

Jumbo Underwriting Guidelines

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All loans must be manually underwritten and fully documented. No streamline documentation or documentation waivers based on agency AUS decisions are permitted. Unless otherwise addressed below, Fannie Mae underwriting guidelines should be followed. Unless otherwise noted, all guidelines stated apply to all Jumbo products.

For applications dated on or after 1/10/2014, all CFPB rules for Ability to Repay (ATR) must be adhered to.

HPML loans are not eligible, including those covered under QM Rebuttable Presumption. The APR must be less than 1.5% over the APOR.

MINIMUM LOAN AMOUNT = \$453,101 or \$1 above the conforming loan limit for the area and the number of units for the Jumbo program.

Borrower Eligibility

The following are eligible borrowers:

- U.S. Citizens
- Permanent Resident Aliens are eligible if they meet the following requirements:
 - Can provide acceptable documentation to verify that a non-U.S. citizen borrower is legally present in this U.S.
 - Must provide an unexpired green card
 - Must be employed in the United States for the past 24-months.
- Non-Permanent Resident Aliens are eligible if they meet the following requirements:
 - 30-Year Fixed Rate only
 - Primary Residence Only
 - Maximum LTV, CLTV, HCLTV 75%
 - No other financed properties in the US
 - Unexpired H1B, H2B, E1, L1 and G Series Visas only. G Series Visas must have no diplomatic immunity. (I-797 Notice of Action Form is not acceptable visa documentation)
 - Credit trade line requirements must be met; no exceptions
 - Employment history and income verification and validation requirements must be met including a current 24 month history in the US; no exceptions
- First time homebuyers (see program limits, loan amount limits and reserve requirements). First time homebuyer is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, first time homebuyer requirements do not apply.

- Maximum loan amount is \$1,000,000
- Transactions in CA, NJ, NY or CT maximum loan amount is \$1,500,000 if the following is met
 - 720 Minimum FICO
 - No gift funds
 - Primary residence only
 - Maximum 80% LTV/CLTV/HCLTV
- All borrowers must have a social security number

The following borrowers are not eligible:

- Permanent and Non-Permanent Resident Aliens who do not meet the eligibility requirements above
- Non-occupant co-borrowers
- Diplomats
- Revocable or Irrevocable Trusts
- Land Trusts
- Limited partnerships, general partners, corporations, and limited liability companies
- Borrowers with only an ITIN (individual taxpayer identification number)
- First time home buyers are ineligible for second home occupancy.
- Borrowers that are party to a lawsuit
- Borrowers with any ownership in a business that is federally illegal, even if income is not being used to qualify.

Non-Arms-Length Transactions

(Refer to the [Borrower Eligibility](#) section for acceptable relationships)

A non-arms-length transaction is any transaction where there is a relationship or business affiliation between the borrower(s) and/or any parties in the transaction. If a direct relationship exists between any of the parties to a transaction, including the borrower/buyer, seller (if applicable), employer, lender, broker or appraiser, then the transaction will be considered non-arms-length.

It is acceptable for a realtor in the transaction to be a relative of the buyer or seller, as long as the terms of the sale are standard.

Acceptable interested party (non-arm's length) transactions as follows:

- Relative of the property seller acting as the seller's real estate agent
- Relative of the borrower acting as the borrower's real estate agent
- Originator is related to the borrower
- Family sales or transfers
 - Must provide a twelve (12) month Mortgage History on existing mortgage securing subject property confirming Family Sale is not a foreclosure bailout
- Property Sellers are representing themselves as agent in real estate transaction
- Buyers/Borrowers are representing themselves as agent in real estate transaction
- The borrower is the employee of the originating lender and the lender has an established employee loan program
- Renter buying from landlord
 - 24-months cancelled checks required to verify satisfactory pay history

Examples of unacceptable non-arms-length transactions include, but are not limited to:

- Borrower(s) purchasing a property from a builder who, in turn, is purchasing the borrower's existing property
- Property trades between buyer and seller
- Employer to employee sales or transfers
- Borrowers or co-borrowers employed in the real estate or construction trades who are involved in the construction, financing or sale (i.e. listing agent) of the subject property

Gifts from relatives that are interested parties to the transaction are not allowed. Real estate agents may apply their commission towards closing costs and/or prepaids as long as the amounts are within the interested party contribution limitations.

Occupancy Types

Eligible occupancy types include:

- Primary residences for 1 to 2-unit properties
- Second home residences for 1-unit properties
- Investment properties 1 to 4-unit, PUDs, Condo

Second Home Eligibility:

- One (1) unit properties are eligible for second homes.
- The borrower may not own any other second homes or investment properties in the same geographic market as the subject property.
 - Provide detailed letter of explanation from the borrower along with a map to identify the distance to justify the intended use of the subject as a second home.
- First time homebuyers are ineligible for the Jumbo product

Investment Occupancy Eligibility:

- Florida Condos are limited to 50% LTV
- Gift funds are not eligible
- First Time Homebuyers are not eligible
- All appraisals must contain a comparable rent schedule for single family and operating and income analysis form for a 2 to 4-unit property
- Six (6) months of additional reserves required for each additional property owned based on the actual PITIA on each 1 to 4-unit residential financed property. If the borrower owns additional property free and clear, calculate an additional six (6) months of reserves based on taxes and insurance for each property.
- 2% Seller Concession Cap
- 30 year fixed only

Ineligible occupancy types include:

- Primary residences for 3-4 unit properties
- Second home residences for 2 to 4-unit properties

Multiple Properties Financed/Owned

The borrower(s) may own a total of four (4) financed properties including the subject property. For all REO properties, current taxes and insurance must be documented if the associated mortgage is not escrowed

(amounts listed on the 1040s are NOT acceptable on their own). All owned properties other than the subject property require an additional six (6) months reserve for each property.

See product matrix for subject property reserve requirements.

NOTE: Properties held in a business name where the business is liable for the mortgage are excluded from the count. Any properties owned by a borrower's business when the borrower is personally responsible for the mortgage including commercial properties or vacant land are included in the count.

Transaction Types

Eligible Transaction Types:

Purchase

- The loan to value (LTV) ratio is based on the lesser of the purchase price or the appraised value of the subject property.
- Borrower must contribute 5% of their own funds toward the purchase price.
- Proceeds from the transaction must be used to finance the acquisition of the subject property.
- If a departure residence is not sold prior to closing, the intended disposition of the property must be indicated on the loan application.
- NOTE: Principal curtailments at closing can only be used as a result of premium pricing or the amount represents a reimbursement to the borrower for overpayment of funds.

