement") dated this [DATE] day of [_____, 201__] made by [NAME OF GUARANTOR], having a mailing address of [ADDRESS], ("Guarantor"), for the benefit of [LENDER], a [STATE] [TYPE OF ENTITY], having a mailing address of [ADDRESS] ("Lender").

Background

WHEREAS, [BORROWER] ("Borrower") and Lender have executed a certain Loan Agreement of even date herewith (the "Loan Agreement") pursuant to the terms of which Lender is lending to Borrower the sum of [AMOUNT IN WORDS] and 00/100 [\$ NUMERICAL AMOUNT] (the "Loan"). The Loan is evidenced by Borrower's Promissory Note of even date herewith (the "Note") executed by Borrower and made payable to the order of Lender and secured by, inter alia, that certain Security Instrument (the "Security Instrument"), executed by Borrower in favor of Lender, and encumbering certain real property and any improvements thereon

WHEREAS, as a condition of making the Loan, Lender is requiring this Agreement to be executed, and the making of the Loan to Borrower by Lender is of material benefit to Guarantor. In order to induce Lender to make the Loan evidenced by the Note for the benefit of Borrower, Guarantor is willing to guarantee and become surety for the performance by Borrower of its obligations under the Loan Documents, as more particularly described herein. This Agreement, the Loan Agreement, the Note the Security Instrument, and any other document executed and delivered in connection with the Loan (as same from time to time may be amended, restated, and extended) are sometimes individually referred to herein as a "Loan Document" or collectively as the "Loan Documents").

CAPITALIZED TERMS WHICH ARE NOT OTHERWISE DEFINED IN THIS AGREEMENT SHALL HAVE THE SAME MEANING AS SET FORTH IN THE LOAN AGREEMENT.

Agreement

NOW, THEREFORE, in consideration of the above premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Guarantor hereby agrees as follows:

1. Guarantor hereby irrevocably, unconditional and absolutely guarantees to Lender and becomes surety for (a) the prompt payment of the principal sum due to Lender from Borrower under the Note at any time and from time to time, together with all interest thereon, (b) the prompt payment of all other sums due to Lender under the terms of the Note and the other Loan Documents and (c) the prompt and complete compliance with and performance by Borrower of all representations, warranties, covenants, agreements and other obligations to Lender under the terms of any and all of the Loan Documents (the payment, compliance and performance obligations hereinabove guaranteed by Guarantor are hereafter collectively referred to as the "Guaranteed Obligations").
2. This Agreement is an irrevocable, absolute, continuing guaranty of payment and performance and not a guaranty of collection. This Agreement shall remain in full force and effect until all of the Guaranteed Obligations are fully, finally, and irrevocably paid, complied with and performed, and shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by Lender (or compliance with, or performance of, the Guaranteed Obligations is rescinded) upon the insolvency, bankruptcy, or reorganization of Borrower or otherwise, all as though such payment, compliance or performance had not been made or tendered. This

Agreement may not be revoked by Guarantor and shall continue to be effective with respect to any Guaranteed Obligations arising or created after any attempted revocation by Guarantor and after (if Guarantor is a natural person) Guarantor's death (in which event this Agreement shall be binding upon Guarantor's estate and Guarantor's legal representatives and heirs). The fact that at any time or from time to time the Guaranteed Obligations may be increased or reduced shall not release or discharge the obligation of Guarantor to Lender with respect to the Guaranteed Obligations. This Agreement may be enforced by Lender and any subsequent holder of the Note and shall not be discharged by the assignment or negotiation of all or part of the Note. Guarantor shall be liable for all of the Guaranteed Obligations.

