



## Prime Ascent and Credit Ascent Loan Eligibility Criteria

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Full Doc, Self-Employed Solutions, Asset Utilization  
and Foreign National

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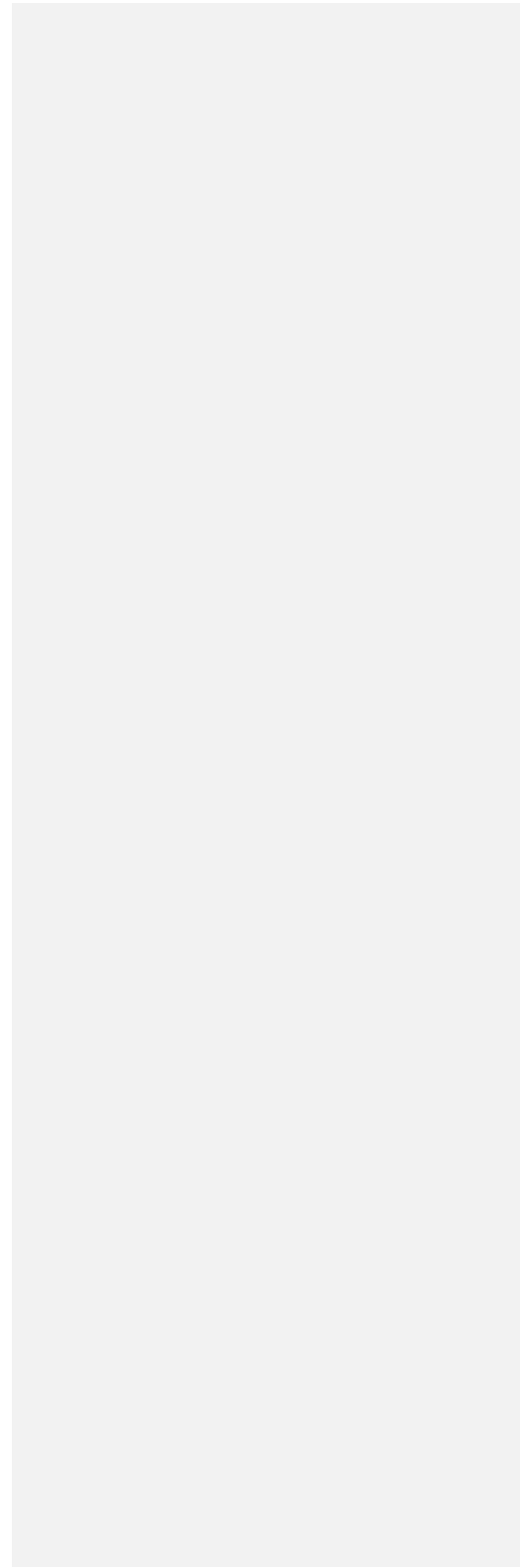
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## SECTION 1.0 - PROGRAMS

### 1.1 - OVERVIEW

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

Loans funded by Right Start Mortgage must meet the criteria of the current published guide as of the file submission date.

### 1.2 - ELIGIBLE PRODUCTS

The following loan products are eligible for funding by Right Start:

- **Fully Amortizing**
  - Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the loan term
  - 5/1 LIBOR: (2/2/5 Cap Structure)
    - Qualifying Rate (All Doc Types): Qualify borrower(s) at the greater of the Fully-Indexed Rate or Note Rate.
  - 7/1 LIBOR: (5/2/5 Cap Structure)
    - Qualifying rate (All Doc Types): qualify borrower(s) at the greater of the fully-indexed rate or Note Rate.
  - 15 Year Fixed
  - 30 Year Fixed
- **Interest-Only**
  - Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the scheduled remaining loan term at the time of recast after the interest only period has expired.
  - **Loan Terms: 360 or 480 Months**
  - 5/1 LIBOR: (2/2/5 Cap Structure)
    - Qualifying rate (All Doc Types): qualify borrower(s) at the greater of the fully-indexed rate or Note Rate.
    - Interest-Only Period: 10 Year Interest-Only Period
    - **Amortization Periods: 20 Year or 30 Year**
  - 7/1 LIBOR: (5/2/5 Cap Structure)

- Qualifying rate (All Doc Types): qualify borrower(s) at the greater of the fully-indexed rate or Note Rate.
- Interest-Only Period: 10 Year Interest-Only Period
- Amortization Periods: 20 Year or 30 Year
- 30 Year Fixed
  - Qualifying rate (All Doc Types): qualify borrower(s) at the Note Rate.
  - Interest-Only Period: 10 Year Interest-Only Period followed by 20 Year Amortization
- 40 Year Fixed
  - Qualifying rate (All Doc Types): qualify borrower(s) at the Note Rate.
  - Interest-Only Period: 10 Year Interest-Only Period followed by 30 Year Amortization

### 1.3 - INTEREST ONLY RESTRICTIONS

- Prime Ascent - Eligible
- Credit Ascent - A and B Grades Only
- Primary Residences Only
- Maximum LTV/CLTV: 80%
- Minimum FICO: 660
- **Foreign National eligible only with US credit**

### 1.4 - UNDERWRITING

Right Start is required to perform a manual underwrite of the credit file and document the file based upon the criteria contained in this manual. Unless otherwise stated, Fannie Mae definitions, documentation and underwriting guidelines prevail and should be followed. These Eligibility Guidelines offer guidance to an originator regarding the products Right Start will purchase. Please see Section 4.0 of the Seller Guide for complete details on the pre-qualification diligence process.

### 1.5 - LOAN AMOUNTS

#### CREDIT ASCENT

Minimum: \$100,000

Maximum: \$2,000,000 (2 appraisals required and LTV reductions apply for loan amounts above \$1.5MM)

#### PRIME ASCENT

Minimum: \$150,000

Maximum: \$3,000,000 (2 appraisals required and LTV reductions apply for loan amounts above \$1.5MM)

### 1.6 - MINIMUM FICO

CREDIT ASCENT - 500

PRIME ASCENT - 660

See Right Start Matrices for Grade Determination.

#### 1.7 - MAXIMUM LTV/CLTV

90 / 90

See Right Start Matrices for LTV/CLTV maximum by documentation type.

#### 1.8 - INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS)

- LTV equal to or greater than 75%: max 4%
- LTV less than 75%: max 6%

All Interested Party Contributions must be properly disclosed in the sales contract, appraisal, loan estimate and closing disclosure and be compliant with applicable federal, state and local law.

Interested party contributions include funds contributed by the property seller, builder, 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 (Financing Concessions), and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If an Interested Party Contribution is present, both the appraised value and sales price must be reduced by the concession amount that exceeds the limits referenced above.

#### 1.9 - ESCROWS - IMPOUND ACCOUNTS

Escrow funds/impond accounts are required to be established for all loans purchased by Right Start. Escrows may be established for funds collected by the lender, originator or servicer as required to be paid under the security instrument. Escrow funds include, but are not limited to, taxes, insurance (hazard, flood, and mortgage) premiums, special assessments, ground rents, water, sewer, etc.

#### 1.10 - SECONDARY FINANCING

Secondary financing must be institutional. Lenders must employ reasonable underwriting policies and procedures designed to determine whether the borrower has applied for another credit transaction secured by the same dwelling. Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation the line of credit is past its draw period.

#### 1.11 - SEASONING (LOAN AND DOCUMENT)

Right Start will not purchase loans seasoned more than 45 days from the Note Date at the loan delivery date.

Underwriting and borrower credit documents may not be more than 90 days seasoned at the Note Date.

The Appraisal should be dated no more than 180 days prior to the Note Date.



## 1.12 - FEES

<u>Funding fee:</u>	\$500
<u>Condo Project Approval fees:</u>	
Established:	\$135
New:	\$500

Fees will be deducted at time of loan funding and will be reflected on the funding memo. Unpaid fees associated with loans not purchased may be netted from future funding.

## 1.13 - BORROWER STATEMENT OF OCCUPANCY

Borrower must acknowledge the intended purpose of the subject property (“Primary Residence” or “Second Home”) by completing and signing the appropriate sections of the “Occupancy Certification” found in [EXHIBIT A](#) of this guide.

## 1.14 - AUTOMATIC PAYMENT AUTHORIZATION (ACH)

It is recommended that the borrower execute an assignable Automatic Debit Payment Agreement (ACH) Form, and include either a copy of a voided check or savings account deposit form. The ACH form should include the bank routing number, account number, and type of account, similar to [Exhibit B](#).

An executed Automatic Debit Payment Agreement (ACH), from a U.S. Bank, along with either a copy of a voided check or savings account deposit form is required for transactions involving a Foreign National.

## 1.15 – BORROWER CONTACT CONSENT FORM

To assist in contacting the borrower in a timely manner, the Borrower Contact Consent Form, [Exhibit H](#), is required on every file delivered to Right Start.

## 1.16 - ABILITY TO REPAY/ QUALIFIED MORTGAGE RULE

Right Start will only purchase loans under the Prime/Credit Ascent Programs that meet the CFPB's requirements under its Ability-to-Repay (ATR) / Qualified Mortgage Rule, including loans that meet the general ATR requirements and certain higher-priced qualified mortgage loans with rebuttable presumption liability protection, as prescribed by the applicable regulation.

Each loan delivered for purchase must include a completed ATR Borrower Confirmation form, available in the forms section of the system. See [EXHIBIT C: Ability-To-Repay Borrower Confirmation](#) for an example in the exhibits section of this guide.

## 1.17 - PREPAYMENT PENALTY

Not allowed

#### 1.18 - ALTERNATIVE LOAN REVIEW/AUS

A manual underwrite is required by the Seller. The Seller Underwriting Approval, Income calculation worksheet, and the Underwriter's determination of Ability to Repay is required as part of the credit file. The file must also include one of the following as evidence the borrower is not eligible for financing through a GSE or Government loan program on full income documentation loans; an AUS Findings with a "Refer" or "Approve/Ineligible" response or a completed Alternative Loan Review Form, [Exhibit G](#) may be provided to verify GSE or Government program ineligibility.

#### 1.19 - STATE AND FEDERAL HIGH COST LOANS

Not allowed for Right Start loan purchase.

