



Pinnacles GPM					
LTV/CLTV MATRIX - Owner-Occupied					
Loan Amount	Credit Score	Full Doc 1-2 years		Bank Statement 12-24 Months, 1099 1-2 Years, Asset Depletion, CPA Gross Receipts	
		Purchase Rate & Term	Cash-Out	Purchase Rate & Term	Cash-Out
≤ \$2,000,000	660	75%	75%	75%	75%
≤ \$3,000,000	700	60%	60%	60%	60%
Pinnacles GPM					
Available Products	Product	Qualifying Rate	Term	I.O. Term	
	30 Year Fixed	Note Rate	360	N/A	
State Eligibility	This product is allowed in AZ, CA, CO, CT, DC, FL, GA, HI, IL, KY, MD, MI, NJ, NC, OH, OR, PA, SC, TN, UT, and TX (not eligible for TX 50(a)(6) cash out refinance)				
High Priced Mortgage Loans (HPML)	High Priced Mortgage Loans not allowed in California				
Occupancy Types	Primary residence only				
Prepayment Penalty	Not allowed				
Minimum Loan Amount	\$100,000 Subject properties located in CA: loan amount must be \$1 greater than conforming loan limits (regular conforming or high balance, whichever applies) Subject properties located in CT: loan amount must be greater than \$417,000 Subject properties located in DC: for any refinance transactions, non-conforming loan amounts only.				
Interest Only	Not allowed				



Secondary Financing	<p>Allowed - See LTV/CLTV grid</p> <p>Junior financing can be lender or seller provided and must meet the requirements as defined by Fannie Mae</p> <p>Junior financing used for purchase or fixed 2nd's seasoned for 12 months can be paid off for transaction to be considered rate & term. If junior financing is a HELOC, total draws within previous 12-months cannot exceed the lesser of 2% or \$5,000 to be considered rate & term.</p>
PACE / HERO Loans	<p>Follow FNMA</p> <p>Any energy efficiency-based liens, like PACE or HERO, when paid off through loan proceeds, the transaction is treated like a rate & term.</p> <p>Cannot be subordinated.</p>
Property Type	<p>Single Family (attached and detached)</p> <p>PUD</p> <p>Warrantable Condo - Follow FNMA Requirements</p> <p>Non-Warrantable Condo - Considered on a case by case basis via exception.</p> <p>2 - 4 Units</p>
Maximum Cash-Out	<p>>= 70% LTV up to \$500,000 allowed</p> <p>< 70% LTV up to \$1,000,000 allowed</p> <p><= 50% LTV unlimited cash out allowed</p>
Cash Out Ownership Seasoning	<p>Property must be owned a minimum of 6 months at note date to be eligible for cash out.</p> <p>See delayed financing for properties owned less than 6 months.</p>
Delayed Financing	<p>Properties purchased with cash, or debt not secured to the subject property, within the past six (6) months (measured from the purchase date of the property to the disbursement date of the new loan) are eligible for a cash-out refinance. Cash-out equity withdrawal not restricted to guideline maximums.</p> <p>Follow Fannie Mae requirements</p>
LTV Determination	<p>Rate & Term - use current appraised value</p> <p>Cash-Out owned >= 9 months - use current appraised value</p> <p>Cash-Out owned < 9 months - use lesser of current appraised value or acquisition cost</p> <p>Cash-Out owned < 6 months (delayed financing) - use lesser of acquisition cost or appraised value (see delayed financing)</p>