Rate/Term Refinance

- Principal Curtailments:
 - If the borrower receives more cash back than the \$2,000 permitted for rate term refinances, a curtailment may be applied to reduce the amount of cash back to the borrower to bring the loan into compliance with the maximum cash-back requirement. The maximum amount of the curtailment cannot exceed \$2,500.
- Proceeds from a rate/term refinance may be used:
 - To pay off the principal balance of an existing first mortgage lien, regardless of age;
 - To provide cash to the borrower in an amount not to exceed \$2000
 - To pay related closing costs, discount points, prepaids; and
 - To pay off subordinate mortgage liens that have been seasoned for at least one (1) year. The seasoning requirement for a junior lien that is an equity line of credit will be applied to the date of the most recent draw against the equity line unless the draws were less than \$2,000 and provided that the total draws have not exceeded a total of \$2,000 in the last twelve (12) months. If a subordinate lien being paid off is not seasoned for at least 1 year, the transaction must be treated as cash out.
 - If a subordinate lien is not seasoned, it may be included in a rate and term refinance if the subordinate lien was incurred at the original purchase of the property (evidenced by a copy of the HUD-1/Closing Disclosure from the original purchase).
- A third refinance in less than twelve (12) months, from note date of first refinance to note date of third refinance, is not eligible.
- If the subject property has been listed for sale within the previous six (6) months, the property is not eligible for rate and term financing. If the property has been listed in the past 7-12-months, then the borrower must provide a satisfactory explanation for previous intent to sell the property.
- Construction to permanent refinances are eligible if:

- The lot was acquired 12 or more months from the note date for the subject transaction, the LTV/CLTV/HCLTV is based on the current appraised value of the property.
- The lot was acquired less than 12-months from the note date for the subject transaction, the LTV/CLTV/HCLTV is based on the lesser of (i) the current appraised value of the property and (ii) the total acquisition costs (sum of construction costs and the lower of the sales price or current appraised value of the lot).
- A certificate of occupancy from the applicable government authority if provided. If the applicable government authority does not require a certificate of occupancy, then proof of the absence of this requirement must be provided.
- The proceeds are used to pay off an interim construction loan and allowable closing costs.
- The borrower holds legal title to the lot and is named as the borrower for the construction loan.
- The home is fully constructed per plans and specifications and is habitable at the time of closing.

Cash-Out Refinance

- Borrower must have owned the property for at least six (6) months prior to application date.
- Jumbo Maximum cash-out amount is limited as follows (any proceeds disbursed other than those to pay off the unpaid principal balances for mortgage liens of the subject property):
 - \$250,000 to maximum 70% LTV
 - \$500,000 to maximum 65% LTV with minimum 720 FICO
 - \$500,000 to maximum 60% LTV
 - \$750,000 to maximum 50% LTV
- Texas Home Equity Loans (cash-out) are ineligible.
- A third refinance in less than twelve (12) months, from note date of first refinance to note date of third refinance, is not eligible.
- If the subject property has been listed for sale within the previous twelve (12) months, the loan is not eligible for Cash-out.
- Construction to permanent cash-out refinances are eligible if:
 - The lot was acquired 12 or more months from the application date for the subject transaction,
 - The LTV/CLTV is based on the lesser of; (i) the current appraised value of the property and (ii) the total acquisition costs (sum of construction costs and the lower of the sales price or current appraised value of the lot).
 - The borrower provides a certificate of occupancy from the applicable government authority. If the applicable government authority does not require a certificate of occupancy, then proof of the absence of this requirement must be provided.
 - The cash-out amount is limited to the amount specified in the Loan Program Matrix plus any documented costs paid from the borrower's own funds.
 - The borrower holds legal title to the lot and is named as the borrower for the construction loan.
 - The home is fully constructed and habitable at the time of closing.
- For cash out refinance transactions where the borrower is paying off a loan from a pledged asset or retirement account loan, the following guidelines apply:
 - Cash out limitation is waived if previous transaction was a purchase
 - Seasoning requirement for cash out is waived (borrower does not have to have owned property for at least 6 months prior to subject transaction).

- HUD-1 Settlement Statement/Closing Disclosure must reflect payoff or pay down of pledged asset loan or retirement account loan; if cash out proceeds exceed payoff of loans, excess cash must meet cash out limits.
- A cash out letter is required from the borrower to determine if the subject proceeds are to be used to acquire other real estate and/or open new debt; any proposed obligations must be factored into the DTI to confirm the total debt ratio is <43%.

Continuity of Obligation Requirements for All Refinances

All refinance transactions must meet one of the following continuity of obligation requirements:

- At least one (1) borrower who was a borrower obligated on the existing mortgage loan being refinanced is also obligated on the new mortgage Loan;
- The borrower has been on Title and residing in the property for at least twelve (12) months and has either paid the mortgage for the last twelve (12) months or can demonstrate a relationship (e.g. relative, domestic partner) with the current obligor;
- The mortgage loan being refinanced and the title to the property are in the name of a natural person or a limited liability company ("LLC") where the borrower is a >25% ownership member of the LLC six (6) months prior to transfer (*Note: transfer of ownership from a corporation to an individual does not meet these requirements*); or
- The borrower was legally awarded the property through a court supervised transfer process; or
- The borrower inherited the property at least twelve (12) months prior to application.

Delayed Purchase Refinance

Defined as the refinance of a property purchased by the borrower for cash within six (6) months of the current loan's application date, a delayed purchase refinance requires the following:

- The original purchase transaction was an arm's-length transaction;
- Owner occupancy must be a primary residence;
- The loan is underwritten as a rate and term refinance;
- The original purchase transaction is documented by a HUD-1/Closing Disclosure confirming that no mortgage financing was used to obtain the subject property;
- The preliminary title search confirms that there are no existing liens on the subject property;
- The source(s) of funds for the purchase transaction are documented (no gift, business or shared funds); and
- The new loan amount is no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV/combined LTV (CLTV)/high combined LTV (HCLTV) ratios for the transaction).
- The LTV/CLTV/HCLTV is calculated based on the lesser of the purchase price or appraised value of the subject property.
- Funds drawn from a HELOC on another property owned by the borrower, funds borrowed against a margin account or funds from a 401(k) loan are acceptable as long as the following requirements are met:
 - The borrowed funds are fully documented, and
 - the settlement statement must reflect that cash-out proceeds are used to pay off the loan used to purchase the property.

LTV/CLTV/HCLTV Ratio Calculation

Purchase Loans

The LTV/CLTV/HCLTV is calculated based on the lesser of the purchase price or the appraised value of the subject property.