#### 1.20 - LISTING SEASONING

For all cash-out refinances, properties previously listed for sale should be seasoned at least 6 months from the listing contract expiration date.

#### 1.21 - PREMIUM RECAPTURE

Premium Paid $\leq$ 100.00%:	Full Premium Recapture upon loan payoff within the first 6 months following the Right Start loan funding date.
Premium Paid $>$ 100.00%:	Full Premium Recapture upon loan payoff within the first 12 months following the Funding date.

#### 1.22 - EARLY PAYMENT DEFAULT (EPD)

If any of the first four (4) monthly payments due after the loan sale date becomes delinquent Right Start Mortgage considers this an Early Payment Default (EPD). EPD loans are subject to repurchase by the originator pursuant to the broker or branch agreement.

#### 1.23 – LEGAL DOCUMENTATION

Available Fannie Mae security instruments, notes, riders/addenda, and special purpose documents can be utilized for loan documentation. In the case when Fannie Mae doesn't offer current documentation, such as interest only, a document vendor, such as Doc Magic, should be utilized for forms.

#### 1.24 – ASSUMABILITY

Fixed Rate Notes – Are not assumable.

Adjustable Rate Notes – May be assumable based upon the note, in general Fannie Mae Notes contain an assumable clause. In any case, the verbiage in the Note and Closing Disclosure must match.

## SECTION 2.0 - PROPERTY ELIGIBILITY

See Section 5.0 in the Seller Guide for additional requirements related to Appraisals and Properties

### 2.1 - APPRAISALS

#### 2.11 - APPRAISAL REQUIREMENTS

Full Interior / Exterior appraisal required. Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465 or 2090 must be used. Correspondents must order appraisals using one of two processes. The appraisal must either be ordered through an Appraisal Management Company that complies with Appraiser Independence Requirements (AIR), or via the correspondent's own AIR compliant process. The licensed appraiser is required to perform an interior inspection when completing the appraisal report.

- The Appraisal should be dated no more than 120 days prior to the Note Date. After a 120-day period, a re-certification of value is acceptable up to 180-days. After 180-days, a new appraisal report is required.
- Not eligible for Right Start funding: Properties for which the appraisal indicates condition ratings of C5 or C6 or a quality rating of Q6, each as determined under the Uniform Appraisal Dataset (UAD) guidelines. Right Start will consider purchase if issue has been corrected prior to loan funding with proper documentation.

#### SECOND APPRAISAL

A Second Appraisal from a Right Start Approved AMC is required when any of the following conditions exist. When a second appraisal is provided, the transactions "Appraised Value" will be the lower of the two appraisals. The second appraisal must be from a different company and appraiser than the first appraisal.

- Loan Amount exceeds \$1,500,000
- The transaction is a flip as defined in the [Property Flipping](#) section of this guide
- As required under the [Appraisal Review Products](#) section of this guide

#### RIGHT START APPROVED AMC'S

- Clear Capital

#### 2.12 - APPRAISAL REVIEW REQUIREMENTS

##### APPRAISAL REVIEW PRODUCTS

An appraisal review product is required on every loan file; the options include the following;

- An enhanced desk review, CDA from Clear Capital; or:
- A field review or second appraisal from a Right Start Approved AMC is acceptable. The field review or 2<sup>nd</sup> appraisal may not be from the same appraisal company as the original report.

**Commented [PO1]:** Define Amc and AIR change to Fannie AIR process

If the Appraisal Review Product (CDA) reflects a value more than 10% below the appraised value or cannot provide a validation, the next option in the review waterfall must be followed. The next option would be either a field review or second appraisal, both must be from a different appraisal company and appraiser than the original appraisal.

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### 2.13 - MINIMUM SQUARE FOOTAGE

SFR:	700 sq. ft.
Condo:	500 sq. ft.
2-4 units:	400 sq. ft. per individual unit

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### 2.14 RURAL PROPERTY

A property is classified as rural if all the following conditions exist;

- The property is classified as rural by the appraiser
- Two of the three comparable properties are more than 5-miles from the subject property
- Less than 25% of the surrounding area is developed

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### 2.15 - 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/HCLTV.

### 2.2 - INELIGIBLE PROPERTY TYPES:

- Mixed Use properties;
- Vacant land or land development properties;
- Properties not readily accessible by roads that meet local standards;
- Properties not suitable for year-round occupancy regardless of location;
- Agricultural properties including: farms, ranches, orchards;
- Manufactured, Mobile or Modular Homes;
- Condo-hotels or co-op/timeshare hotels;
- A project that includes registration services and offer rentals of units on a daily, weekly or monthly basis.
- Cooperative share loans;
- Boarding houses or bed/breakfast properties;
- Properties with zoning violations;

- Dome or geodesic homes;
- Assisted living facilities;
- Homes on Indian reservations;
- Log homes;
- Hawaii properties located in lava zones 1 and/or 2;
- Houseboats.

### 2.3 - ACREAGE LIMITATIONS

- Maximum 10 acres;
- No truncating allowed.

### 2.4 - STATE ELIGIBILITY

- Nationwide excluding Puerto Rico, Guam and the US Virgin Islands;
- NY, DC, MD, and NJ restrictions
  - *NY CEMA loans not allowed for Right Start loan purchase.*
  - *Maximum LTV/CLTV: 85%*
  - *Minimum FICO: 660 (Does not apply to Foreign National qualifying with foreign credit)*

### 2.5 - PROPERTY FLIPPING

For properties purchased by the seller of the property within 12 months of application date where the contract price exceeds the sellers acquisition price by 10% or more, additional requirements apply:

- Second appraisal required from a Right Start Approved AMC, (The second appraisal must be provided to the borrower in accordance with either the ECOA or HPML requirements, whichever applies)
- Second appraisal must be dated prior to the acquisition date;
- Property seller on the purchase contract must be the owner of record;
- Increases in value should be documented with commentary from the appraiser and recent comparable sales.
- Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.)

**Commented [PO2]:** Consider modifying time period to 180-days to match HPML guidance or retain 1-year?

### 2.6 - TITLE VESTING & OWNERSHIP

Ownership must be fee simple.

Title must be in the Borrower's name at time of application for refinance transactions and on closing date for all transactions.

Acceptable forms of vesting are:

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

Land trusts and IRA's are not eligible for Right Start funding.

## 2.7 - LEASEHOLD PROPERTIES

In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender's title policy.

Seller must provide documentation and Leaseholds must meet all FNMA eligibility requirements (i.e. term of lease).

## 2.8 - TEXAS PROPERTIES

Prior to Right Start funding a refinance loan secured by a property located in Texas which is subject to section 50(a) (6) of the Texas constitution, the lender selling such loan must be specifically authorized to sell such loans to Right Start and the originator must execute a contract addendum with Right Start delineating the conditions under which Right Start will purchase 50(a) (6) loans.

## 2.9 - LIMITATIONS ON FINANCED PROPERTIES

- Maximum of twenty (20) financed properties including subject loan presented for Right Start loan purchase;
- Right Start's exposure to a single borrower shall not exceed \$3,000,000 in current UPB or six (6) properties;  
All financed properties, other than the subject property, require an additional two (2) months PITIA in reserves for each property. Total reserve requirement is not to exceed twenty-four (24) months

## 2.10 - DISASTER AREAS

Sellers are responsible for identifying geographic areas impacted by disasters and taking appropriate steps to ensure the subject property has not been adversely affected. The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site at <http://www.fema.gov/news/disasters.fema>. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed.

## 2.11 - APPRAISALS COMPLETED PRIOR TO DISASTER

An interior and exterior inspection of the subject property, performed by the original appraiser if possible, is required.

- The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition from the previous inspection, and the marketability and value remain the same.
- Inspection report must include photographs of the subject property and street view.
- Any damage must be repaired and re-inspected prior to purchase

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## 2.12 - APPRAISALS COMPLETED AFTER DISASTER EVENT

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

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## 2.13 - DISASTER EVENT OCCURS AFTER CLOSING BUT PRIOR TO LOAN PURCHASE

- Loan is ineligible for purchase until an inspection is obtained using one of the following options;
  - A Post Disaster Inspection (PDI) Report from Clear Capital may be utilized, any indication of damage reflected on the report will require a re-inspection by the appraiser.
  - The appraiser may perform an inspection (Fannie Mae Form 1004D) and comment on the event and certify that there has been no change to the value.

Guidelines for disaster areas should be followed for 90-days from the disaster period end date or the date of the event, whichever is later.

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## 2.11 - CONDOMINIUMS

- Fannie Mae eligible projects and Non-Warrantable projects allowed.
  - The client may review and approve Fannie warrantable projects, a Condo Project Warranty Certification, similar to [Exhibit I](#) must be provided with the loan package.
  - Non-warrantable projects must be reviewed by a Right Start Due Diligence Partner, see below.
  - Site Condos meeting the Fannie definition are eligible for single-family dwelling LTV/CLTV
- Right Start project exposure maximum shall be \$3,000,000 or 15% of project whichever is lower;
- Borrower project/unit concentration limit: two (2) units
- See Right Start Product Matrix for additional LTV/CLTV and Non-Warrantable project limits and guidelines.