Borrower Requirements	
Eligible Borrowers	<p>US Citizens</p> <p>Permanent Resident Alien</p> <p>Non-Permanent Resident Alien</p>
Non-Permanent Resident Standard	<p>Non-Permanent Resident Alien: Standard</p> <ul style="list-style-type: none"> - Visa types allowed E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, L-2, NATO, O-1, R-1, TN NAFTA - Visas must be current and have at least six (6) months remaining from the close date, if less than six (6) months provide evidence that extension has been requested - If the visa will expire within six (6) months of the loan application a letter from the employer stating the borrower's continued employment and continued visa renewal sponsorship. Employer on the loan application must be same on the unexpired visa
Non-Permanent Resident Non-Standard	<p>Non-Permanent Resident Alien: Non-Standard</p> <p>Any residency status that meets FNMA guidelines is allowed provided the requirements listed below are met:</p> <ul style="list-style-type: none"> - Visas must be current and have at least six (6) months remaining from the close date, if less than six (6) months provide evidence that extension has been requested - If the visa will expire within six (6) months of the loan application a letter from the employer stating the borrower's continued employment and continued visa renewal sponsorship. Employer on the loan application must be same on the unexpired visa - Must have a min of two (2) years residency and employment history in the US and qualifying income is based on the two (2) years income, the two (2) year history is measured by note date - Must have a two (2) year US credit history and must meet program credit profile, the two (2) year history is measured from note date - The requirement for residency, Credit, employment may be reduced to one (1) year with AUS Approve/Ineligible (Ineligible for loan amount, DTI and/or reserves)
First Time Home Buyer	<p>Defined as borrowers who have not owned residential property in the past three (3) years</p> <p>If one (1) borrower is an FTHB and the other borrower is not, then FTHB guidance does not apply Property owned outside of the US is not considered in the FTHB determination</p> <p>> 40% DTI 300% max payment shock, <= 40% DTI payment shock does not apply</p>
Multiple Properties Owned	The maximum number of residential 1-4 unit properties owned (financed or free and clear) is six (6)
Max Exposure to Newfi	The max exposure to Newfi for any one (1) borrower is eight (8) loans or \$5,000,000 UPB



Non-Occupant Co-Borrowers	<p>Purchase and Rate/Term only Cash-Out transactions are not allowed</p> <p>Blended Ratios are allowed using one of the three following options:</p> <p>Option 1:</p> <ul style="list-style-type: none">- Occupying borrower must have a DTI \leq 60% AND- a minimum of 5% of the down payment must come from occupying borrower's own funds AND- occupant borrower is responsible for 50% of the reserve requirement <p>Option 2:</p> <ul style="list-style-type: none">- Occupying borrower must have a DTI \leq 75% with combined DTI \leq 40% AND- a minimum of 5% of the down payment must come from occupying borrower's own funds AND- occupant borrower is responsible for 50% of the reserve requirement <p>Option 3:</p> <ul style="list-style-type: none">- True blended ratios are allowed at \leq 70% LTV/CLTV- No occupant contribution required for down payment or reserves
Non-Arm's Length	<p>The following NAL's are eligible with proper documentation:</p> <p>Sale or transfers between members of the same family (transaction may not be due to any adverse circumstances)</p> <p>Property seller acting as his or her own real estate agent</p> <p>Borrower purchasing from his or her current landlord (cancelled checks or bank statements required to verify satisfactory pay history)</p> <p>Borrower is a mortgage broker or loan officer, or works for submitting broker.</p> <p>Borrower is related to realtor and/or loan officer who is representing them only.</p> <p>Investment property loans must be arms length</p>