3. If an Event of Default occurs under any of the Loan Documents and continues beyond any applicable notice and grace periods set forth therein, Guarantor shall immediately pay, comply with, and perform such of the Guaranteed Obligations as Lender shall direct, irrespective of whether the Guaranteed Obligations directed by Lender to be paid, complied with and performed by Guarantor are those which give rise to the Event of Default.
4. If an Event of Default occurs under any of the Loan Documents and continues beyond any applicable notice and grace period set forth therein, Lender shall have the right to require Guarantor to pay, comply with and perform the Guaranteed Obligations and shall have the right to proceed immediately against Guarantor for such payment, compliance and performance without being required to make any demand upon or bring any proceeding or take any other action of any kind against Borrower, any guarantor under any other guaranty, or any other person or entity in connection with any of the Loan Documents, or resort to or seek to realize upon the security held by Lender, as a condition precedent to bringing an action upon this Agreement against Guarantor, the liability of Guarantor hereunder being a primary obligation of Guarantor and independent of and separate from the liability of Borrower. This Agreement shall be deemed an agreement of suretyship.
5. If an Event of Default occurs under any of the Loan Documents and continues beyond any applicable notice and grace periods set forth therein, Lender may, and is hereby authorized at any time and from time to time, without notice to Guarantor (any such notice being expressly waived by Guarantor and to the fullest extent permitted by law, to set off and apply any and all deposits, general or special, time or demand, provisional or final, at any time held and other indebtedness at any time owing by Lender to or for the credit or the account of Guarantor, against any and all obligations of Guarantor now or hereafter existing under this Agreement, irrespective of whether or not Lender shall have made any demand under this Agreement and although such obligations may be contingent or un-matured. Lender agrees to notify Guarantor after such setoff and application made by Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.
6. Until all of the Guaranteed Obligations are completely fulfilled to the satisfaction of Lender and each and every one of the terms, covenants, and conditions of this Agreement are fully performed, the liability of Guarantor under this Agreement shall in no way be released or affected by:
 - a. any act or circumstance which might, but for this paragraph, be deemed a legal or equitable discharge of any guarantor or surety, or
 - b. reason of the alteration, extension, modification, endorsement, release or waiver of any Loan Document or any of the terms, covenants and conditions contained in any Loan Document, or
 - c. reason of any waiver, extension, modification, forbearance or delay or other act or omission of Lender or its failure to proceed promptly or otherwise with respect to the Guaranteed Obligations or this Agreement, or
 - d. the commencement, existence or completion of any proceeding against Borrower or otherwise related to the collection and enforcement of the Guaranteed Obligations, or
 - e. reason of any action taken or omitted or circumstance which might vary the risk or affect the rights or remedies of Guarantor with respect to the Guaranteed Obligations or this Agreement. Guarantor hereby

expressly waives and surrenders any defenses to its liability hereunder based upon any of the foregoing acts, omissions, agreements, or waivers of Lender, it being the purpose and intent of the parties hereto that the obligations of Guarantor hereunder are absolute and unconditional.

7. Guarantor hereby irrevocably waives any notice of any compromise, forbearance, indulgence, amendment, modification, endorsement, extension, or renewal of any of the Guaranteed Obligations or any of the terms, covenants or conditions of any of the Loan Documents. Guarantor further irrevocably waives notice of (i) any loans or advances made by Lender to Borrower, (ii) acceptance of this Agreement, (iii) the execution and delivery by Borrower and Lender of any other loan or credit agreement or of Borrower's execution and delivery of any promissory notes or other documents arising under the Loan Documents or in connection with the Mortgaged Property, (iv) the occurrence of any breach by Borrower or an Event of Default, (v) Lender's transfer or disposition of the Guaranteed Obligations, or any part thereof, (vi) sale or foreclosure (or posting or advertising for sale or foreclosure) of any collateral for the Guaranteed Obligations, (vii) protest, proof of non-payment or default by Borrower, (viii) the release of all, or any portion, of the collateral for the Loan, and (ix) any other action at any time take or omitted by Lender and, generally, all demands and notices of every kind in connection with this Agreement, the Loan Documents, any documents or agreements evidencing, securing or relating to any of the Guaranteed Obligations and the obligations hereby guaranteed.
8. Guarantor consents to all of the terms, covenants, and conditions of all of the other Loan Documents (all of which are hereby incorporated herein) and any other document governing or relating to any of the Guaranteed Obligations. Guarantor represents and warrants that:
 - a. Guarantor has full power, authority and legal right to execute, deliver and comply with this Agreement, all actions of Guarantor and other authorizations necessary or appropriate for the execution and delivery of and compliance with this Agreement have been taken or obtained and this Agreement constitutes the valid and legally binding obligation of Guarantor enforceable against Guarantor in accordance with its terms. If the Guarantor is not a natural person, Guarantor is duly organized, validly existing and in good standing under the laws of Guarantor's state of organization and is duly qualified, authorized to do business and in good standing in every other jurisdiction in which it must be qualified.
 - b. No consent, approval, or other authorization of or by any court, administrative agency, or other governmental authority is required in connection with Guarantor's execution and delivery of or compliance with this Agreement.
 - c. The execution and delivery of and compliance with this Agreement by Guarantor will not conflict with or result in a breach of any applicable law, judgment, order, writ, injunction, decree, rule or regulation of any court, administrative agency or other governmental authority, or of any agreement or other document or instrument to which Guarantor is a party, or by which Guarantor or any of Guarantor's property is bound, and such action by Guarantor will not result in the creation or imposition of any lien, charge or encumbrance upon any property of Guarantor in favor of anyone other than Lender. If the Guarantor is not a natural person, the making and performance of this Agreement will not violate Guarantors Organizational Documents.]
 - d. There is no action, suit or proceeding pending or, to the knowledge of Guarantor, threatened against or affecting Guarantor before or by any court, administrative agency or other governmental authority, or which brings into question the validity of the transactions contemplated hereby.
 - e. Guarantor has not applied or consented to the appointment of a receiver, trustee, or liquidator of itself or any of Guarantor's property, has not admitted in writing Guarantor's inability to pay debts as they mature, has not made a general assignment for the benefit of creditors, been adjudicated a bankrupt, or insolvent or filed a voluntary petition in bankruptcy, nor has a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy,

reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, and no action has been taken by Guarantor for the purpose of effecting any of the foregoing. No order, judgment or decree has been entered by any court of competent jurisdiction approving a petition seeking reorganization of Guarantor or all or a substantial part of the assets of Guarantor, or appointing a receiver, sequestrator, trustee, or liquidator of any of Guarantor's property.

- f. Guarantor has received and read all of the Loan Documents and the Loan is and will be of direct interest, benefit, and advantage to Guarantor.
 - g. All other representations and warranties relating to Guarantor contained in the Loan Documents are true and correct.
9. Guarantor further represents and warrants that Guarantor's financial statements (the "Financial Statements") heretofore delivered to Lender are true and correct in all material respects, have been prepared in accordance with GAAP, and fairly represent the financial conditions as of the date thereof and for the periods shown therein; that no Material Adverse Change has thereafter occurred in the financial conditions reflected therein; and that the assets shown on the Financial Statements are wholly owned by Guarantor, and are not jointly owned with any other person or entity except as otherwise stated in the Financial Statements. Guarantor covenants and agrees (a) that Guarantor shall notify Lender promptly of any Material Adverse Change; (b) that Guarantor shall deliver to Lender such financial documentation as set forth in the Loan Agreement; (c) that Guarantor shall deliver to Lender such other financial information as Lender from time to time reasonably may request; (e) that Guarantor shall maintain complete and accurate books and records and make them available for inspection by Lender as Lender may reasonably request; and (f) that Guarantor will perform and observe all of the other terms, covenants and agreements set forth in the Loan Documents that are required to be performed or observed by Guarantor as a "Guarantor", "Borrower Party" or otherwise.
10. Guarantor shall indemnify and hold Lender and the other Indemnified Parties harmless from and against any and all claims, demands, losses, judgments, liabilities, costs or expenses (including, without limitation, reasonable attorneys' fees and disbursements) which Lender or the other Indemnified Parties may incur arising out of or resulting from any default of Borrower under the Loan Documents, or enforcement or exercise of any right or remedy granted to the Lender under the Loan Documents.
11. Except as otherwise provided in this Agreement or in any of the other Loan Documents, Guarantor hereby consents and agrees to each of the following and agrees that Guarantor's obligations under this Agreement shall not be released, diminished, impaired, reduced or adversely affected by any suretyship defense and/or any of the following and waives any and all common law, equitable, statutory or other rights (including without limitation rights to notice) which Guarantor might otherwise have as a result of or in connection with any of the following:
- a. any notice of Lender's intention to act in reliance on this Agreement or in reliance hereon;
 - b. demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notices of any kind, or the lack of any thereof, including without limiting the generality of the foregoing, notice of the existence, creation or incurring of any new or additional indebtedness or obligation or of any action or non-action on the part of Lender, any endorser or creditor of either Guarantor or any other person whomever under this or any other instrument in connection with any obligation or evidence of indebtedness held by Lender;
 - c. the commencement or prosecution of any enforcement, proceeding, including any proceeding in any court, against Borrower or any other person or entity with respect to any obligations arising out of the Loan Documents;