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## 2.111 - INELIGIBLE PROJECTS

- A project subject to the rules and regulations of the U.S. Securities Exchange Commission.
- Condominium Hotel - Condotel
  - Condominium Project in which any unit owner or the homeowners' association is a party to a revenue-sharing agreement with either the developer or another third-party entity.
  - Condominium project where the unit is not the lessee's residence.
  - Projects that are managed and operated as a hotel or motel, even though the units are individually owned.
  - Projects with the names that include the words "hotel," "motel," "resort," or "lodge."
  - A project that includes registration services and offer rentals of units on a daily, weekly or monthly basis.
  - Hotel or motel conversions (or conversions of other similar transient properties.)
- Resort type project
- Timeshare or Projects that restrict the owner's ability to occupy the unit.
- New Condo conversion completed less than 2 years.
- Houseboat project
- Manufactured home projects

- Assisted living facilities or any project where unit owners contract in advance for a lifetime commitment from the facility to care for them regardless of future health or housing needs.
- Any project in which a single entity owns more than 20% of the total number of units. Projects that have 5-19 Units, one owner can own two units.
- Multi-family units where single deed has ownership of more than one or all of the units.
- Where more than 35% of total square footage in the project or in the building that the project is located in is used for non-residential purposes.
- A Common-interest apartment
  - A project in which individuals have an undivided interest in a residential apartment building and land, and have the right of exclusive occupancy of a specific apartment unit in the building.
  - The project or building is often owned by several owners as tenants-in-common or by a homeowners' association.
- Fragmented or segmented ownership
  - Ownership is limited to a specific period on a recurring basis i.e. Timeshare
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA
- Non-conforming zoning (can't be rebuilt to current density).
- Project units sold with excessive Seller contributions that may affect the value of the subject property.
- Any project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association
- Project in litigation, arbitration, mediation or other dispute regarding safety, soundness or habitability.
- Project with adverse environmental issue(s) involving safety, soundness or habitability.
- Projects that are not well managed or in poor physical or financial condition.
  - Excessive special assessments; Low Reserves; Neglected Repairs

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#### 2.112 - GENERAL PROJECT CRITERIA

- Project has been created and exists in full compliance with applicable local jurisdiction, State and all other applicable laws and regulations
- Project meets all FNMA Insurance requirements for property, liability and fidelity coverage
- Borrower must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins and any improvements made to the unit.
- Seller to confirm Project documents do not give a unit owner or any other party priority over the rights of the 1st mortgagee.
- Projects that are FNMA Warrantable may be reviewed and approved by Client Underwriter. A Rep and Warrant from Client Underwriter that project meets the requirements of a FNMA Warrantable Project must be provided with the loan package in order to avoid Right Start Project review and expense.
- Non-Warrantable Projects require Project Approval by Right Start Due Diligence Partner.



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## 2.113 - NON-WARRANTABLE CONDOMINIUM PROJECTS

Maximum LTV/CLTV: See Product At-A-Glance

Maximum Loan Amount: \$1,500,000

Commented [PO3]: Increased to match matrix

Not Available for loans graded C

Require Project Approval by Right Start Diligence Partner

**NOTE: Stacking of risk is not allowed (Only 1 Non-Warrantable factor per project)**

### SINGLE OWNER/ INVESTOR ENTITY CONCENTRATION:

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- Maximum of 20% of project owned by any Single Owner / Investor Entity.
- Maximum of 2 units owned by any Single Owner / Investor Entity if the project has fewer than 10 units.

### NEW PROJECTS

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A Project is considered New if any of the following apply: project is not fully completed or is subject to additional phasing or annexation, Fewer than 90 percent of the total number of units in the project have been conveyed to owners other than the developer, or control of the homeowners association has not been turned over to the unit owners.

New Condominium Projects that meet all the following requirements are eligible for purchase.

- Subject legal phase and any prior legal phases where units have been offered for sale are substantially complete. Substantially complete means that a certificate of occupancy or its equivalent has been issued and all units in the subject unit building are complete.
- OCCUPANCY: A minimum of 50% of the total number of units in the project are conveyed or under contract to purchaser other than developer or successor as Primary or second home OR a minimum of 50% of the units in subject phase plus all prior legal phases must have been conveyed or under contract as Primary or Second Home.
- Developer must be responsible for assessments on unsold units built but not yet closed.
- BUDGET: A minimum of 10% of the associations annual budget must provide for funding of replacement reserves for capital expenditures and deferred maintenance.
- Budget must reflect adequate funding for insurance deductible
- DELINQUENT ASSESSMENTS: Delinquent assessments greater than 60 days can not exceed 15% of the total number of units
- Commercial space up to 35% of building space allowed when pre-sale exceeds 70%. Otherwise limited to 25%. Commercial entity can not control HOA.

### REQUIRED DOCUMENTATION FOR NEW PROJECT APPROVAL

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- NEW PROJECTS
  - Completed Condo Project Questionnaire and Developer/Builder Questionnaire, or similar., found in [Exhibit E](#) and [Exhibit F](#) of this guide.
  - Current Annual Budget

- Current Balance sheet (dated within the last 60 days),
- Evidence of current HOA/Project Insurance in compliance with FNMA guidelines
- FNMA Warranty of Project Presale signed by Developer/Builder as Authorized Rep (form1029)
- FNMA Final Certification of Substantial Project Completion completed by Developer (form1081)
- FNMA Warranty of Condominium Project Legal Documents (form 1054) or comparable Lenders Warranty
- Project legal documents: Declarations, ByLaws and any Amendments
- Schedule of outstanding loan info
- Letter from construction lender stating financing is in good standing
- Evidence there are no contractor liens outstanding
- Project marketing analysis: sales and marketing plan
- Photos of subject project including site, improvements, facilities/amenities, parking and same on 2 to 3 comparable projects
- PERS preliminary Approval, if applicable

#### ESTABLISHED PROJECTS

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- Established Projects, as defined by FNMA, which meet all the following requirements are eligible for purchase.
- OCCUPANCY: There is no owner-occupancy requirement if the subject unit will be Owner Occupied. If property will be used as an Investment property, a minimum of 30% of the total number of units in the Project must be conveyed to owners who occupy their unit as a Primary Residence or Second Home. The Project may not have delinquencies greater than 15%, the Project Reserve Fund must represent a minimum of 100% of Project's annual budget and Appraisal must support rental market. If project does not meet the above requirements non-owner occupied limited to 49%.
- BUDGET AND RESERVE FUND BALANCE: A minimum Reserve Fund balance of 30% of annual budget must be in place. A minimum of 10% of the associations annual budget should provide for funding of replacement reserves for capital expenditures and deferred maintenance. If not, a lower percentage of annual income may be considered if the appraisal notes no major repairs and Reserve Fund balance supports a lower allocation as follows:
  - 7% to 9.99% requires a Reserve Fund balance of 50% of annual budget
  - 5% to 6.99% requires a Reserve Fund balance of 75% of annual budget
  - 3% to 4.99% requires a Reserve Fund balance of 100% of annual budget
- DELINQUENT ASSESSMENTS: Delinquent assessments greater than 60 days may not exceed 15% of the total number of units in the project. 30 day delinquency up to 20% may be allowed as non-warrantable if HOA Reserve Fund represents 120% of its annual budgeted income.
- Commercial space limited to 35% of building space. Commercial entity can not control HOA.

#### REQUIRED DOCUMENTATION FOR ESTABLISHED PROJECT APPROVAL

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- Established Project Certification

- Current Annual Budget
- Current Balance sheet (dated within the last 60 days)
- Evidence of current HOA/Project Insurance in compliance with FNMA guidelines

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#### 2.114 - RE-CERTIFICATION OF PROJECTS

Projects must be recertified every 6 months or at expiration of the Project Budget or Insurance, whichever is earlier.

Documents Required:

- Project Approval Certification Form
- Current Annual Budget
- Current Balance sheet (dated within the last 60 days)
- Evidence of current HOA/Project Insurance
- Any Amendments, Supplements etc to the Project Legal documents

### SECTION 3.0 - TRANSACTION TYPES

#### 3.0 - ELIGIBLE TRANSACTIONS

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##### 3.01 - PURCHASE

- Proceeds from the transaction are used to finance the acquisition of the subject property
- LTV/CLTV based upon the lessor of the sales price or appraised value

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##### 3.02 - RATE/TERM REFINANCE

- Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
- Any subordinate loan not used in the acquisition of the subject property provided one of the following apply:
  - Closed end loan, at least 12 months of seasoning has occurred;
  - HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than \$2,000.
- Buying out a co-owner pursuant to an agreement.
- Paying off an installment land contract executed more than 12 months from the loan application date.
- Cash back in an amount not to exceed the lesser of 2% of the new loan amount or \$2,000 can be included in the transaction.
- LTV/CLTV based upon the appraised value.

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### 3.03 - CASH-OUT

- All cash-out transactions should be of benefit to the borrower.
- Cash-out proceeds can only be used for required reserves if the following requirements are met:
  - Cash-out must be used for debt consolidation; no new obligations can be incurred with loan proceeds.
  - Net Cash-Out (Cash-In-Hand) may be used to meet reserve requirements if at least one (1) of the following criteria are met
    - Aggregate monthly debt obligations are reduced by a minimum of 15%
    - Aggregate monthly debt obligations are reduced by a minimum of \$500
    - Monthly mortgage obligation on subject property is reduced by a minimum of 10% AND housing history is 1x30x12 or better
- Loans not eligible for cash-out:
  - Properties listed for sale in the past 6-months.
- See Right Start Matrices for cash-out limits.
- Cash-Out Seasoning is defined as the difference between application date of the new loan and prior financing note date or date of purchase.
- For properties owned 12-months or longer, the LTV/CLV is based upon the appraised value.
- If Cash-Out Seasoning is less than (12) months but greater than (6) months the transaction property value is limited to the lower of the current appraised value or the property's purchase price + documented improvements.
- Cash-Out Seasoning of six (6) months or less is allowed with the following restrictions:
  - The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the current appraised value.
  - The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
  - At least one of the following must exist...
    - No mortgage financing was used to obtain the property.
      - The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed or similar alternative confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale.).
      - The preliminary title search or report must confirm that there are no existing liens on the subject property or the existing lien being refinanced was taken out after the property was obtained as evidenced by a copy of the note.

- The mortgage being refinanced was used to purchase the property and has an original term of 24 months or less as evidenced by a copy of the settlement statement and original note.
- If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.
- The lender has documented that the borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.

## 3.2 NON-ARMS LENGTH AND INTERESTED PARTY TRANSACTIONS

### 3.21 - NON-ARM'S LENGTH TRANSACTION

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with subject property Builder, Developer, or Seller. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales and flip transactions.

When the property seller is a corporation, partnership or any other business entity it must be ensured that the borrower is not an owner of the business entity selling the property.

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

### 3.22 - INTERESTED PARTY TRANSACTION

A Conflict-Of-Interest Transaction occurs when the borrower has an affiliation or relationship with the Mortgage Broker, Loan Officer, Real Estate Broker or Agent, or any other interested party to the transaction.