Credit	
Credit Score	Refer to Matrices for eligibility When multiple borrowers apply, the lowest middle score is the qualifying credit score
Age of Credit Docs	Appraisal and title valid for 120-days from note date Credit, Income, and Assets valid for 90-days from note date YTD P&L age limit is 90-days
Housing Payment History	Maximum of 0x30 in past 12 months
Mortgage/Rental Verification	<p>Institutional Lender/ Landlord Payment history may be documented as follows:</p> <ul style="list-style-type: none"> - 12 months mortgage payment history on the credit report OR - 12 months canceled checks OR - Verification of Mortgage (VOM)/ Verification of Rent (VOR) <p>Non-Institutional Lender/ Landlord</p> <ul style="list-style-type: none"> - Payments must be verified with either canceled checks or bank statements AND - A copy of the note or lease is required to verify payment amount and due date - Verifying housing payments can be eliminated if the following is present: <ul style="list-style-type: none"> - File receives an AUS approve
Forbearance	<p>Forbearance allows for borrower experiencing financial hardship to pause making mortgage payments. A recent forbearance, due to COVID-19, may be eligible based upon the following:</p> <ol style="list-style-type: none"> 1. Borrowers who entered into forbearance but continued to make timely payments and remained employed without income disruption, are eligible without any other requirements. 2. Borrowers who participated in forbearance and missed payments have two options: <ol style="list-style-type: none"> a) Pay loan current by making all missed payments from borrower verified funds. b) Make three monthly payments in lender modification plan after exiting forbearance. Third payment must be made prior to note date. Evidence the borrower has exited forbearance or entered the modification plan is required. <p>This forbearance guidance applies to all open mortgage accounts</p>



Major Credit Events	<p>Four (4) year seasoning is required on all major credit events Seasoning is measured from date of credit event to note date and includes: Bankruptcy, Foreclosure, Deed-in-Lieu, Short-Sale / Short-Refinance, Modification with principal forgiveness Modifications that were a result of a COVID-19 forbearance plan are acceptable with no restrictions</p>
Credit Report Security Freeze	<p>If the credit report shows a security freeze and the borrower unfreezes credit after the date of the original credit report, a new report is required to reflect current and updated information</p>
Collections & Charge Offs	<p>Collection and charged-off accounts that do not impact title do not need to be paid off if: Individual accounts less than \$500 and cumulative balance \$2,500 or less AND/OR Medical collections up to \$10,000 cumulative AND/OR Collections and charge-offs that have passed the individual state statute of limitations</p>
Required Credit History	<p>If the primary wage earner has 3 credit scores, the minimum tradeline requirement is met. If the primary wage earner has only 2 scores, one of the following four (4) options must be met. Multiple borrowers with the same income need to meet either the 3 credit score threshold or meet one (1) of the minimum tradeline requirements listed below.</p> <p>Primary wage earner ONLY must meet tradeline requirement Tradelines with recent serious adverse history are not acceptable Rental verification can be included as a tradeline Student loans can be counted in credit depth as long as they are in repayment and not being deferred</p> <p>Option #1 - 3 of 12: At least three (3) tradelines reporting for a minimum of 12 months, with all three (3) having activity in the last 12 months, accounts can be open or closed Option #2 - 2 for 24: At least two (2) tradelines reporting for a minimum of 24 months, with both having activity in the last 12 months, accounts can be open or closed Option #3 - 8 for 8: No fewer than eight (8) tradelines are reporting, one (1) of which must be a mortgage or a 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 for at least eight (8) years. Option #4 - AUS 4 for 4: AUS approval and no fewer than four (4) tradelines are reporting, one (1) of which must be a mortgage or a rental history. - At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months. - There is an established credit history of at least four (4) years. - Requirements can be met by primary borrower or 2 combined borrowers on same application.</p>