Refinance Loans

- If the borrower has less than twelve (12) months ownership in the property, the LTV/CLTV/HCLTV for a refinance transaction is calculated on the lesser of the purchase price or appraised value.
- For homes where capital improvements have been made to the property after purchase, LTV/CLTV/HCLTV can be based on the lesser of the current appraised value or the original purchase price plus the documented improvements. Receipts are required to document the costs of improvements.
- If the borrower has owned the property for twelve (12) months, the LTV/CLTV/HCLTV is based on the appraised value.
- Released subordinate liens must be paid off and close to exclude from the TLTV calculation.
- In the case of a HELOC, the HCLTV is equal to the sum of the combined total of the first mortgage and the line of credit limit divided by the property value.
- The CLTV is equal to the sum of all lien loan amounts divided by the property value. The CLTV ratio is determined by dividing the sum of the original first mortgage loan balance and the drawn portion (outstanding principal balance) of any home equity line of credit (HELOC), and the unpaid principal balance of any closed-end subordinate financing. In the case of a closed-end loan, a borrower draws down all borrowed funds at the closing of the loan and may not make any payment plan changes or re-draw any paid-down principal once the loan is closed.
- On a delayed purchase refinance the LTV/CLTV/HCLTV is calculated based on the lesser of the purchase price or appraised value of the subject property.

Escrows

Escrows may be established for funds collected by the originator or servicer that are required to be paid under the Security Instrument. These funds include, but are not limited to, taxes, insurance (hazard and flood) premiums, special assessments, ground rents, water, sewer, and other governmental impositions. Loans without escrows established are subject to a price adjustment. At a minimum, taxes must be escrowed in order to avoid the loan level price adjustment.

Loans with escrows for postponed improvements (escrow holdbacks) are not eligible for purchase.

Loans requiring flood insurance should comply with HFIAA, including the escrow requirement.

Qualifying Rate

Fixed rate qualifies at the note rate, 7/1 and 10/1 LIBOR ARMs qualify at the greater of the fully indexed rate or the Note Rate, 5/1 LIBOR ARMs qualify using the greater of the fully indexed rate or the Note Rate + 2.0%.

Note: ARM Caps are 2/2/5 (initial, subsequent, lifetime) for every ARM option.

Credit

Unless otherwise addressed below, Fannie Mae underwriting guidelines should be followed for evaluating

borrower's credit history.

Credit Standards

Credit Report may not be more than 90 days old at the time of closing. Each credit report must be at least a three-merged report accessing Equifax, Experian, and Trans Union credit bureaus.

When there is more than one borrower, the representative FICO score for the loan is defined as the middle of three scores or lower of two scores of the lowest scoring borrower.

All borrowers must have at least two (2) credit scores.

Trade Line Requirements

Option #1	Option #2
Three Trade Lines	Two Trade Lines
One trade line open for the past 24-months and active within the most recent six (6) months*.	One satisfactory mortgage rating for at least twelve (12) months* (opened or closed) within the last twenty-four (24) months
Two (2) remaining trade lines must be rated for twelve (12) months* and may be open or closed.	One (1) additional open trade line.

** as of the credit report date*

- All borrowers contributing income for qualifying purposes are subject to the minimum trade line requirement. Borrowers not contributing income for qualifying purposes are not subject to the minimum trade line requirement.
- Non-Traditional credit will not be considered as acceptable trade lines.
- Authorized user accounts will not be considered as acceptable trade lines.
- All of the following must be paid in full by or at closing: judgments, charge-offs, collection accounts, garnishments, or liens.
- Borrowers with current or previous past due child support payments must provide evidence that all past due payments have been made unless the borrower is making payments according to a court approved plan. In this case, the borrower must demonstrate that payments are current according to the plan.
- Borrowers are not eligible if they have had a past loan modification unless the modification is:
 - Not a forgiveness of principal or interest
 - Borrower provides documentation showing that it was not a distressed situation
 - The loan has been current and performing since modification.
 - The borrower must not have been party to a loan that was modified due to the inability to repay under the original loan terms within the last 2 years.

Outstanding Judgments/Tax Liens/Charge-offs/Past Due Accounts:

- Tax liens, judgments, charge-offs and past due accounts must be satisfied or brought current prior to or at closing. Cash-out proceeds from the subject transaction may not be used to satisfy judgments, tax liens charge-offs or past-due accounts.

Mortgage/Rent

- If the borrower(s) has a mortgage or rental history in the most recent twenty-four (24) months, a VOM or VOR must be obtained reflecting 0x30 in the last twenty-four (24) months. This applies to all borrowers.

- ⇒ If the landlord is a party to the transaction or a relative of the borrower, cancelled checks or bank statements to verify satisfactory rent history is required.

Ineligible Credit Events

Derogatory credit events such as a bankruptcy, short sale, foreclosure, notice of default, deed-in-lieu or loan modification will be allowed if 7 years have passed since the final date of the event. Loan modifications will not be considered a derogatory event if they do not include debt forgiveness and are not the result of a hardship based on supporting documentation. Multiple derogatory credit events are not allowed. The credit events and specific dates are:

- Bankruptcy, Chapter 7, 11, 13 - Seven (7) years since discharge / dismissal date
- Foreclosure - Seven (7) years since completion date
- Notice of Default - Seven (7) years
- Short Sale/Deed-in-Lieu - Seven (7) years since completion / sale date
- Mortgage accounts that were settled for less, negotiated or short payoffs - Seven (7) years since settlement date
- Loan Modification –
 - Lender initiated modification will not be considered a derogatory credit event if the modification did not include debt forgiveness and was not due to hardship as evidenced by supporting documentation. No seasoning requirement would apply.
 - If the modification was due to hardship or included debt forgiveness – Seven (7) years since modification

Installment Debt

Installment debt, not being paid at closing, cannot be excluded from the borrower's debt ratio - even if there are less than 10 months remaining.

Paying Off Debt to Qualify

Paying off of installment debt to qualify is eligible at or prior to closing. Revolving debt must be paid in full and closed in order to be excluded.

Tax Liability

If the most recent tax return or tax extension indicates a borrower owes money to the IRS or State Tax Authority, evidence of sufficient assets to pay the debt must be documented if the amount is due within 90 days of application.

Debts Paid by Business

- The borrower is 100% owner of the business
- Business tax returns reflect a corresponding expense entry for the excluded debt
- Acceptable evidence indicating that the debt has been paid by the business for the past 12 months

Student Debt Calculation

For all student loans, whether deferred, in forbearance, or in repayment, the monthly payment to be used for qualification is as follows:

- If a payment is indicated on the credit report, that amount can be used for qualifying
- If the credit report does not provide a payment amount or reflects \$0, 1% of the outstanding student loan balance or a calculated payment that will fully amortize the loan based on documented loan

repayment terms may be used for qualifying

If the actual documented payment is less than 1% of the outstanding balance and it will fully amortize the loan with no payment adjustments, the lower fully amortizing payment may be used for qualification.

Alimony

Alimony payments may be deducted from income rather than included as a liability in the DTI.

Disputed Accounts

If a credit report reflects a disputed trade line, the borrower must provide documentation that confirms the accuracy of the disputed trade line. If it is confirmed that the disputed trade line is accurate, a new credit report must be obtained with the trade line no longer reported as disputed. The borrower must meet eligibility requirements based on the new credit, and if credit scores drop below the program guidelines the loan would be ineligible for purchase.

No additional action is required if a disputed account has a zero balance and no late payments; the dispute may be disregarded.