In the case of the Mortgage Broker, Loan Officer, or Real Estate Broker/Agent extra due diligence must be exercised. For example the seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property. An examination of the relationship among the Mortgage Broker, Title/Escrow Companies, Appraiser and any other party to the transaction must be closely examined. A Letter of Explanation regarding the relationship between the parties is required

### 3.23 - ELIGIBLE NON-ARM'S LENGTH AND INTERESTED PARTY TRANSACTIONS

- Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction

- Commission earned by buyer/borrower cannot be used for down payment, closing costs, or monthly PITIAA reserves
- Seller(s) representing themselves as agent in real estate transaction
- Renter(s) purchasing from Landlord
  - 24 months cancelled checks to prove timely payments required
  - A VOR is not acceptable
- Purchase between family members
  - Full Documentation only
  - Gift of Equity requires a gift letter and the equity gift credit is to be shown on the CD
  - Must provide a 12-month mortgage history on existing mortgage securing subject property confirming Family Sale is not a foreclosure bailout

### 3.24 - NON-ARM'S LENGTH AND INTERESTED PARTY RESTRICTIONS

- Primary Residences only
- Borrower to provide cancelled check verifying the earnest money deposit
- Cash-Out refinances not allowed
- Maximum LTV/CLTV: 80%
- For-Sale-By-Owner (FSBO) transactions must be arms-length
- Employer to employee sales or transfers not allowed
- Property trades between buyer and seller not allowed

## SECTION 4.0 - BORROWER ELIGIBILITY

### 4.1 - NON-OCCUPANT CO-BORROWERS

- Allowed for Full Doc only, co-borrowers must be immediate family members.
- Not allowed for Foreign National borrowers.
- Borrower and Co-Borrower must complete and sign a Non-Occupant Co-Borrower Certification substantially similar to the form found in [Exhibit D](#) of this guide.
- Occupying borrower(s) must have a DTI ratio of 55% or less. Excluding income/debts of non-occupant borrower.

**Commented [PO4]:** Should we keep at 55%, some borrowers may not qualify by themselves for a DTI up to 55%

### 4.2 - FIRST TIME HOME BUYERS

The following requirements apply to first time home buyer transactions:

- Primary residence only
- Minimum 540 credit score
- DTI may not exceed 50%
- Minimum 6 months of reserves
- 12-month rental history required reflecting 0x30. Rental history is not required for borrowers living rent free (See the [Housing History](#) section of this guide for restrictions on borrowers living rent free)

- Payment shock limited as follows:

	>36% DTI	<=36 DTI
<b>Credit Score &gt;= 620:</b>	300% current housing	Payment shock not applicable
<b>Credit Score &lt; 620:</b>	200% current housing	Payment shock not applicable
<b>FTHB with gift funds:</b>	150% current housing	Payment shock not applicable

Payment Shock = (Proposed Housing Payment / Present Housing Payment) \* 100

Seller should use prudent judgment in evaluating any payment shock implications and the ability of the Borrower to repay the new mortgage loan. Payment shock exceeding acceptable limits will be reviewed case by case and must be accompanied by a documented history of saving which supports the borrower’s ability to handle the increased payment.

### 4.3 - RESIDENCY

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

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

#### 4.31 - U.S. CITIZEN

- Eligible without guideline restrictions

#### 4.32 - PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States.

- Acceptable evidence of permanent residency include the following:
  - Alien Registration Receipt Card I-151 (referred to as a green card).

- Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card).
  - Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) that has an expiration date on the back, and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions).
  - Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized."
- Eligible without guideline restrictions.

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#### 4.33 - NON-PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States.

- Legal Status Documentation
  - Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, NATO, O-1, R-1, TN NAFTA
  - Visa must be current and may not expire for a minimum of 3 years following the close date.
  - When applicable, valid employment authorization doc (EAD) required for US employment if not sponsored by current employer.
- Guideline restrictions:
  - Maximum LTV/CLTV: 75%
  - [Full Documentation \(24-Months\)](#) only
  - Non-Occupant Co-Borrowers not allowed
  - Gift Funds not allowed
  - US credit requirements detailed under the [CREDIT](#) section of this guide should be utilized. If adequate depth of US credit cannot be established the Foreign National [Qualifying Foreign Credit](#) section of this guide may be used. When Foreign Credit used, the restrictions under the Foreign Credit Section apply including the Max LTV of 70%.

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#### 4.34 - FOREIGN NATIONAL

A Foreign National is a non-resident alien who is not authorized to live or work in the U.S or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. In order to be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence.

For the purposes of this guide, Foreign National borrowers are eligible for Second Home transactions only. See the Investor Solutions Guidelines for Investment Property loan eligibility.

Not eligible under Prime Ascent

See the [FOREIGN NATIONAL](#) Section of this guide for all requirements for this Borrower type.



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#### 4.35 - INTER VIVOS REVOCABLE TRUST

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

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

The trustee must include either:

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

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

The following documentation is required:

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

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

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#### 4.36 - INELIGIBLE BORROWERS

- Irrevocable Trust
- Land Trust
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction

## SECTION 5.0 - CREDIT

### 5.1 - CREDIT REPORTS

Fannie Mae guidelines should be utilized for processing and documenting all required credit reports and determining borrower's credit eligibility for Right Start loan purchase.

### 5.2 – LOAN INTEGRITY & FRAUD CHECK

Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. All loans must be submitted to an automated fraud and data check tool (i.e. FraudGuard, DataVerify, etc.). A copy of the findings report must be provided in the loan file along with any documentation resolving any deficiencies or red flags noted.

### 5.3 - CREDIT INQUIRIES

Creditor must obtain verification from borrower in the form of a signed statement attesting that their current obligations are accurate. Additionally, any credit inquiries listed on the report within 90 days of the report date must be explained, if new credit was extended borrowers must provide documentation on the current balance and payment; if no credit was extended borrower must state the purpose of the inquiry. Lenders must inform borrowers that they are obligated to inform the lender of any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

### 5.4 - HOUSING HISTORY

Mortgage/rental history is required for all Right Start programs. If a borrower's mortgage or rental history is not reported on the credit report, alternative documentation showing the most recent 12-month history (cancelled checks, mortgage/rental statements including payment history, etc.) must be provided.

Borrower mortgage and/or rental history may reflect late payments based on Documentation Option and grade criteria, see matrices for requirements. All housing late payments must be cured at the time of application and remain paid as agreed through closing.

Housing late payments exceeding 1x60x24 require a letter of explanation from the borrower. The situation causing the delinquency must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved.

Borrowers who live rent free or without a complete 12-month housing history are allowed with the following restrictions;

- DTI may not exceed 36%
- Full documentation (24 months) only
- Primary Residence only
- Four (4) months of reserves added to the otherwise applicable requirement
- 10% minimum borrower contribution
- Any available portion of a 12-month housing history must be paid as agreed.

See Right Start Grade Determination Matrix for grade specific restrictions.

## 5.5 - CONSUMER CREDIT

### 5.51 - CONSUMER CREDIT HISTORY

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

All mortgage accounts must be current at application and remain paid as agreed through closing.

Commented [P05]:

If a short sale, deed in lieu of foreclosure, or foreclosure has occurred within the last 12 months, no more than a 1x30x6 is allowed on each revolving debt account and no more than a 1x30x12 is allowed on each installment debt account.

### 5.52 - TIMESHARES

Timeshare obligations will be treated as a consumer installment loan

### 5.53 - CONSUMER CREDIT CHARGE-OFFS AND COLLECTIONS

- Individual collection and non-mortgage charge-off accounts equal to or greater than \$250 and accounts that total more than \$2,000 must be paid in full prior to or at closing.
- Medical collections may remain open with a max cumulative balance of \$10,000
- Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded. Evidence of expiration must be documented.

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

- Payments for open charge-offs or collections are included in the DTI (Subject to program DTI restrictions)
- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.

### 5.54 - CONSUMER CREDIT COUNSELING SERVICES

Borrowers currently participating in Fannie Mae approved credit counseling services are acceptable if most recent 12 months paid as agreed, and the CCCS administrator provides a letter allowing borrower to seek new mortgage financing

### 5.56 - JUDGMENT OR LIENS

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

## 5.57 - INCOME TAX LIENS

All income tax liens (federal, state, local) must be paid off prior to or at loan closing. Tax liens that do not impact title may remain open provided the following are met;

- The file must contain a copy of the repayment agreement
- A minimum of 6-payments has been made under the plan with all payments made on time
- The balance of the lien must be included when determining the maximum CLTV for the program
- Refinance transactions require a subordination agreement from the taxing authority

Commented [P06]: All pmts made on time

## 5.6 - BANKRUPTCY HISTORY

Recent bankruptcies are allowed, all bankruptcies (except for a Chapter 13, see below) must be settled at time of application. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the note date.

A cash-out refinance may be used to settle the remaining balance of a Chapter 13 repayment plan. All the following requirements must be met;

- A minimum of 12-months of payments have been made under the bankruptcy plan.
- The most recent 12-months of payment plans have been made on time.
- The borrower has received written permission from the bankruptcy court for the mortgage transaction.

Commented [P07]: Same policy as Fannie, however a frequent question we receive is if this is from application date or note date.

Bankruptcies resolved in the last 48 months require a letter of explanation from the borrower. The situation causing the bankruptcy must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple bankruptcies exist in this time frame each must be addressed in the explanation.

See Right Start Grade Determination Matrix for grade specific restrictions

## 5.7 - FORECLOSURE SEASONING

Foreclosures completed in the last 48 months require a letter of explanation from the borrower. The situation causing the foreclosure must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple foreclosures exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the note date. In the case of a foreclosure which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the foreclosure completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the foreclosure date will be used. Active foreclosures are not allowed.

See Right Start Grade Determination Matrix for grade specific restrictions.

#### 5.8 - SHORT SALE / DEED IN LIEU SEASONING

Short Sales and Deed-in-Lieu of Foreclosures completed in the last 36 months require a letter of explanation from the borrower. The situation causing the Short Sale / Deed-In-Lieu must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple Short Sales and/or Deed-In-Lieu exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the note date. For the Credit Grades of B, B-, and C, where the housing event can be settled, the delinquency proceeding the housing event can be ignored.

In the case of a short sale/deed-in-lieu which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the short sale/deed-in-lieu completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the completion date will be used. Short Sale or Deed-In-Lieu currently in process are not allowed.