Income	
Debt to Income Ratios (DTI)	<p>50% DTI MAX - All Doc Types</p> <p>Up to 55% DTI - 680+ FICO / 2 Year Full Doc ONLY</p> <ul style="list-style-type: none"> - 0% payment shock / 3 months additional reserves required - Purchase / Rate & Term / Cash-Out Debt Consolidation (Cash to borrower must meet Rate & Term Guidelines) ONLY
Max # of Business Entities	<p>No limit on the number for Schedule C.</p> <p>A transaction may have up to two (2) 1065 and/or 1120 entities between all the borrowers.</p> <p>REO held inside an entity is generally not considered an entity for this purpose provided the entity's sole activity is to hold real estate.</p> <p>An entity with a percentage of ownership that does not require business returns is not considered in this calculation for max number of entities.</p> <p>Transactions that exceed the number of entities may be approved case by case via exception.</p>
Business Bank Statement (BBS)	<p>Intended for borrowers with 50% or more self-employment income</p> <p>May be combined with non-business income: i.e. SSI, rental income, W2 wages</p> <p>Multiple bank accounts are allowed</p> <p>A minimum of 25% ownership in the business is required</p>
Co-Mingled Bank Statement (Personal account used for business)	<p>Intended for borrowers with 50% or more self-employment income</p> <p>May be combined with non-business income: i.e. SSI, rental income, W2 wages</p> <p>Multiple bank accounts are allowed</p> <p>Borrower must be 100% owner of the business (borrower plus spouse with 100% ownership is allowed)</p>
1099 In Lieu of Bank Statements Option	<p>1099s may be obtained and used to replace 1 or 2 calendar years of business or personal bank statements.</p> <p>Some business owners will have one or more main customers with a 1099 relationship in place, those 1099(s) can be used to determine the gross receipts of the business in lieu of providing bank statements for the time period covered by the 1099.</p> <ul style="list-style-type: none"> - Provide 1 or 2 years of 1099s - Evidence of year-to-date earnings must be verified via bank statements covering the YTD period
Business Narrative	<p>Business narrative is required to be completed by borrower/business owner using business bank statement or co-mingled bank statement income. The business narrative must be in the file prior to submission.</p>
Consistency of Deposits for Bank Statement Income	<p>Deposits will be reviewed and evaluated for consistency in size, number, and type. Inconsistent, or out of trend deposit activity, may require further documentation or be excluded.</p>



<p>Evaluation of Large Deposits for Bank Statement Income</p>	<ul style="list-style-type: none"> - Any deposit exceeding 50% of the average monthly sales of the business is considered a large deposit - Isolated large deposits are deposits that occur very infrequently. These deposits need to be sourced and confirmed as business income or they should be excluded - Six, or more, large deposits in a 12-month period can be considered as consistent and do not necessarily need to be sourced or excluded
<p>Methods for Calculating Bank Statement Income</p>	<p>Method 1: Fixed Expense Ratio 50% A 50% fixed expense ratio is applied to total allowed deposits to determine the net business income</p> <p>Method 2: Third Party Expense Statement A CPA, accountant or tax preparer signed and dated statement indicating the percentage of expenses to gross annual sales/revenue</p> <ul style="list-style-type: none"> - Must cover the 12 or 24 month period of the bank statements - Verification evidencing the CPA, accountant or tax preparer's business and a current license are required <p>Method 3: Third Part Prepared P&L A CPA, accountant or tax preparer signed and dated P&L</p> <ul style="list-style-type: none"> - Must cover the 12 or 24 months period of the bank statements - Verification evidencing the CPA, accountant or tax preparer's business and a current license are required - Gross receipts on P&L must be within a 10% variance of allowable deposits
<p>Personal Bank Statement (PBS)</p>	<p>Intended for borrowers with 50% or more self-employment income May be combined with non-business income: i.e. SSI, rental income, W2 wages Multiple bank accounts are allowed A minimum of 20% ownership in the business is required Third party documentation of self-employment is required to support that the business has been in operation for the previous two (2) calendar years and that the borrower(s) had ownership for same period May use 100% of qualified deposits in the personal account when there is evidence of a separate business account to show transfers and activity to support business operations</p>