Departure Residences

Departure Residence Pending Sale:

In order to exclude the payment for a borrower's primary residence that is pending sale, must provide evidence that the property has sold prior to closing.

Departure Residence Subject to Guaranteed Buy-out with Corporation Relocation:

In order to exclude the payment for a borrower's primary residence that is part of a Corporate Relocation the following requirements must be met:

- Copy of the executed buy-out agreement verifying the borrower has no additional financial responsibility toward the departing residence once the property has been transferred to the third party.
- Guaranteed buy-out by the third party must occur within four (4) months of the fully executed guaranteed buy-out agreement.
- Evidence of receipt of equity advance if funds will be used for down payment or closing costs.
- Verification of an additional six (6) months PITIA of the departure residence.

Credit Inquiries

When the credit report indicates that recent inquiries took place (within 120 days of the credit report date), the borrower must confirm that he/she has not obtained any additional credit that is not reflected in the credit report or the mortgage application. In these instances, the borrower must explain the reason for the credit inquiry. If additional credit was obtained, a verification of that debt must be provided and the borrower must be qualified with the monthly payment.

Confirmation of no new debt may be in the form, but is not inclusive of, a new credit report, pre-close credit or gap credit report.

The following steps are required if the borrower discloses or if UWM discovers additional debt(s) during the underwriting process:

- The additional debt(s) must be documented and the borrower must be re-qualified.
- If there is new subordinate debt on the subject property, the mortgage loan must be re-underwritten.
- The final loan application signed by the borrower must include all income and debts verified, disclosed, or identified during the mortgage process.

Financing

Secondary Financing

- Must be from an institutional lender in an amount up to the maximum LTV/CLTV/HCLTV eligible.
- Any subordinate liens must be recorded and clearly subordinate to the first mortgage lien.
- Full disclosure must be made on the existence of subordinate financing and the subordinate financing repayment terms.
- Subordinate financing requirements:
 - Any subordinate mortgage must require regular payments that, at a minimum, cover the interest due to prevent negative amortization.
 - Mortgage terms must reflect a market interest rate.
 - If there is a balloon feature the term cannot be shorter than five (5) years from the subject Note Date.
- For each loan subject to a subordinate lien, to accurately calculate the CLTV/HCLTV ratio for eligibility and underwriting purposes, the lender must determine the maximum credit line for all HELOCs, if applicable, and the unpaid principal balance for all closed-end subordinate financing. If any subordinate financing is not shown on a credit report, the lender must provide documentation from the borrower or creditor.
- Seller subordinate financing is not eligible.

Income and Employment

The maximum debt-to-income (DTI) ratio is 43% for all Jumbo products (see product matrix for certain lower limitations).

Stability of Employment and Income

Stable monthly income is the Borrower's verified gross monthly income from all acceptable and verifiable sources that can reasonably be expected to continue for at least the next three years. It must be determined that both the source and the amount of the each source of income used for qualification are stable. A two-year history of receiving income is required in order for the income to be considered stable and used for qualifying. When the Borrower has less than a two-year history of receiving income, a written analysis must be provided to justify the determination that the income that is used to qualify the Borrower is stable. While the sources of income may vary, the Borrower should have a consistent level of income despite changes in the sources of income.

The following is required to establish stability of employment and income for the borrower(s) whose income is used to qualify:

- A minimum of two (2) years employment and income history
 - Reasonable expectation of continuance for at least the next 3 years.
 - Any 30 day or greater gap in employment during the past two (2) years requires a satisfactory letter of explanation and the borrower must be employed with their current employer for a minimum of six (6) months to qualify. In order to accurately assess the length of any gap, a VVOE is required for past employers to confirm the exact end date(s).

- If there has been an extended absence, at least 24 months of stable income must be verified prior to the start of the absence.
- For a borrower who has less than a two-year employment and income history, the borrower's income may be qualifying income if the mortgage file contains documentation to support that the borrower was either attending school or in a training program immediately prior to their current employment history, i.e. military position. School transcripts must be provided to document.
- For borrowers of retirement age using asset distributions for income, see the Fixed Income section for further requirements.
- Income may not be used for qualification purposes if it comes from any source that cannot be verified, is not stable, or will not continue.

Documentation Standards

Age of Documentation

Documentation Type	Maximum Age (prior to the Note Date)
Credit Report	90 Days
Assets	90 Days
Appraisal	120 Days
Title Commitment	90 Days

IRS Form 4506-T/Tax Transcripts

- A completed, signed, and dated IRS form 4506-T (Rev. Date Sept 2015) must be submitted for all borrowers whose income is used to qualify for the mortgage.
- A 4506-T must be processed and tax transcripts obtained (for each year requested) to validate all income used for qualifying.
- Tax transcripts must match documentation in the file.
- In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found." In these cases, an additional prior year's tax transcript should be obtained and provided. Large increases in income that cannot be validated through a tax transcript cannot be considered.
- See Tax Return section for detailed steps regarding unfiled tax returns for the prior year's tax return.
- If the IRS rejects a request and the reason is "Unable To Process" or "Limitation", then need to provide Record of Account for 2 years obtained by the borrower from the IRS or tax return transcripts for 2 years obtained by the borrower via mail from the IRS.

Pay stubs

The pay stub must meet the following requirements:

- Clearly identify the borrower as the employee.
- Show the borrower's current pay period and year-to-date earnings.
 - If the paystub does not show year-to-date earnings, alternative documentation can be provided by the employer.
- If the borrower is paid hourly, the number of hours must be shown on the pay stub.
- Pay stubs must be computer generated.
- Pay stubs issued electronically via email or downloaded from the Internet must show the URL address, date and time printed, and identifying information in place of origin and/or author of the documentation.

W-2 Forms

W-2 Forms must be complete and be the copy provided by the employer. Sufficient W-2s must be provided to document and establish the most recent two year employment and income history.

Verification of Employment (VOE), Verbal VOE (VVOE), or Self-Employed Confirmation

A written Verification of Employment (VOE) may be required for a borrower's income sourced from commissions, bonus, overtime, or other income when the income detail is not clearly documented on W-2 Forms or paystubs.

A verbal verification of employment confirming the borrower's employment dates and status for all current and previous employers covering the last two years is required for all borrowers whose income is used for qualification purposes. The VVOE must be completed no more than 10 business days prior to the Note Date for wage income. Verification of self-employed businesses by a third-party source is required within 30 calendar days from the Note or funding date.

A VOE is not an acceptable sole source of income documentation; a VOE may be required as supporting documentation, but not in lieu of a paystub and W2s.