See Right Start Grade Determination Matrix for grade specific restrictions.

#### 5.9 - FORBEARANCE OR MODIFICATION

Forbearance or loan modifications are treated as a short sale / deed-in-lieu for grading and pricing purposes. For the Credit Grades of B, B-, and C, where the housing event can be settled, the delinquency proceeding the housing event can be ignored. Servicing retention related interest rate modifications are excluded from the seasoning requirement. A letter or explanation from the borrower addressing the situation that made forbearance or modification necessary must be provided. The current housing payment history along with the new housing payment must be considered when determining if the situation is adequately resolved.

#### 5.10 - CREDIT SCORE

- Decision Score: Minimum of 1 borrower with 2 credit scores. Use lower of 2 or middle of 3 credit scores generated;
- For multiple borrowers:
  - Full Doc: Use the Decision Score for the primary wage earner if that income represents a minimum of 55% of total household income. Otherwise use the lowest Decision Score amongst all borrowers who will be on Note and Title
  - All Other Income Documentation Options: Use lowest Decision Score amongst all borrowers who will be on Note and Title.

#### 5.11 - TRADELINES AND GRADE DETERMINATION

##### 5.111 - STANDARD TRADELINES

- All Programs – A minimum of three (3) tradelines per credit report;
  - Prime Ascent – At least 3 open and active trade lines that have reported for a minimum of 24 months.

- Credit Ascent - At least one tradeline should be active for most recent 24 months; and two tradelines should have reported within the last 12 months.

The following are not acceptable to be counted as a tradeline: “non-traditional” credit as defined by Fannie Mae, any liabilities in deferment status, accounts discharged through bankruptcy, authorized user accounts, charge-offs, collection accounts, foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales.

#### 5.112 - LIMITED TRADELINES (CREDIT ASCENT ONLY)

If [Standard Tradelines](#) requirements are not met and the borrower has a valid credit score per the [Credit Score](#) section of this guide the following restrictions apply:

- Max grade of **B**
- Max LTV/CLTV of 75%
- A 10% down payment has been made by the borrower from their own resources
- Primary residences only
- Not allowed for Self-Employed Solutions Express and Asset Depletion doc types

Commented [PO8]: Should this drop to B-

### 5.12 - OBLIGATIONS NOT APPEARING ON CREDIT REPORT

#### 5.121 - HOUSING AND MORTGAGE RELATED OBLIGATIONS

Housing and mortgage-related obligations include property taxes, premiums and similar charges that are required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments. All properties owned by the borrower must be fully documented in this regard. These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowner’s association billing statements, information obtained from a valid and legally executed contract.

#### 5.123 - CURRENT DEBT OBLIGATIONS, ALIMONY, AND CHILD SUPPORT

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

### 5.13 - PAYMENT SHOCK

Payment shock should not exceed 300% of the borrower’s current housing payment unless DTI is less than or equal to 36%. If payment shock exceeds this limit the underwriter must provide justification of borrower’s ability to handle the increased payment. NOTE: See additional payment shock restrictions in the [First Time Home Buyers](#) section of this guide.

Payment Shock = (Proposed Housing Payment / Present Housing Payment) \* 100

## 5.14 - ADDITIONAL CREDIT CRITERIA

- Inquiries – Recent inquiries within 90 days of the credit report date must be explained by the borrower.
- New debt/liabilities – A verification of all new debt/liabilities must be provided and borrower should be qualified with the additional monthly payment.
- Gap credit—Prior to Right Start funding, Seller’s should confirm there are no new borrower debt obligations. This can be confirmed with a new gap credit report. Refer to “[Credit Inquiries](#)” section above.
- For Foreign National credit criteria see the [Foreign National Credit](#) section of this guide

*Right Start reserves the right to request a newly processed credit report pre-loan closing or prior to Right Start loan funding date to confirm no new debt/liabilities have been added.*

## SECTION 6.0 - ASSETS

**THE FOLLOWING APPLY TO ALL TRANSACTIONS UNLESS OTHERWISE STATED.**

### 6.1 - DOCUMENTATION OPTIONS

Various forms of documentation are acceptable depending on borrower asset type. Assets and reserves should be calculated and documented to Fannie Mae guidelines unless otherwise specified in Right Start guidelines. Fannie Mae guidelines prevail where this guide is silent regarding sources and types of assets as well as asset types not eligible to be included.

For Foreign National borrowers see the [Foreign National Assets](#) section of this guide.

### 6.2 - RESERVES

- The Right Start loan program includes minimum reserves as outlined on the Right Start Product matrices, all transaction types require reserves;
- Additional Reserves - Each financed property in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA on the subject property to a maximum requirement of 24 months (Additional reserves based upon the PITIA of the subject property);
- Reserves must be sourced and documented per section 6.5 of these guidelines;
- Proceeds from a cash-out refinance cannot be used to meet the minimum reserve requirements unless the loan meets the requirements listed under [section 3.03](#), cash-out debt consolidation.
- Reserve requirements are waived for Rate-And-Term Refinance transactions when the transaction results in a reduction to the monthly principal and interest payment of 10% or greater AND housing history is 1x30x12 or better.
- Proceeds from 1031 Exchange cannot be used to meet reserve requirements.

### 6.3 - DOWN PAYMENT SOURCING

Down payment funds should be documented for 60 days per the Fannie Mae Verification of Deposits and Assets guidelines with the documentation included in the loan file. Lenders must require that the borrower state the source of the down payment and provide verification. If the lender determines that the source of the down payment is another extension of credit, the lender must then consider that loan as simultaneous secondary financing. Refer to "[Secondary Financing](#)" section above.

### 6.4 - GIFT FUNDS

- Unless otherwise specified, Gift Funds are acceptable if ONE of the following applies...
  1. A 5% down payment has been made by the borrower from their own resources
  2. 100% Gift Funds are allowed for Credit Ascent-Full Doc loans only, with a maximum LTV of 75%. Borrower(s) must meet both reserve and residual income requirements.
- Fannie Mae guidelines should be used for donor relationship to borrower(s), documentation, proof of funds, and evidence of receipt;
- Gift funds may not be used to meet reserve requirements.
- Gift of Equity allowed for Primary Residence only. Must meet all other guidelines for Gift Funds.

### 6.5 - ASSET DOCUMENTATION

In addition to documenting the down payment, closing costs, and minimum PITIA reserve requirements, all borrowers must disclose and Seller must verify all other liquid assets. Fannie Mae guidelines prevail regarding sources and types of assets as well as assets which are not eligible for closing costs and/or reserves.

- Account Statements should cover most recent 60-day period;
- VOD should be dated within 30 days of loan application date;
- Stocks/Bond/Mutual Funds - 100% of stock accounts can be considered in the calculation of assets for closing and reserves;
- Vested Retirement Account funds – 60% may be considered for closing and/or reserves;
- Non-vested or restricted stock accounts are not eligible for use as down payment or reserves.
- Any assets which produce income or are used as income already included in the income calculation are not eligible for use as down payment or reserves.
- When bank statements are used, large deposits must be evaluated. Large deposits are defined as any single deposit that represents more than 75% of the monthly average deposit balance. Large deposits need to be sourced based upon [Section 6.3](#) of this guide. An example of how to identify a large deposit follows:
  - Month 1 deposits
    - \$1,000
    - \$1,500
  - Month 2 deposits
    - \$2,500
    - \$5,000
  - Total deposits equal \$10,000 or a monthly average of \$5,000.



- 75% of the monthly average is \$3,750.
- The \$5,000 deposit from month 2 needs to be sourced.

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing.

- Documenting Assets Held in Foreign Accounts:
  - Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either [www.xe.com](http://www.xe.com) or the Wall Street Journal conversion table.
  - A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds.

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#### 6.51 - SOLE PROPRIETOR ASSETS/BUSINESS FUNDS

- Business funds may be used for down payment, closing costs and for the purposes of calculating reserves. The borrower must be listed as sole owner of the account and the account needs to be verified per requirements in [Section 6.3](#) of this Guide.
- If Business funds are used, the borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%).
- The seller must determine that the withdrawal of funds will not have a negative impact on the business by one of the following methods based upon the income documentation.
- Full Income Documentation
  - The seller must perform a business cash flow analysis to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business. The seller should utilize FNMA Form 1084 or a similar cash flow analysis form to show the business can support the withdrawal of the funds.
- Self-Employed Solutions - 24 Month Business Bank Statement (May use one of the following methods)
  - Business Expense Coverage: Using the most recent business bank statement(s) used for income documentation perform the following calculation;
    - Statement(s) Ending Balance
    - Transaction Down Payment
    - Transaction Closing Costs
    - Program Required Reserves
    - +Fund Available from Personal Account(s)
    - Funds Available for Business Expense Coverage

Funds Available for Business Expense Coverage must be a positive number and reflect a minimum of 2 months of average expenses as reflected on the P&L; or

- The balance sheet for the business must reflect positive working capital. Working capital is the difference between the current assets less current liabilities. The result represents the maximum amount of business funds available to use towards down payment, closing cost and reserves.

## SECTION 7.0 - INCOME

### 7.1 - INCOME ANALYSIS

**THE FOLLOWING APPLY TO ALL INCOME DOCUMENTATION OPTIONS UNLESS OTHERWISE STATED IN THE SPECIFIC SECTION OF THE GUIDELINES.**

#### 7.11 - INCOME WORKSHEET

The loan file must include an Income worksheet detailing income calculations. Income analysis for borrowers with multiple businesses must show income/ (loss) details separately, not in aggregate. An ATR worksheet, per Section 1.16 must also be included.

#### 7.12 - EMPLOYMENT/INCOME VERIFICATION

- Most recent two (2) years income documentation is required for all income/documentation types unless otherwise noted;
- If any borrower is no longer employed in the position disclosed on the Form 1003 at the Right Start purchase date, Right Start will not purchase the loan.

#### 7.13 - STABILITY OF INCOME

- Stable monthly income is the Borrower's verified gross monthly income which can be reasonably expected to continue for at least the next three years. The Seller must determine that both the source and the amount of the income are stable;
- A two-year employment history is required for the income to be considered stable and used for qualifying;
- When the Borrower has less than a two- year history of receiving income, Seller must provide written analysis to justify the stability of the income used to qualify the Borrower;
- While the sources of income may vary, the Borrower should have a consistent level of income despite changes in the sources of income.