<p>1099 Program (Alt Doc)</p>	<p>Designed for borrowers who are contractors with minimal expenses and receive one (1) or more 1099s / year</p> <p>Can be combined with all other income sources</p> <p>There are two (2) options to support and document income:</p> <ul style="list-style-type: none"> - Option #1: Use a 10% expense ratio OR - Option #2: Provide a third party (tax professional) prepared Business Expense Statement OR P&L to a minimum 5% expense factor <p>Qualifying income is based on the 12 or 24 months average from total of all 1099's minus the expense factor YTD earnings must show that the income is ongoing with the following:</p> <ul style="list-style-type: none"> - Paystub that reflects YTD earnings OR - Bank Statements, YTD or 4 months (whichever is less) <p>The YTD earnings from the paystub or the total of deposits on the bank statements must be within 15% of the qualifying income.</p> <ul style="list-style-type: none"> - Some work may have a seasonal aspect and recent activity will not support the yearly average. Documentation must be provided to support seasonality. - Some commission work may have irregular payouts. Proof of pending commissions may be acceptable to support continued income level.
<p>CPA Gross Receipts</p>	<p>The CPA Gross Receipts program is designed for self-employed borrowers only.</p> <p>Transcripts are not required. Borrower(s) must be 100% owners of the business. Evidence of the borrower's business and ownership position must be verified. Business gross receipts for the most recent tax year are based on data provided by the borrower's CPA. A gap between tax year data provided and funded date cannot exceed 12 months. Underwriter must validate CPA / Licensed Tax Preparer credentials.</p> <ul style="list-style-type: none"> - CPA Letter – Must be from CPA / Licensed Tax Preparer who prepared and filed borrower's business tax returns. <p>Letter must address:</p> <ul style="list-style-type: none"> - Percentage of ownership in business (100% required or not eligible) - Total gross receipts for the most recent tax year - Confirm CPA / Licensed Tax Preparer prepared and filed borrower's taxes <p>- YTD gross receipts must be documented to support, within 15%, the monthly average amount reflected by the CPA letter. The lessor of 4-months, or year to date, of business bank statements must be used to support the CPA provided gross receipts. Co-mingled or personal accounts are not allowed.</p> <ul style="list-style-type: none"> - Use one (1) of the following business expense methods: <ul style="list-style-type: none"> - 50% Expense Factor - CPA / Tax Preparer provided expense statement



<p>Rental Income on Bank Statement and Alt Doc Income</p>	<ul style="list-style-type: none"> - Use 75% of lease - Document receipt of rents - Deduct rental deposits if rents are deposited into the same account being used to develop the primary business income
<p>1099 Documented No Expenses (Full Doc)</p>	<p>Often 1099 employees have transitioned from a W2 job doing the same functions. Borrowers who transitioned from W2 to 1099 with a different employer or contracted by the same employer and in the same position do not require 1040 if documentation is provided that the borrower will not be responsible for any additional expenses. This documentation can be a letter from the employer or the employment contract. Document the current receipt of income with 2 months of pay vouchers or bank statements. Full amount of 1099 payouts can be used.</p> <ul style="list-style-type: none"> - YTD earnings validated by paystubs, pay vouchers, WVOE, etc. - Documentation from employer that borrower has no job-related expenses
<p>Methods for Calculating Bank Statement and CPA Gross Receipts Income</p>	<p>Method 1: Fixed Expense Ratio 50% A 50% fixed expense ratio is applied to total allowed deposits to determine the net business income</p> <p>Method 2: Third Party Expense Statement A CPA, accountant or tax preparer signed and dated statement indicating the percentage of expenses to gross annual sales/revenue</p> <ul style="list-style-type: none"> - Must cover the 12 or 24 month period of the bank statements - Verification evidencing the CPA, accountant or tax preparer's business and a current license are required <p>Method 3: Third Part Prepared P&L A CPA, accountant or tax preparer signed and dated P&L</p> <ul style="list-style-type: none"> - Must cover the 12 or 24 months period of the bank statements - Verification evidencing the CPA, accountant or tax preparer's business and a current license are required - Gross receipts on P&L must be within a 10% variance of allowable deposits
<p>History of Self-Employment (Full Doc and Alt Doc)</p>	<p>A two (2) year history of self-employed history required on all loans Less than two (2) years but greater than one (1) year can be considered case-by-case. Requirements are:</p> <ul style="list-style-type: none"> - Strong previous experience - Job industry-specific training - Previous work history to support lack of self-employment history