The following standards apply:

- Written VOE must include:
 - Borrower's date of employment
 - Borrower's employment status and job title
 - Name, phone number and title of person completing the VOE
 - Name of employer
 - Base pay amount and frequency
 - Additional salary information, which itemizes bonus, commission, overtime, or other variable income, and their likelihood of continuance, if applicable
- VVOE must contain the following information
 - Date of contact
 - Borrower's date of employment
 - Borrower's employment status and job title
 - Name, phone number, and title of contact person at employer
 - Name of employer
 - Name and title of person contacting the employer
 - Method and source used to obtain the phone number
- Self-Employed Confirmation must include
 - Verification of the existence of the borrower's business from a third party, such as a CPA, regulatory agency, or applicable licensing bureau, dated within 30 days of the Note date.
 - A business's website is not acceptable as third party verification
 - Listing and address of the borrower's business using a telephone book, Internet, or directory assistance.

Tax Returns

All tax returns must be signed and dated on or before the closing date.

The following standards apply when using Income Tax Returns to verify income:

- Personal Income Tax Returns
 - Must be complete with all schedules (W-2 forms, 1099 Forms, K-1 schedules, etc.)
 - Signed and dated
- Business Income Tax Returns
 - Must be complete with all schedules (K-1 schedules, Form 1065, etc.)
 - Signed and dated
- For Unfiled Tax Returns for the prior year's tax return
 - Between Jan 1 and the tax filing date (typically April 15), borrowers must provide:
 - IRS form 1099 and W-2 forms from the previous year
 - Loans closing in January prior to receipt of W-2s may use the prior year year-end paystub. For borrowers using 1099s, evidence of receipt of 1099 income must be provided.
 - Between the tax filing date and the extension expiration date (typically October 15), borrowers must provide (as applicable):
 - Copy of the filed extension
 - W2 or Form 1099 for where applicable
 - Current year profit & loss (signed by the borrower)
 - Year-end profit & loss for prior year (signed by all owners that are on the loan)
 - Balance sheet for prior calendar year if self employed
 - Evidence of payment of any tax liability identified on the federal tax extension form.
 - After the extension expiration date, loan is not eligible to close without prior year tax returns with proof of filing and evidence of refund check or tax liability payment made.

Income Analysis Forms

The loan file must include an Income Analysis form detailing income calculations. The Fannie Mae Form 1084 or equivalent form is acceptable. Income analysis for borrowers with multiple employers, businesses or income sources must show income/loss details separately, not in aggregate.

Income Documentation Requirements

Various forms of documentation are required depending on the type of income used to qualify. Income amounts should be averaged for the time period covered. Unless otherwise stated, when declining income has occurred, the most recent twelve (12) months should be used; if the decline in income is severe and or continuing then that income source is ineligible. In certain cases, average income for a longer period may be used when the decline is related to a one-time capital expenditure. Documentation for the capital expenditure must be provided.

The following income documentation must be provided for each borrower whose income is used to qualify:

Employment Income

Income Type	Documentation Requirements
Salaried	<p>An earnings trend must be established and documented. Large increases in salary over the previous two years must be explained and documented.</p> <ul style="list-style-type: none"> W-2 forms or personal tax returns, including all schedules, for prior two years. Year-to-date pay stub, documenting 30 days of income, up through and including the most current pay period at the time of application and the pay date must not be earlier than 90 days prior to the Note date. If borrower is claiming overtime pay, it must be shown on the YTD pay stub.
Hourly & Variable Income	<p>An earnings trend must be established and documented. Stable to increasing income should be average over a minimum two year period. Declining income must be explained by the employer/borrower and a written determination by the underwriter must be provided if declining income is used for qualifying.</p> <ul style="list-style-type: none"> W-2 forms or personal tax returns, including all schedules, for prior two years. Year-to-date pay stub up through and including the most current pay period at the time of application.
Part-Time Income	<p>Borrower must have worked the part-time job uninterrupted for the past two years, and plans to continue. If the part-time income shows a continual decline, written sound rationalization for using the income to qualify must be provided, or income should not be used.</p> <ul style="list-style-type: none"> W-2 forms for prior two years. Year-to-date pay stub up through and including the most current pay period at the time of application
Projected Income for New Job	Not eligible.

Note: Unreimbursed business expenses (form 2106) must be subtracted from all income types if present.

Income Type	Documentation Requirements
Commission	<p>Commission income must be averaged over the previous two years. If the commission income shows a continual decline, written sound rationalization for using the income to qualify must be provided, or income should not be used.</p> <ul style="list-style-type: none"> W-2 forms for prior two years if commissions are less than 25% of the total income. Tax returns, including all schedules, and W-2 form from the previous two years if commissions are \geq 25% of the total income. If commissions \geq 25%, written VOE covering two (2) years with employer confirmation of income type detail. Year-to-date pay stub, documenting 30 days of income, up through and including the most current pay period at the time of application and not earlier than 90 days prior to the Note date.
Bonus/Overtime	<p>An earnings trend for bonus and overtime must be established and documented. A period of two years must be used in calculating the average overtime and bonus income if the income varies significantly</p>

Income Type	Documentation Requirements
	from year to year. If either type of income shows a continual decline, written sound rationalization for using the income to qualify must be provided, or income should not be used. <ul style="list-style-type: none"> • W-2 forms or personal tax returns, including all schedules, for prior two years. • Year-to-date pay stub, documenting 30 days of income, up through and including the most current pay period at the time of application and the pay date must not be earlier than 90 days prior to the Note date.

Self-Employed Income

Self-employed borrowers are defined as those individuals who have 25% or greater ownership interest in a business or receive a 1099 statement to document income.

Borrowers who are employed by a family member are considered to be self-employed, regardless of the percentage of ownership, and self-employed documentation is required. Potential ownership by the borrower must be addressed.

Income Type	Documentation Requirements
Sole Proprietorship	<ul style="list-style-type: none"> • Year to date¹ P&L (signed by all borrowing owners) regardless of whether income is used or is negative • Balance Sheet regardless of whether income is used or is negative • Personal tax returns, including all schedules, for prior two years. • If using W2 income from the business to qualify, prior two years W2s and current paystub • See Tax Returns section for additional requirements for unfiled prior year returns
Partnerships (General, Limited) Limited Liability Companies “S” Corporations	<ul style="list-style-type: none"> • Year to date¹ P&L (signed by all borrowing owners) regardless of whether income is used or is negative • Balance Sheet regardless of whether income is used or is negative • Personal tax returns, including all schedules, for prior two years. • K-1s from prior two years, showing ownership percentage. All K-1s are required to determine the percentage of ownership regardless of whether the income is being used to qualify. • If using W2 income from the business to qualify, prior two years W2s and current paystub • Business tax returns (1065/1120), including all schedules, for the prior two years are required if the borrower has an ownership percentage ≥ 25%. • See Tax Returns section for additional requirements for unfiled prior year returns.

¹ Year-to-date is defined as the period ending as of the most recent tax return through the most recent quarter ending one (1) month prior to the Note date. For tax returns on extension the entire unfiled year is also required.