#### 7.14 - EARNINGS TRENDS

When analyzing borrower earnings, year over year earnings trends must be incorporated into the borrower's income calculation in accordance with Appendix Q to Part 1026 of Regulation Z—Standards for Determining Monthly Debt and Income.

YTD income amount must be compared to prior years' earnings using the borrower's W-2's, signed federal income tax returns, or bank statements.

- **Stable or increasing:** Income amount should be averaged;
- **Declining but stable:** If the trend was declining, but has since stabilized and there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of variable income must be used;
- **Declining:** If trend is declining, the income is not eligible.

**7.2 - DEBT TO INCOME RATIO**

**MAX 36% TO 55% SUBJECT TO RIGHT START MATRICES.** The Debt-to-Income ("DTI") ratio is calculated and reviewed for adherence to Fannie Mae guidelines and inclusion of all income and liability expenses. See most recent program matrix for applicable details.

**7.3 - RESIDUAL INCOME**

Residual Income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations. Residual Income = Gross Monthly Income minus total monthly debt. Minimum Residual Income Requirements are calculated using the table below plus \$250 for the first dependent and \$125 for each additional dependent.

Occupancy	Maximum LTV	Minimum Residual Income
Prime Ascent - Primary Residence	90	\$2,500
Credit Ascent - Primary Residence	90	\$1,250
Prime & Credit Ascent	(DTI to 55%)	\$3,000
Second Home – All Programs	80	\$2,500

Commented [PO9]: Add the 3000 for DTI to 55

**7.4 - DOCUMENTATION OPTIONS**

Various forms of documentation are acceptable depending on borrower income type. Income should be calculated and documented to Fannie Mae guidelines, unless otherwise specified within Right Start guidelines. Fannie Mae guidelines prevail regarding sources and types of income as well as income not eligible to be included. A Fannie Mae Form 1084 or Seller equivalent income worksheet should be included and delivered as part of the credit file.

<u>DOC TYPE SUMMARY</u>	<u>Full Doc</u>	<u>Full Doc</u>	<u>Self-Employed Solutions</u>	<u>Self-Employed Solutions Express</u>	<u>Asset Utilization</u>
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	24 Months	12 Months			
<b>Min FICO</b>	500	660	580	660	700
<b>Max LTV/CLTV</b>	90	85	85	80	75
<b>Income Documentation</b>	2 years W2s / Tax Returns	1-year W2s/Tax Return	24 months Personal Bank Statements OR Business Bank Statements	12 months Personal Bank Statements	Amortized Liquid Assets and 2 years W2s / Tax Returns
<b>Tax Returns/Transcript Required</b>	Yes	Yes	No	No	Yes
<b>4506-T Required</b>	Yes	Yes	No	No	Yes ( )
<b>Employment</b>	W2 or Self Employed	W2 or Self Employed	Self Employed Only	Self Employed Only	W2 or Self Employed
<b>Foreign National</b>	Eligible for 2 <sup>nd</sup> Home	NA	NA	NA	NA

#### 7.41 4506-T

When the IRS Form 4506-T is required, the form must be signed by the borrower and the transcript obtained and provided in the credit file. If the transcript request is returned with a code 10 or the borrower is a victim of taxpayer identification theft, the following requirements must be met to validate income;

- Copy of the IRS rejection with a code of "Unable to Process" or "Limitation".
- Proof of identification theft, as evidenced by one (1) of the following:
  - Proof ID theft was reported to and received by the IRS (IRS form 14039).
  - Copy of notification from the IRS alerting the taxpayer to possible identification theft.
- In addition to one (1) of the documents above, all applicable documents below must be provided:
  - Tax Transcript showing fraudulent information.
- Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower's 1040s. Validation of prior tax year's income (income for current year must be in line with prior years).

#### 7.5 - FULL INCOME DOCUMENTATION

Full Income Documentation is available to borrowers who meet the requirements listed below. This documentation option is available to borrowers who have experienced recent credit events and allows for higher LTVs for borrowers with clean payment histories. This option allows for DTIs that exceed 43% (up to 55%) with appropriate residual income and reserves as compensating factors. Loans exceeding a 43% DTI will be considered

Non-QM. Loans with DTIs less than or equal to 43% will be QM with Rebuttable Presumption if all required conditions are met.<sup>1</sup>

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#### 7.51 - RESTRICTIONS

- See Right Start Matrices for acceptable credit grades, max LTV and DTI;
- Minimum 500 credit score.

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#### 7.52 - FULL INCOME DOCUMENTATION (24-MONTHS)

- When tax returns are required, the most recent two years should be provided. The definition of most recent is the last return scheduled to have been filed with the IRS. Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior two years of tax returns.
- Wage or Salaried Borrowers:
  - A completed Request for Verification of Employment (Form 1005 or Form 1005(S)), or the borrower's recent paystub (reflecting 30 days of pay and YTD earnings) and IRS W-2 forms covering the most recent two-year period
  - A verbal VOE from each employer within 10-days of the note date
  - A completed, signed, and dated IRS Form 4506-T is required for each borrower. The form should be executed and the transcripts for the most recent two-year period included in the credit file. If tax returns included in the credit file, the transcripts and returns should be compared. Any discrepancies between the two documents should be explained and if necessary additional documentation obtained to satisfactorily address.
  - Tax returns are not required if the only income is wages or salary. If any business income present on the transcripts or the borrower owns multiple investment properties, tax returns must be provided. Personal tax returns must be complete with all schedules (W-2 forms, 1099 forms, K-1, and any other forms) and be signed and dated
- Self Employed Borrowers:
  - Most recent two years of tax returns, personal and business if applicable (including all schedules), signed and dated by each borrower.
  - A YTD P&L and balance sheet (Borrower prepared acceptable, borrower required to sign both the P&L and Balance Sheet),
  - A complete, signed, and dated IRS Form 4506-T is required for each borrower and any business entity filing a separate return, the forms should be executed and the transcripts included in the

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<sup>1</sup> Specifically, under the Consumer Financial Protection Bureau's Ability-to-Repay/Qualified Mortgage Rule the loan must: (i) have a term that does not exceed 30 years, (ii) provide for regular periodic payments that are "substantially equal, except for the effect that any interest rate change after consummation has on the payment in the case of an adjustable-rate ...mortgage" and do not result in negative amortization, deferral of principal repayment, or any balloon payment. § 1026.43(e)(2)(i)-(ii). In addition, the "total points and fees payable in connection with the loan" cannot exceed 3% of the total loan amount where the loan amount is greater or equal to \$100,000. 12 C.F.R. § 1026.43(e)(2)(iii).

credit file. The tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address.

- Verify the existence of the business within 30-days of the note date and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search
- Underwriter must consider the financial strength of a self-employed borrower's business.

#### 7.53 - FULL INCOME DOCUMENTATION (12-MONTHS)

- When tax returns are required, the most recent year should be provided. The definition of most recent is the last return scheduled to have been filed with the IRS. Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior year tax return.
- Wage or Salaried Borrowers:
  - A completed Request for Verification of Employment (Form 1005 or Form 1005(S)), or the borrower's recent paystub (reflecting 30 days of pay and YTD earnings) and IRS W-2 form for the most recent tax year.
  - A verbal VOE from each employer within 10-days of the note date
  - A completed, signed, and dated IRS Form 4506-T is required for each borrower. The form should be executed and the W-2 transcript for the most recent year included in the credit file. Any discrepancies between the two documents should be explained and if necessary additional documentation obtained to satisfactorily address.
- Self Employed Borrowers:
  - Most recent year of tax returns, personal and business if applicable (including all schedules), signed and dated by each borrower.
  - A YTD P&L and balance sheet (Borrower required to sign both the P&L and Balance Sheet),
  - A complete, signed, and dated IRS Form 4506-T is required for each borrower and any business entity filing a separate return, the forms should be executed and the transcripts included in the credit file. The tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address.
  - Verify the existence of the business within 30-days of the note date and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search
  - Underwriter must consider the financial strength of a self-employed borrower's business.

#### 7.54 - OTHER SOURCES OF INCOME

The following sources of income must be verified using Fannie Mae requirements. In addition, Bonus, Commission, and Overtime only permitted with Full Income (24 Months) documentation.

- Bonus\*

- Commission\*
- Overtime\*
- Part-time/Variable (uninterrupted and stable for past two years\*)
- Retirement
- Social security
- Investment and Trust
- Military or government assistance
- Child support and alimony
- Rental Income: should be documented through Schedule E of the borrower's tax returns. If property has not previously been rented, then income will be calculated based on the lower of the lease agreement or 1007 times 75% for single unit property or 70% for 2-4-unit property.

\* A period of two years must be used in calculating the average overtime, bonus, and commission income. If either type of income shows a continual decline, written justification on the income worksheet must be provided, or income should not be used. For Part-time employment, a minimum two (2) year history is required however a shorter period, of no less than twelve (12) months, may be considered case-by-case if positive factors are present to offset shorter history.

**Commented [PO10]:** Should we exclude bonus and commission from 12-month option?

## 7.6 - SELF-EMPLOYED SOLUTIONS (24 MONTHS BANK STATEMENTS)

The Self-Employed Solutions program is available to self-employed borrowers only and allows the use of 24 months of bank statements to document self-employment income. Income documented through the Self-Employed Solutions method may be combined with other income sources that are documented as Full Doc but not associated with self-employment, such as a spouse employed as a wage earner. When wage income is combined with Self-Employed Solutions, a tax return is not required for the full income documentation, as this would invalidate the bank statements. The 4506T is still required, however, box 8 should be checked to obtain a transcript of W-2 earnings.

Self-Employed Solutions loans will be considered Non-QM.

### 7.61 - RESTRICTIONS

- See Right Start Matrices for acceptable credit grades, max LTV and DTI;
- Non-occupant co-borrowers not allowed;
- Minimum 580 credit score;
- Primary Borrower must be Self-Employed.