Tax Transcripts on Full Doc	<ul style="list-style-type: none"> - Required on all income used to qualify - Transcripts can match income type - Business transcripts not required if business income is reported on 1040 - Signed 1040's are not required - 3rd party WVOE can be used in lieu of W2 transcripts - Transcripts not required for subject investment property rental income 	
Tax Transcripts on Bank Statement, 1099, and CPA Gross Receipts	<p>Transcripts and income validation not required for Bank Statement programs.</p> <p>Transcripts are required for any non-1040 type full doc income used in conjunction with this income type - i.e. W2 wages, and rental income (see section on transcripts for alternatives)</p>	
Earning Trends	Year to year earnings must be considered in accordance with Appendix Q Part 1026 of regulation Z - Standards for determining Monthly Debt and Income	
	Stable or Increasing	Amounts should be averaged
	Declining but Stable	If 24 month average shows a decline, but most recent 12 months has stabilized & there is no reason to believe that the income / employment will not change the most recent 12 month average may be used.
Declining	Income is ineligible	



<p style="text-align: center;">Asset Depletion</p>	<p>Asset depletion allowed as qualifying income either on its own or combined with other income sources. Transactions using Asset Depletion Income follow the 12 mo. Bank Statement / 1 Year 1099 programs for price and eligibility The following restrictions apply when using Asset Depletion income: - Max 45% DTI/Non-Occupant Co Borrowers not allowed/Gift funds ineligible - Max cash out withdrawal \$500,000 (does not apply to delayed financing)</p> <p>Debt Ratio Calculation: Minimum eligible assets required is the lower of \$1,000,000 or 150% of the loan balance. Qualifying income based upon total eligible assets for depletion, less down payment, less closing costs and required reserves based on below table then divided by 84.</p> <p>Income Documentation: Eligible Assets</p> <ul style="list-style-type: none"> • 100% of checking , savings and money market accounts • 80% of stocks, bonds and mutual funds • 80% of retirement assets if the borrower is of retirement age – 59 ½ • 70% of retirement assets if the borrower is not of retirement age <p>- All individuals on the asset accounts must be on the Note and Mortgage. - Assets must be verified with most recent three (3) months of account statements or a VOD - Assets must be seasoned 120-days</p> <p>Ineligible Assets: - Equity in Real Estate - Privately traded or restricted / non-vested stocks - Any asset which produces income already included in the income calculation - Assets held in the name of a business</p>
<p style="text-align: center;">Short Term Rental Income</p>	<p>Qualifying income can be used for property that is rented on a short-term basis through services like Airbnb and VRBO. The borrower must document a minimum of one tax year of income and expenses to use as a qualifying income source.</p> <p>Two Year Rental History - In lieu of current leases the borrower must document the property has been subject to short term rental for a minimum of two (2) years. - Income of the type must be averaged over a two (2) year period unless the income trend is declining. A current YTD ledger of rental payments received must also be included and support the two (2) year average. - A host report or equivalent service provider pay history and proof of property listing on website.</p> <p>Greater Than One Year but Less Than Two Years For a rental property with less than two (2) tax year history but at least one (1) tax year reporting, short term rental income may still be used provided that the following requirements are met: - A current YTD ledger of rental payments received included to support the income reported on Schedule E. - Airbnb host report or equivalent service provider pay history and proof of property listing on website.</p> <p>Less than One Year - NOT ELIGIBLE</p>