Multiple Business Ownership

When a borrower owns multiple businesses, as evidenced on Schedule E of the 1040s, all K-1s are required to determine the percentage of ownership regardless of whether the income is being used to qualify. Complete

business returns are required when the borrower has 25% or greater ownership in any business. Any loss must be included in the income calculation, regardless of their percentage of ownership. K-1s and business returns must be obtained when W-2 income or Schedule B or D income is being used from that source.

Rental Income

Income Type	Documentation Requirements
All Properties	<ul style="list-style-type: none"> • Current lease agreement <ul style="list-style-type: none"> ◦ If the current lease is expired, or month-to-month, provide either: <ul style="list-style-type: none"> ▪ canceled rent checks to document all payments made from when the lease expired (or became month-to-month) through the application date, or ▪ most recent 24 months of cancelled rent checks if the lease expired more than 2 years ago. • Personal tax returns, including all schedules, for prior two years. • For properties listed on 1040 Schedule E of the borrower’s tax returns, net rental income should be calculated as ((Rents Received – Total Expenses) + depreciation + interest+ taxes + insurance+ HOA (if applicable)) divided by applicable months minus current PITI. • If rental income is not available on the borrower’s tax returns, a current executed lease agreement is required. Net rental income should be calculated as the gross monthly rent multiplied by 75%. • Net rental income must be added to the borrower’s total monthly income. Net rental losses must be added to the borrower’s total monthly obligations. • If the subject property is the borrower’s primary residence with two (2) units, rental income may be included for the unit not occupied by the borrower as long as the requirements for a lease agreement and/or tax returns above are met. • If the subject property is the borrower’s primary residence with one unit and an accessory unit, the full PITI must be included in the borrower’s total monthly obligations.
Departing Residence	<p>If the borrower is converting their current primary residence to a rental property and using rental income to offset the payment the following requirements apply:</p> <ul style="list-style-type: none"> • Borrower must have documented equity in departure residence of 25%. • Documented equity must be evidenced by an exterior or full appraisal dated within six (6) months of subject transaction, or documented equity may be evidence by the original sales price and the current unpaid principal balance • Copy of current lease agreement. • Copy of security deposit and evidence of deposit to borrower’s account.

Fixed Income

Income Type	Documentation Requirements
Retirement Income (pension/annuity)	<p>Existing distribution of assets from an IRA, 401(k) or similar retirement asset must be sufficient to continue for a minimum of three (3) years.</p> <ul style="list-style-type: none"> • Distribution must have been set up for at least six (6) months prior to loan application if there is no prior history of receipt OR, • Two (2) year history of receipt evidenced. • Distributions cannot be set up or changed solely for loan qualification purposes. <p>Document regular and continued receipt of income as verified by any of the following:</p> <ul style="list-style-type: none"> • Letters from the organizations providing the income. • Copies of retirement award letter. • Copies of federal income tax returns (signed and dated on or before the closing date). • Most recent IRS W-2 or 1099 forms. • Proof of current receipt with two (2) months bank statements <p>If any retirement income will cease within the first three (3) years of the loan, the income may not be used.</p>
Social Security Income	<ul style="list-style-type: none"> • Benefits (for children or surviving spouse) with a defined expiration date must have a remaining term of at least 3 years. • Social Security income must be verified by a Social Security Administration benefit verification letter (sometimes called a "proof of income letter," "budget letter," "benefits letter," or "proof of award letter"). If any benefits expire within the first full three years of the loan, the income source may not be used in qualifying. • One (1) month bank statement evidencing SSRI. • Refer to the Non-Taxable Income section for grossing up income.

Other Income

Income Type	Documentation Requirements
Alimony & Separate Maintenance and Child Support Income	<ul style="list-style-type: none"> • Will be considered with a divorce decree, court ordered separation agreement, court decree, or other legal agreement providing the payment terms confirming that income will continue for at least three (3) years. If the income is the borrower's primary income source and there is a defined expiration date (even if beyond 3 years), the income may not be acceptable for qualifying purposes. • Documentation evidencing that the borrower has been receiving full, regular, and timely payments for the past 12-months. • See non-taxable income for child support income treatment.
Capital Gains	<ul style="list-style-type: none"> • Must be gains from similar assets for three (3) continuous years to be considered qualifying income. • If the trend results in a gain it may be added as income. • If the trend results in a loss, the loss must be deducted from total income.

Income Type	Documentation Requirements
	<ul style="list-style-type: none"> Personal tax returns – three (3) years with a consistent history of gains from similar assets. Document assets similar to the assets reported as capital gains to support the continuation of the capital gain income.
Dividend/Interest	<p>Interest and Dividend income may be used as long as documentation supports a two-year history of receipt.</p> <ul style="list-style-type: none"> Tax returns for the prior two years Signed 4506-T Proof of assets to support the continuation of interest and dividend income for at least 3 years.
Stock Options & Restricted Stock Grants	<ul style="list-style-type: none"> Not Eligible
Note Income	<ul style="list-style-type: none"> A copy of the Note must document the amount, frequency and duration of payments Regular receipt of note income for the past 12-months must be documented, and evidence of note income must be reflected on tax returns. Verification that income is expected to continue for a minimum of three (3) years
Trust Income	<p>Income from trusts may be used if guaranteed and regular payments will continue for at least three years.</p> <ul style="list-style-type: none"> Regular receipt of trust income for the past 24 months documented with last two years' tax returns. A copy of the Trust Agreement/Trustee Statement showing: <ul style="list-style-type: none"> Total amount of borrower-designated trust funds Terms of payment Duration of trust Evidence the trust is irrevocable A signed 4506-T Two months asset statements to evidence source of the trust income If trust assets are being used for down payment or closing costs, withdrawal of assets must not negatively affect income.
Foreign Income	<ul style="list-style-type: none"> W-2 forms or personal tax returns, including all schedules, for prior two years. Year-to-date pay stub. All income must be converted to U.S. currency.
Non-Taxable Income Including child support, disability, foster care, military, etc.	<ul style="list-style-type: none"> Documentation must be provided to support continuation of income for a minimum of three (3) years. Income may be grossed up as outlined in the Non-Taxable Income Section. Tax returns must be provided, where applicable, to confirm income is non-taxable.
Trailing Co-borrowers	<ul style="list-style-type: none"> Income from trailing co-borrowers will not be considered.
Parsonage/Housing Allowance	<ul style="list-style-type: none"> Parsonage or Housing income may be considered qualifying income if there is documentation that the income has been received for the most recent twenty four (24) months and the allowance is likely to continue for the next three (3) years. May not be grossed up
Asset Depletion	<ul style="list-style-type: none"> Not eligible.

Non-Taxable Income

The amount of continuing tax savings attributed to regular income not subject to Federal taxes may be added to the borrower's gross income. The percentage of non-taxable income that may be added cannot exceed the appropriate tax rate for the income amount. Additional allowances for dependents are not acceptable.