- d. any right to require Lender to proceed against any other person or to proceed against or exhaust any security held by Lender at any time or to pursue any other remedy in Lender's power or under any other agreement before proceeding against Guarantor hereunder;
 - e. any defense that may arise by reason of the incapacity, lack of authority, death or disability of any other person or persons or the failure of Lender to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of any other person or persons;
 - f. any defense based upon an election of remedies by Lender;
 - g. any right or claim of right to cause a marshaling of the assets of Borrower or any Guarantor;
 - h. any principle or provision of law, statutory or otherwise, which is or might be in conflict with the terms and provisions of this Agreement;
 - i. any duty on the part of Lender to disclose to Guarantor any facts Lender may now or hereafter know about the Mortgaged Property, regardless of whether Lender has reason to believe that any such facts materially increase the risk beyond that which Guarantor intends to assume or has reason to believe that such facts are unknown to Guarantor or has a reasonable opportunity to communicate such facts to Guarantor, if being understood and agreed that Guarantor is fully responsible for being and keeping informed of the condition of the Mortgaged Property and of any and all circumstances bearing on the risk that liability may be incurred by Guarantor hereunder;
 - j. any lack of notice of disposition or of manner of disposition of any collateral for the Loan;
 - k. any invalidity, irregularity or unenforceability, in whole or in part, of any one or more of the Loan Documents;
 - l. any lack of commercial reasonableness in dealing with the collateral for the Loan;
 - m. any deficiencies in the collateral for the Loan or any deficiency in the ability of Lender to collect or to obtain performance from any persons or entities now or hereafter liable for the payment and performance of any obligation hereby guaranteed;
 - n. any assertion or claim that the automatic stay provided by 11 U.S.C. §362 (arising upon the voluntary or involuntary bankruptcy proceeding of Borrower) or any other stay provided under any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable, shall operate or be interpreted to stay, interdict, condition, reduce or inhibit the ability of Lender to enforce any of its rights, whether now or hereafter required, which Lender may have against Guarantor, if any, or the collateral for the Loan; and
 - o. any modifications of the Loan Documents or any obligation of Borrower relating to the Loan by operation of law or by action of any court, whether pursuant to Title 11 of the United States Code, as amended, or any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, or otherwise.
12. Nothing herein contained is intended or shall be construed to give Guarantor any right of subrogation in or under any of the Loan Documents or any right to participate in any way therein, notwithstanding any payments made by the undersigned under this Agreement, any and all such rights of subrogation and participation being hereby expressly, unconditionally and irrevocably waived and released until the Guaranteed Obligations are fully paid to Lender and satisfied. Guarantor hereby further unconditionally and irrevocably waives, releases and abrogates any and all rights it may now or hereafter have to assert any claim against or seek contribution, indemnification or any other form of reimbursement from Borrower or any other party liable for payment of any or all of the Guaranteed Obligation for any payment made by Guarantor under or in connection with this Agreement or otherwise.
13. This Agreement shall be a continuing, absolute, and unconditional guarantee regardless of the validity, regularity, enforceability, or legality of (a) any of the Guaranteed Obligations, (b) any collateral securing the

Guaranteed Obligations, or (c) any term of any document evidencing or relating to any of the Guaranteed Obligations including the Loan Documents. In the event that for any reason one or more of the provisions of this Agreement or their application to any person or circumstance shall be held to be invalid, illegal, or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal, and enforceable in any such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provision hereof, but this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

14. Any notice or communication required or permitted under this Guaranty must be made in writing and sent by (a) personal delivery, (b) expedited delivery service with proof of delivery, or (c) United States Mail, postage prepaid, registered or certified mail, addressed to such address as Lender or Guarantor may designate in writing and deliver in accordance with this section. Any change of address will be effective on the 2nd Business Day after notice is given pursuant to the terms of this Section. Any notice or communication sent in accordance with this section will be deemed to be given when received if delivered personally, on the next business day if sent by an overnight commercial courier or two days after the date mailed if sent by certified or registered mail.
15. No modification of this Agreement shall be effective unless in writing and signed by Lender and Guarantor.
16. This Agreement shall be binding upon Guarantor and Guarantor's, heirs, executors, trustees, personal representatives, successors, and assigns (as applicable) and shall inure to the benefit of Lender, its successors and assigns.
17. In this Agreement the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending, or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to "attorneys' fees" shall be deemed to be followed by the words "and disbursements"; and references to sections or exhibits are to those of this Agreement unless otherwise indicated. Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.
18. This Agreement shall be construed in accordance with and governed in all respects by the laws of the [PROPERTY STATE] without giving effect to principles governing conflicts of laws.
19. **TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW GUARANTOR HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS AGREEMENT, THE NOTE, THE SECURITY INSTRUMENT, THE LOAN AGREEMENT, OR THE OTHER LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY GUARANTOR, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE, LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY GUARANTOR.**
20. To facilitate execution, this Agreement may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signatures of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

IF MORE THAN ONE GUARANTOR IS A SIGNATORY TO THIS AGREEMENT, THE LIABILITY OF EACH GUARANTOR SHALL BE JOINT AND SEVERAL.

IN WITNESS WHEREOF, Guarantor has executed this Agreement as of the day and year first above written.

GUARANTOR:

By: _____

Name: _____

By: _____

Name: _____

By: _____

Name: _____

[INSERT STATE SPECIFIC ACKNOWLEDGEMENT FORM]