<p style="text-align: center;">Departure Property 3 Options</p>	<p>Option 1: If the current residence is pending sale but the transaction will not close prior to the subject transaction, the current PITI may be excluded with the following:</p> <ol style="list-style-type: none"> 1. The executed sales contract for the current residence AND 2. Confirmation that all financing contingencies have been cleared. <p>Option 2: If the current residence will become a rental property, the net rental income may be used to offset carrying costs or to add to qualifying income. The following 3 items are required</p> <ol style="list-style-type: none"> 1. Copy of current lease AND 2. Proof of receipt of deposit and 1st month's rent AND 3. Evidence rent is near market, either a 1007 or other underwriter/loan officer obtained confirmation of market rent is required. 4. Use lease and apply the 75% rule to determine cash flow. <p>Option 3: If the departure prop is unleased, then the PITI can be offset with market rents from a 1007 Positive cash flow from departing residence without a lease in place may not be added to income. Use 1007 rent and apply the 75% rule to determine cash flow. An additional 2 months of PITI on our subject property is required when using only the 1007 on the departure property.</p>
<p>Accessory Dwelling Unit (ADU) Rents</p>	<p>Accessory Dwelling Unit (ADU) Rents ADUs are becoming increasing popular in many locations across the US as housing gets more scarce and more expensive. Using rents from an ADU are acceptable with the following requirements:</p> <ul style="list-style-type: none"> - Appraisal shows the ADU to be legal - Appraiser to provide comparables with ADUs - Multi-family or multi-ADU acceptable provided total unit count is less than or equal to four <p>Refinance</p> <ul style="list-style-type: none"> - Appraiser to address ADU rents on a 1007 <p>Purchase</p> <ul style="list-style-type: none"> - Follow guidance above Rental Income Calculation section, however, STR not allowed



Assets	
Business Funds	Business funds allowed for down payment, closing costs, and reserves. Must meet cash flow analysis, three (3) months business bank statements required. Newfi Underwriter will perform cash flow analysis.
Gift Funds	Follow FNMA Guidance - Gift funds must be from a family member, fiancé, or domestic partner Gift funds not acceptable for reserves No minimum borrower contribution required
Crypto Currency	Crypto currency that has been converted to USD is an acceptable source of funds provided the crypto can be acceptably documented. Recently this asset type has gained more widespread popularity and documentation has improved. The documentation must show the acquisition date of the asset and it must show a sufficient history to meet 60-day seasoning requirements. Not all crypto currencies or crypto brokerages will provide for adequate documentation. An abundance of care must be used in reviewing statements provided.
Paying Off Debt to Qualify	Revolving accounts may be excluded if paid to zero - Account does not need to be closed Installment debt may be excluded if paid off and closed Paying down an installment loan to ten (10) months is allowed - Max DTI 40%
Transactions Not Requiring Reserves	Reserves are not required for Rate & Term Refinances when the below parameters are met: - DTI < 50% - Monthly P&I reduction of 10% or more *For interest only loans the P&I reduction is based on a fully amortized qualifying payment
Reserves	All reserve requirements are based on subject property PITI. NOTE: PITI is based on the year six payment. 5 months PITI required 7 months PITI required for loan amounts greater than \$1.5MM 10 months PITI required for loan amounts greater than \$2.5MM In addition to the above reserve requirements, the following applies: 2 months PITI on subject property when using 1007 rents with no lease.
Acceptable Sources of Reserves	- Funds in non-cash holdings (stocks, bonds, mutual funds) are not required to be discounted. - Retirement accounts used for reserves. - Employer sponsored savings plans (like a 401k) require TOW from employer which allow for hardship withdrawal (not required for IRA) - Cash-Out proceeds
Unacceptable sources for Reserves	- Reserves may not come from a 1031 exchange account - Reserves may not come from gift funds
IPC (Interested Party Contributions)	Max of 6% allowed