Documentation Requirements:

- Must document and support the amount of income grossed-up for any nontaxable income source, and
- Must use the same tax rate the borrower used to calculate his/her income tax from the previous year.

Note: If the borrower is not required to file a Federal tax return, the tax rate to use is 25%.

Unacceptable Income

Unacceptable income sources include, but are not limited to, the following:

- Any unverified source
- Deferred compensation
- Income that is temporary or a one-time occurrence
- Rental income received from the borrower's single family primary residence or second home.
- Retained earnings
- Education benefits

Funds

Full asset verification is required. A minimum of 60 days of asset statements is required; a VOD is not acceptable as a stand-alone asset document.

In an effort to fully document the borrower's ability to meet their obligations, borrowers should disclose and verify all liquid assets (in addition to minimums required specifically by the program).

Checking and Savings Accounts

- The two most recent, consecutive month's statements for each account are required.

Large Deposits

- Large deposits inconsistent with monthly income or other deposits must be verified.
- The borrower must provide a written explanation along with acceptable documentation of the source of large deposits that are reflected on bank statements.
- Large deposits are defined as a single deposit that exceeds 50% of the total monthly qualifying income for the loan.

Marketable Securities

- Two most recent, consecutive months stock/securities account statements are required.
- 70% of stocks, bonds, and mutual funds can be considered in the calculation of assets available for reserves.
- Non-vested or restricted stock accounts are not eligible for use as down payment or reserves.

Retirement Accounts

- Most recent retirement account statement(s) covering a minimum two month period, displaying the vested balance and any outstanding loans.
- Evidence of liquidation is required when funds are used for down payment or closing costs which includes a copy of a check and evidence it was deposited into the borrower's liquid account.
- 60% of the vested value of retirement accounts, after reduction of any outstanding loans, may be considered toward the required reserves.
- Retirement accounts that do not allow any type of withdrawal are ineligible for use as reserves.
- 100% of the liquid assets (cash accounts) can be used if the borrower is of retirement age (over 59 ½); 70% of the current value of stocks, bonds, mutual funds if the borrower is of retirement age.

Business Funds

- Business funds may be used for down payment and/or closing costs, but not for the purpose of reserves. Cash flow analysis required using 3 months business bank statements to determine no negative impact to business based on withdrawal of funds.
 - Borrower must have access to funds
 - The borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%).
 - Underwriting cash flow analysis will be performed to determine business fund eligibility
 - CPA letter required to indicate that use of funds will not negatively impact the business
 - Bank statements cannot reflect any non-sufficient (NSF) funds activity or overdrafts

Gift Funds

The following applies to Gift Funds:

- For purchase transactions, gift funds may be used once the borrower contributes at least 5% from their own funds.
- May not be used to meet reserve requirements.
- Donor must be an immediate family member, future spouse, or domestic partner living with borrower.
- All gifts must be transferred to the borrower prior to closing.
- An executed gift letter with the gift amount, donor's name, address, and telephone number and relationship is required.
- Proof of donor's ability to give and transfer of funds or evidence of receipt must be documented.

Foreign Assets

Foreign assets cannot be used to source any portion of the down payment or reserves.

Interested Party Contributions

Interested party contributions include funds contributed by the property seller, builder, and real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses, and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements.

Interested party contributions are limited according to the CLTV:

LTV/CLTV	LIMIT
75.01% - 80%	3%
≤ 75%	6%
Investor Occupancy	2%

Seller Concessions

All seller concessions must be addressed in the sales contract documents, loan application, appraisal report, and the HUD-1/Closing Disclosure. A seller concession is defined as any interested party contribution beyond the stated limits in this section, or any amounts not being used for closing costs or pre-pays (for example, funds for repairs not completed prior to closing is a seller concession). If a seller concession is present, both the appraised value and the sales price must be reduced by the concession amount for purposes of calculating the LTV/CLTV.

Cash to Close Requirements

Cash to close must be documented as cash or a cash equivalent. For marketable securities, proof of liquidation is required when being used for cash to close which can include conversion to cash within a brokerage account or wire to settlement agent with account transfer information.

Reserve Requirements

Refer to the product matrix for minimum requirements.

General Requirements

- All owned properties, other than the subject property, require an additional six (6) months PITIA in reserves specific to each property.
- If the credit report reflects an open-end or net thirty (30) day account, additional reserves in the amount of the balance owing must be documented.
- Beyond the minimum reserve requirements and in an effort to fully document the borrowers' ability to meet their obligations, borrowers should disclose and verify all other liquid assets.

Jumbo Reserve Requirements

- For minimum requirements see the Jumbo Product Matrix
- For Hybrid ARMS, add 3 months PITIA for minimum reserves
- First time homebuyers (borrowers who have not owned a property in the last 3 years) require reserves of 12-months PITIA and are limited to a maximum loan amount of \$1,000,000 with CA, CT, NJ and NY having a maximum loan amount of 1,500,000 if the following requirements are met
 - 720 minimum FICO score
 - No gift funds allowed
 - Primary residence only
 - Maximum 80% LTV/CLTV/HCLTV

Property

Eligible Property Types

- 1 to 2-Unit Owner Occupied Properties
 - In order to be considered as a single family with accessory the additional guest space cannot have separate metering/utilities or be rented currently. Other attributes will also be considered when determining whether a property is to be treated as a 2-unit.
- 1-Unit Second Homes
- Properties with Solar Panels
 - Properties with solar panels are eligible and must meet all Fannie Mae solar panel requirements as identified in the Fannie Mae Selling Guide, with the exception of the following:
 - There cannot be a UCC lien associated with the property, and
 - The solar panels cannot cause an easement on title.
- Fannie Mae warrantable Low/Mid/High-Rise Condominiums
 - Types S, T, or U
 - New projects (Type R) with Condo Project Manager (CPM) approval or PERS approval
 - Attached condos always require a full review
 - Detached condos require a limited review
 - If documentation provided (appraisal, master policy, etc.) raises cause for concern, full review should be completed.
- Planned Unit Development (PUD)
 - No project review is required for attached or detached PUD projects.

Properties with ≤40 Acres

- Properties with greater than 20 acres are allowable only on a case by case basis
- Properties >10 acres ≤ 40 acres
 - Maximum land value cannot exceed 35%
 - No incoming producing attributes
 - Transaction must be 10% below maximum LTV/CLTV for transactions over 20 acres.
 - 30-year fixed rate only for transactions over 20 acres

Ineligible Property Types

- 3-4 Unit Owner Occupied Properties
- 2 to 4-Unit Second Homes
- Leasehold properties
- Unwarrantable or Limited Review Condominiums
- Manufactured/Mobile homes
- Modular homes
- Condo-hotel units
- Unique properties
- Co-ops
- Log homes
- Working farms, ranches (including properties that have horses or livestock) or orchards
- Hobby Farms
- Mixed Use Properties
- No agricultural zoning (including but not limited to Agricultural Residential or Residential

Agricultural, Agricultural Suburban, Agricultural PUD, and Agricultural Reserve)

- Properties with less than 600 square feet of living area
- Properties subject to a ground lease
- Properties subject to oil or gas leases
- No life estates
- Model home leasebacks
- Properties with condition rating of C5/C6
- Properties with construction rating of Q6
- Properties located in Hawaii Lava Zones 1 & 2
- Properties with > 40 acres (note: if property has acreage, appraiser must indicate total acreage. It is not acceptable to have property appraised with only 10 acres in order to meet eligibility.)