### 7.62 - SELF-EMPLOYED SOLUTIONS DOCUMENTATION

<p><b>Personal Accounts</b> Account reflecting personal income and</p>	<ul style="list-style-type: none"> <li>• Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or</li> </ul>
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<p>expenses.</p>	<p>internet search;</p> <ul style="list-style-type: none"> <li>• Verify that the borrower owns a minimum of 25% of the business;</li> <li>• Most recent 24 months of PERSONAL bank statements;</li> <li>• Most recent 2 months of BUSINESS bank statements.</li> </ul>
<p><b>Business Accounts</b> Account in the name of the business reflecting only business income and expenses.</p>	<ul style="list-style-type: none"> <li>• Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search;</li> <li>• Verify that the borrower is 100% owner of the business;</li> <li>• Sales/Expense Documentation Options – One of the following required; <ul style="list-style-type: none"> <li>○ 24-month Profit and Loss Statement (P&amp;L) prepared by a CPA or Licensed Tax Preparer, matching the time period covered by the bank statements, the P&amp;L should be signed by the preparer and the borrower;</li> <li>○ An expense statement specifying business expenses as a percent of the gross annual sales/revenue prepared and signed by either a CPA or tax preparer;</li> <li>○ A Bizminer<sup>1</sup> report for Discretionary Owner Earnings based upon business industry code and geographic location. A borrower prepared P&amp;L statement.</li> </ul> </li> <li>• Most recent 24 months BUSINESS bank statements</li> </ul>
<p><b>Co-mingled Business and Personal Accounts</b> Single account reflecting both personal/business income and expenses.</p>	<ul style="list-style-type: none"> <li>• Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search;</li> <li>• Verify that the borrower is 100% owner of the business;</li> <li>• Sales/Expense Documentation Options – One of the following required; <ul style="list-style-type: none"> <li>○ 24-month Profit and Loss Statement (P&amp;L) prepared by a CPA or Licensed Tax Preparer, matching the time period covered by the bank statements, the P&amp;L should be signed by the preparer and borrower;</li> <li>○ An expense statement specifying business expenses as a percent of the gross annual sales/revenue prepared and signed by either a CPA or tax preparer.</li> <li>○ A Bizminer<sup>1</sup> report for Discretionary Owner Earnings based upon business industry code and geographic location. A borrower prepared P&amp;L statement.</li> </ul> </li> <li>• Most recent 24 months PERSONAL or BUSINESS bank statements.</li> </ul>

**Commented [PO11]:** Require a borrower prepared P&L, use lower of two

- Verification of self-employed businesses by a third-party source must be obtained prior to Right Start loan purchase.



- Tax returns and 4506-T are not required for the program. If Tax returns and/or Transcript are provided the loan will be ineligible for the Self-Employed Solutions Program;
- Bizminer<sup>1</sup> - [www.bizminer.com](http://www.bizminer.com) A subscription service offering Industry Statistical Reports. The Discretionary Owner Earnings report available under Industry Financial Reports should be utilized in the loan analysis. The business should be classified using the North American Industry Classification System (NAICS). A NAICS resource tool is available on the site to help identify and drill down until a match is located for the borrower's business. A letter of explanation provided from the borrower describing the business operation will be needed to properly classify the business. Reports are available based upon geographic regions; US, State, or Metro. The report for the closest geographic area (when available) should be selected.

### 7.63 - SELF-EMPLOYED SOLUTIONS INCOME ANALYSIS

In addition to the factors described in the [Income Analysis](#) section of this guide, lenders should consider the following:

- PERSONAL Bank statement review:
  - Income should be calculated based on a 24 month average of total deposits minus any inconsistent deposits not justified. Qualifying income may not exceed the income indicated on the initial 1003.
  - Pattern of deposits and payment should be consistent;
  - Expectations of changes in deposit pattern must be considered;
  - Income documented separately but comingled must be backed out of deposits.
- BUSINESS & CO-MINGLED Bank statement review will be based upon the documentation option selected above;
  - P&L Sales/Revenue must be supported by the provided bank statements. Total deposits per bank statements, minus any inconsistent deposits, must be no more than 10% below revenue reflected on P&L. The bank statements and P&L must cover the same time period. Qualifying income is the lower of the Net Income indicated on the P&L or the income indicated on the initial 1003
  - Expense Statement – Net Income determined by total deposits per bank statements less total expenses. Total expenses calculated by multiplying total deposits by the expense factor provided by CPA or tax preparer. Qualifying income is the lower of the net income from the analysis or the income indicated on the initial 1003;
  - Bizminer – Net income determined by total deposits per bank statements multiplied by the Discretionary Owner Earnings percentage from the Bizminer report. Qualifying income is the lower of the net income using the Bizminer report, or the net income from the P&L, or the income indicated on the initial 1003; (The P&L must be provided by the borrower prior to the Bizminer report being pulled and the total bank deposits must be within 5% of the gross sales listed on the P&L)
  - Expenses must be reasonable for the type of business;
  - Pattern of deposits and payment should be consistent;
  - Expectations of changes in deposit pattern must be considered;

**Commented [PO12]:** Any adjustment to NI when tolerance is between 6-10%?

**Commented [PO13]:** Require a min profit margin

- Income documented separately but co-mingled must be backed out of deposits.
- Non-sufficient funds (NSF) or negative balances reflected on the bank statement must be considered. Overdraft protection (Fees) associated with a pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist...
  - Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that (a) the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer, (b) the linked account's balance did not report as zero or negative at any point during the statement period of the transfer, and (c) the linked account did not itself receive overdraft protection proceeds during the statement period of the transfer.
  - Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that (a) the line's credit limit was not exceeded during the statement period of the transfer and (b) a payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.

Occurrences included in the analysis are subject to the following tolerances...

- Up to five (5) occurrences in the most recent twelve (12) month time period is acceptable if there are zero (0) occurrences in the most recent three (3) month time period.
- Up to three (3) occurrences are allowed in the most recent twelve (12) month time period if there are one (1) or more occurrences in the most recent two (2) month time period.
- Exception requests for tolerance deviations must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by the underwriter supporting the viability of income.
- Underwriter must consider the financial strength of a self-employed borrower's business.

## 7.7 - SELF-EMPLOYED SOLUTIONS EXPRESS (12 MONTHS BANK STATEMENTS)

The Self-Employed Solutions program is available to self-employed borrowers only and allows the use of 12 months of bank statements to document self-employment income. Income documented through the Self-Employed Solutions method may be combined with other income sources that are documented as Full Doc but not associated with self-employment, such as a spouse employed as a wage earner. When wage income is combined with Self-Employed Solutions, a tax return is not required for the full income documentation, as this would invalidate the bank statements. The 4506T is still required, however, box 8 should be checked to obtain a transcript of W-2 earnings.

Self-Employed Solutions loans will be considered Non-QM.

### 7.71 - RESTRICTIONS

- Prime Ascent not eligible
- See Right Start Matrices for acceptable credit grades, max LTV and DTI;
- Maximum DTI 36%
- Non-occupant co-borrowers not allowed;
- Minimum 660 credit score;

- Primary Borrower must be Self-Employed.
- Limited to sole proprietor and 100% business owners
- First-time Homebuyer not allowed

**Commented [PO14]:** Under S/E Solutions when using personal bank statement, now permit only 25% ownership, do you want to make same change here? Decision to retain 100% ownership

### 7.72 - SELF-EMPLOYED SOLUTIONS EXPRESS DOCUMENTATION

<b>PERSONAL Accounts</b>	<ul style="list-style-type: none"> <li>• Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 4 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search;</li> <li>• Verify that the borrower is 100% owner of the business;</li> <li>• Most recent 12 months of <u>PERSONAL</u> bank statements;</li> <li>• Most recent 2 months of <u>BUSINESS</u> bank statements</li> </ul>
<b>BUSINESS Accounts</b>	<ul style="list-style-type: none"> <li>• Not Available</li> </ul>
<b>Co-mingled Business and Personal Accounts</b>	<ul style="list-style-type: none"> <li>• Not Available</li> </ul>

- Verification of self-employed businesses by a third-party source must be obtained prior to Right Start loan purchase.
- Tax returns and 4506-T are not required for the program. If Tax returns and/or Transcript are provided the loan will be ineligible for the Self-Employed Solutions Program;

### 7.73 - SELF-EMPLOYED SOLUTIONS EXPRESS INCOME ANALYSIS

In addition to the factors described in the [Income Analysis](#) section of this guide, lenders should consider the following:

- PERSONAL Bank statement review:
  - Income should be calculated based on a 12 month average of total deposits minus any inconsistent deposits not justified. Qualifying income may not exceed the income indicated on the initial 1003.
  - Pattern of deposits and payment should be consistent;
  - Expectations of changes in deposit pattern must be considered;
  - Income documented separately but comingled must be backed out of deposits.
- Non-sufficient funds (NSF) or negative balances reflected on the bank statement must be considered. Overdraft protection (Fees) associated with a pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist...
  - Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that (a) the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer, (b) the linked account's balance did not report as zero or negative at any point during the statement period of the transfer, and (c) the linked

account did not itself receive overdraft protection proceeds during the statement period of the transfer.

- Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that (a) the line's credit limit was not exceeded during the statement period of the transfer and (b) a payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.

Occurrences included in the analysis are subject to the following tolerances...

- Up to five (5) occurrences in the most recent twelve (12) month time period is acceptable if there are zero (0) occurrences in the most recent three (3) month time period.
  - Up to three (3) occurrences are allowed in the most recent twelve (12) month time period if there are one (1) or more occurrences in the most recent two (2) month time period.
  - Exception requests for tolerance deviations must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by the underwriter supporting the viability of income.
- Ensure the business is active and document and verify any business licensing (as applicable).
  - Underwriter must consider the financial strength of a self-employed borrower's business.

## 7.8 - ASSET UTILIZATION

The Asset Utilization loan program is an option for an underwriter to use a Borrower's liquid assets to augment income for loan and product qualification purposes.

### 7.81 - RESTRICTIONS

- Prime Ascent not eligible
- See Right Start Matrices for acceptable credit grades, max LTV and DTI;
- Non-occupant co-borrowers not allowed;
- Minimum 680 credit score;
- Cash-out transactions not eligible.
- Only eligible when combined with 24 Month Full Income Documentation

### 7.82 - ASSET UTILIZATION INCOME CALCULATION

Asset Utilization Income: Total Assets Eligible for Depletion, less down payment, less out of pocket closing costs less required reserves, times 70% divided by 360.