Property / Appraisal Information	
Acreage	No more than twenty (20) acres
Rural Properties	<p>Allowed</p> <p>Reduce max allowed LTV by 5%</p> <p>Considered Rural when 2 of the 3 listed below are present or the appraiser has designated the property as rural:</p> <ul style="list-style-type: none"> - Non paved service road - 2 or more comps are > 5 miles away from the subject property - Subject surrounding area is less than 25% built up
Property Flips	<p>A property is considered a flip if either of the following are true:</p> <ul style="list-style-type: none"> - The purchase price exceeds the seller's acquisition cost by more than 10% if the property was acquired 90 or fewer days prior to the borrower's purchase contract date - The purchase price exceeds the seller's acquisition cost by more than 20% if the property was acquired 91 – 180 days prior to the borrower's purchase contract date <p>If the property is a flip based on the guidance above, a second appraisal is required</p>
Recently Listed Properties	<p>Properties listed at the time of application are not eligible</p> <p>Properties listed in the past six (6) months prior to the application date are not eligible for cash-out transactions</p> <p>For rate & term refinances, property must be off the market prior to application</p>
Warrantable Condos	<p>Established projects ONLY</p> <p>Detached units and small projects (2-4 condos) follow FNMA guidance (No HOA review required) HOA Review Type: follow FNMA requirements</p>
Non Warrantable Condos	<p>The following may be considered via exception. Exception pricing will be applied:</p> <ul style="list-style-type: none"> - Investor concentration up to 70% - Commercial space up to 50% - Single owner/entity concentration up to 25% (for projects of 10 units or less, max 2-units) - Annual budget allocation to reserves < 10% allowed with the following: <ul style="list-style-type: none"> - Appraisal shows no major repairs required AND - A lower annual allocation permitted if the following reserve balance thresholds are met: <ul style="list-style-type: none"> - 7% to 9.99% requires reserve fund balance of 50% of annual budget - 5% to 6.99% requires reserve fund balance of 75% of annual budget - 3% to 4.99% requires reserve fund balance of 100% of annual budget



Ineligible Properties	<p>Condotels & resort style condos</p> <p>Unique style homes: earth, dome, etc.</p> <p>Property condition of C5 or C6</p> <p>Working farms or ranches</p> <p>Leaseholds</p>
Appraisal Requirements	<p>A second appraisal is required when any of the following exist:</p> <ul style="list-style-type: none"> - Loan amount is > \$2,000,000 - The transaction is a flip (see Property Flipping section) <p>When a second appraisal is required, the value is based on the lower of the two (2) values. The second appraisal must be from a different company and appraiser than the first appraisal.</p>
Appraisal Review	<p>An appraisal review product is required on every loan unless a second appraisal is obtained, one of the three options below is acceptable:</p> <ul style="list-style-type: none"> - CDA from Clear Capital OR - Collateral Underwriter (CU Score) less than 2.5 OR - A field review or a second appraisal is also acceptable – These must be from a different company and appraiser than the first appraisal <p>If the CDA reflects a value of 10% or less below the appraised value, the appraised value is accepted</p> <p>If the CDA reflects a value of more than 10% below the appraised value, a field review or a second appraisal is required</p>
Appraisal Age	<p>Appraisal must be dated within 120 days of the note date</p> <p>Re-certs of value are allowed and valid for 120 days.</p>
Transferred Appraisals	<p>Allowed</p> <p>When two (2) appraisals are required, only one (1) appraisal can be transferred</p>
Declining Property Value	<p>If the trend of property values is downward, a declining market exists and a 5% LTV reduction from the LTV product matrices for LTVs greater than 70%</p>
Texas 50(f)(2)	<p>A Texas Section 50(f)(2) mortgage is a rate and term refinance of an existing Texas 50(a)(6).</p> <ul style="list-style-type: none"> - ZERO cash back allowed. Proceeds to pay off only existing Texas 50(a)(6) lien, other permitted liens on homestead (property taxes, owelty lien, mechanic's lien), actual costs and reserves required by lender to refinance - 1-year seasoning of prior Texas 50(a)(6) loan required - Loan cannot close until 12 calendar days after the "Notice Concerning Refinance of Existing Home Equity Loan to Non-Home Equity Loan" is signed