Appraisal Requirements

Purchase Transactions

First Lien Loan Amount	Appraisal Requirement
≤ \$2,000,000	One (1) Full Appraisal
> \$2,000,000	Two (2) Full Appraisals

Refinance Transactions

First Lien Loan Amount	Appraisal Requirement
≤ \$1,500,000	One (1) Full Appraisal
> \$1,500,000	Two (2) Full Appraisals

For properties purchased by the seller of the property within 90 days of the fully executed purchase contract, these additional requirements apply:

- Second appraisal required.
- Property seller on the purchase contract is the owner of record
- Increases in value should be documented with commentary from the appraiser and recent paired sales.

For properties purchased by the seller of the property within 180 days of the fully executed purchase contract, the appraiser must include comments justifying any significant increase in value.

In addition to the following, refer to Fannie Mae guidelines for appraisal requirements:

- The appraiser should clearly indicate whether or not a property has been listed for sale in the last 12-months, and if so, the appraiser should include the listing history.
- Properties with values significantly in excess of the predominant value of the subject property's market area may be ineligible.
- Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, or 1073/465 must be used.
- Appraisals must be dated within 120 days of the Note date. After a 120 day period, a new appraisal is required (re-certification of value is not acceptable).
- Escrow holdbacks are not eligible.
- The appraiser must be state licensed or state certified. Trainee appraisers are not allowed (even with a supervisory signature).

Properties in CA:

- The appraiser must confirm the hot water tank is double-straped and CO detectors are installed and meet state code.

When two appraisals are required, the following apply:

- Appraisals must be completed by two independent companies (ordered from the same AMC is acceptable, but the two appraisals must be performed by two different appraisers and neither can be employed by the same company).
- The LTV will be determined by the lower of the two appraised values as long as the lower appraisal supports the value conclusion. Any final inspections performed must be for the appraisal with the lower value.
- The underwriter must review both appraisal reports and address any inconsistencies between the two reports and all discrepancies must be reconciled.

Properties Affected by Disasters

The FEMA Declared Disaster Area Policy applies to all areas eligible for Individual and/or Public Assistance due to a federal government disaster declaration.

Effective Date of Disaster Policy

The disaster-area policy becomes effective as of the incident period end date for the disaster/event. FEMA publishes the incident period along with the declaration date once the area is presidentially declared. For example, refer to the following dates to understand when property re-inspection requirements apply:

- Disaster Incident Period:
 - Begin Date: January 15
 - End Date: January 17
- Disaster Declaration Date: February 2
- Effective Date for Disaster Procedures: January 17

Based on the dates noted in the above example, all appraisals performed on or before January 17 would require the appropriate re-inspection or review. Appraisals performed after January 17 would continue to require written certification by the appraiser that indicated whether the property was free from damage and whether the disaster had any effect on value or marketability. If there was damage, the extent of that damage needs to be addressed.

Re-Inspection Requirements

To ensure the property value has not been impacted by the disaster, post-disaster property re-inspections are required.

Appraisal performed on or before disaster incident end date.

Property must be re-inspected by the original appraiser or, if not available, another licensed appraiser. The appraiser must provide the following commentary/evidence:

- Property is free from damage and the disaster had no effect on value or marketability.
- If the re-inspection indicates damage, the extent of the damage must be addressed.

Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, or other post disaster inspection report, with photos of interior, exterior, and neighborhood.

Standard Appraisal Performed After Incident Period End Date for Disaster

Appraisal must include written certification by the appraiser that:

- Property is free from damage and the disaster had no effect on value or marketability.
- If the appraisal indicates damage, the extent of the damage must be addressed.
- Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, with photos of interior and exterior.
- The appraisal must include a minimum of three comparable sales, post-disaster.

Please note that FEMA makes updates to their state lists, found on line at

<http://www.fema.gov/news/disasters.fema>.

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.

Title, Insurance, and Closing

In addition to the following, refer to Fannie Mae guidelines for requirements related to title, insurance, and mortgagee clauses.

Title Policy Forms

The title policy must be written on one of the following forms:

- The title commitment cannot be dated more than 90 days prior to the note date. If the commitment expires, provide acceptable gap coverage or closing protection letter.
- 2006 American Land Title Association (ALTA) standard form
- ALTA form with amendments required by state law in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not yet been adopted, provided that those amendments do not materially impair protection to UWM.

Title Requirements

- The proposed insured amount must match the loan amount, and the proposed insured must be either UWM or the correspondent lender's name.
- The title insurance coverage must include an environmental protection lien endorsement (ALTA Endorsement 8.1-06 or equivalent state form provides the required coverage).
- References are to the ALTA 2006 form of endorsement, but state forms may be used in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not yet been adopted. However, if these forms are used the Seller/Originator must ensure that those amendments do not materially impair protection to UWM. As an alternative to endorsements, the requisite protections may be incorporated into the policy.
- Title policies may not include the creditors' rights exclusion language that ALTA adopted in 1990.

Applicable Endorsements

Different property types (i.e. condos, PUDs) may require additional title policy endorsements. Each loan must have endorsements that are necessary to adequately ensure first lien position and marketable title.

Title Exceptions

The title to the subject property must be good, marketable, and free and clear of all encumbrances and prior liens. Transactions with unacceptable title impediments, including unpaid real estate taxes and survey exceptions are not eligible. If surveys are not commonly required in particular jurisdictions, an ALTA 9 Endorsement must be provided. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception

Ownership Interests

Title must be in the Borrower's name at time of application for refinance transactions and at the time of closing for all transactions. Borrower(s) may hold title as follows:

- Fee Simple with Title Vesting as
 - Individual: Individual vesting is an individual Borrower taking sole ownership to a property.
 - Joint Tenants: Joint tenancy is a form of co-ownership giving each tenant equal interest and equal rights in a property, including the right of survivorship.
 - Tenants in Common: Tenants in common is a form of individual ownership interest by two or more persons that provides for no right of survivorship. The interest need not be of equal percentage.

Properties held in a life estate are not acceptable. Leasehold properties are also unacceptable.

Homeowner's Insurance

The borrower's dwelling coverage listed on the insurance policy must cover at least the lesser of the loan amount or the cost to rebuild the dwelling as evidenced by a cost estimator. Policies that contain guaranteed (100% or Full or similar verbiage) replacement cost coverage are also acceptable.