Two Income Calculations should be performed on loans utilizing Asset Depletion:

- Max Appendix Q DTI is 55%:
  - Income must be calculated and documented in compliance with Appendix Q of Regulation Z. This income calculation and documentation requirement is consistent with that used for Right Start's Credit Ascent program;

- Borrowers who have reached retirement age (at least 59 ½) are not subject to the maximum Appendix Q DTI.
- Max DTI including Asset Depletion Income Calculation is 43%:
  - Asset Depletion Income (as calculated above) can be added to Appendix Q income when calculating DTI.

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#### 7.83 - ASSET UTILIZATION INCOME DOCUMENTATION

- All individuals listed on the asset account(s) must be on the Note and Mortgage;
- Assets considered for this program must be verified with most recent 3 months of account statements or a VOD.
- Assets must be seasoned 120 days;
- Income other than Asset Utilization must be documented in accordance with the Credit Ascent program including tax returns and 4506-T.

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#### 7.84 - ASSETS ELIGIBLE FOR DEPLETION

Assets must be liquid and available with no penalty; Source and types to Fannie Mae guidelines; Additional documentation may be requested to validate the origin on the wealth:

- Marketable securities (i.e. CD's, money market accounts);
- Checking;
- Savings;
- Stocks;
- Bonds;
- Mutual Funds;
- Retirement Assets: Eligible if the borrower is of retirement age (at least 59 ½).

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#### 7.85 - ASSETS INELIGIBLE FOR DEPLETION

- Equity in Real Estate;
- Privately traded or restricted/non-vested stocks;
- Retirement Assets: Ineligible if the borrower is not of retirement age (at least 59 ½);
- Any asset which produces income already included in the income calculation.

#### 7.9 - FOREIGN NATIONAL

A Foreign National is a non-resident alien who is not authorized to live or work in the U.S or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. To be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence.

For the purposes of this guide, Foreign National borrowers are eligible for Second Home transactions only. See the Investor Solutions Guidelines for Investment Property loan eligibility.

Not eligible under Prime Ascent.

A complete 1003 loan application is required on all loan files reflecting borrower's full name, address including flat, floor, unit or house number, street name, city, province/state along with a postal code. In addition, to assist credit vendors in contacting the borrower, the Borrower Contact Consent Form ([Exhibit H](#)) must be completed.

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#### 7.91 - FOREIGN NATIONAL PROGRAM SPECIFIC DOCUMENTATION REQUIREMENTS

- Visa types allowed: B-1, B-2, H-2, H-3, I, J-1, J-2, O-2, P-1, P-2, TN NAFTA, Laser Visa
- The following are required as evidence the borrower is in the U.S legally
  - Copy of the borrowers valid and unexpired passport (including photograph)
  - Copy of the borrower's valid and unexpired visa (including photograph) OR an I-797 form with valid extension dates and I-94. Borrowers from countries participating in the State Department's Visa Waiver Program (VWP) are not required to provide a valid visa. Participating countries can be found at <http://travel.state.gov/content/visas/en/visit/visa-waiver-program.html> The credit file should be documented with a current print out of the participating countries with the borrowers country of origin highlighted.
- If a non-U.S. citizen is borrowing with a U.S. citizen, Foreign National documentation requirements still apply.
- All parties involved on transaction must be screened through exclusionary lists, must be cleared through OFAC's SND list, search of Specially Designated Nationals & Blocked Persons List may be completed via US Department of Treasury: <http://sdnsearch.ofac.treas.gov/>.
- Borrowers from OFAC sanctioned countries are ineligible <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.
- Individuals with Diplomatic immunity not eligible <http://www.state.gov/s/cpr/rls>.
- All borrowers must complete IRS form W-8BEN
- Documents signed by Borrowers outside of the United States must be notarized by a U.S. embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal.
- Power of Attorney (POA) is not allowed.
- An executed Automatic Debit Payment Agreement (ACH) from a U.S. Bank, along with either a voided check or savings account deposit form is required for transactions involving a Foreign National. Clients should utilize a form similar to [EXHIBIT B](#) of this guide that includes the bank routing number, account number, and account type in to the ACH form.

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#### 7.92 - FOREIGN NATIONAL CREDIT

##### QUALIFYING U.S. CREDIT

- For Foreign National Borrowers with a valid Social Security number a credit report should be obtained. Requirements found in the [CREDIT](#) section of this guide apply. Borrowers not meeting these requirements may proceed under the [Qualifying Foreign Credit](#) requirements detailed in this guide.

- Guideline restrictions: Qualifying U.S. Credit
  - Maximum LTV/CLTV: 75%
  - Full Doc only
  - Second Home only
  - Non-Occupant Co-Borrowers not allowed
  - Gift Funds not allowed
  - Minimum Grade: B+
  - Minimum Credit Score: 600

#### QUALIFYING FOREIGN CREDIT

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- Foreign National Borrowers without Qualifying U.S. Credit (Including borrowers without a valid Social Security Number and borrowers with or without an Individual Tax Identification Number) must provide evidence of three (3) active and open tradelines with a 2 year history. No derogatory credit history is permitted. ANY combination of the following is acceptable to arrive at the tradeline requirement.
  - Tradelines evidenced via a U.S. credit report; AND/OR
  - Tradelines evidenced via international credit report if a U.S. credit report cannot be produced or does not provide a sufficient number of tradelines; AND/OR
  - Tradelines evidenced via credit reference letters from verified financial institutions in the borrower's country of origin if a U.S. credit report and/or international credit report is not available or the combination of the credit reports does not provide a sufficient number of tradelines.
    - A minimum of 1 reference letter must be from an internationally known financial institution.
    - Each letter of reference must state the type and length of the relationship, how the account is held, payment amount, outstanding balance and status of account including a minimum 12 month payment history.
    - A single reference source may provide verification of multiple accounts. Individual account detail must be provided.
    - The letter must mention the borrower by name.
    - Name, title & contact information of the person signing the letter must be included.
    - Currency must be converted to U.S. Dollars and signed and dated by certified translator.
    - All documents must be translated into English.
- Guideline restrictions: Qualifying Foreign Credit
  - Maximum LTV/CLTV: 70%
  - Full Doc only
  - Second Home only (See the Investor Solutions guide for investment loan options)
  - Non-Occupant Co-Borrowers not allowed

- Gift Funds not allowed
- Minimum Grade: B+ (No returned score results in a B+ grade)
- Minimum Credit Score: 620 (when available)

## HOUSING HISTORY

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Evidence of a 2-year housing history (mortgage and/or rental) with 0x30x24 is required. Housing history may be included as 1 of the required tradelines for a [Qualifying U.S. Credit](#) transaction if it is included on the U.S. credit report or may be used as 1 of the required tradelines for a [Qualifying Foreign Credit](#) transaction if it is included on the U.S. credit report, the international credit report, or verified in accordance with [credit reference letter](#) requirements. Without verifiable housing history, including borrowers who live rent free, DTI may not exceed 36% and borrower must add four (4) months of reserves to the otherwise applicable requirement.

## 7.93 - FOREIGN NATIONAL INCOME

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- Borrowers with US sourced income must comply with all Credit Ascent Full Doc guidelines.
- Foreign National Salaried/Wage Earners qualifying on non-US income sources must provide:
  - Paystubs covering a minimum of 30 days (which include YTD income) and one (1) of the following 1) W-2 equivalent or 2) Two (2) years tax returns from borrower country of origin; OR
  - A letter from employer on company letter head providing current monthly salary, YTD earnings and total earning for the past 2 years. Letter from employer must be on company letterhead, including address and company web address, Employer to be independently verified (LexisNexis, D&B, Google, other). All docs must be translated by an independent certified translator; AND
  - Two (2) years tax returns from the borrowers country if residence (if applicable)
- Foreign National Self-Employed borrowers qualifying using non-US income sources:
  - Must be self-employed for a minimum of 2 years evidenced by a letter from the borrower's CPA or local equivalent (the "Accountant") on Accountant letterhead. The letter must include income figures for each of the last 2 years and YTD income. A business license (where required) and organization documents should be provided.
  - A copy of the Accountant's current license is required. The Business & Accountant must be independently verified.
  - All documents must be translated by an independent certified translator.
  - Two (2) years tax returns from the borrowers country if residence (if applicable)
- Income from countries sanctioned by OFAC is not allowed.
- Care must be taken in assessing income from a non-US sources. If income declining or inconsistent, and cannot be isolated to a non-recurring instance then the lowest annual income should be used.

The [INCOME](#) section of this guide prevails unless otherwise mentioned



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## 7.94 - FOREIGN NATIONAL ASSETS

### RESERVES

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- A minimum of twelve (12) months of reserves are required. Without verifiable housing history, including living rent free, the borrower must have an additional four (4) months of reserves;
- Each financed property in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA;

### ASSETS HELD IN FOREIGN ACCOUNTS

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Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing.

- Documenting Assets Held in Foreign Accounts:
  - Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either [www.xe.com](http://www.xe.com) or the Wall Street Journal conversion table.
  - A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds.
  - See the [Asset Documentation](#) section of this guide for eligible sources and types of assets

The [ASSETS](#) section of this guide prevails unless otherwise mentioned.

EXHIBIT A: OCCUPANCY CERTIFICATION

Loan Number: \_\_\_\_\_

OCCUPANCY CERTIFICATION

Borrower \_\_\_\_\_

Co-Borrower(s) \_\_\_\_\_

Property Address \_\_\_\_\_

I/We the undersigned certify that:

- \_\_\_\_\_ **Primary Residence** – I/we will occupy the Property as my/our principal residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/We will continue to occupy the Property as my/our principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing.
- \_\_\_\_\_ **Second Home** – I/we will occupy the Property as a second home (vacation, etc) while maintaining a principal residence elsewhere.
- \_\_\_\_\_ **Investment Property** – I/we will not occupy the Property as a principal residence or second home. I/we will not occupy the Property for more than 14 days in any calendar year. The Property is an investment to be held or rented rather than for household or personal use.

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

\_\_\_\_\_ I/we understand that consumer protection laws applicable to consumer loans will not apply to this loan, including the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 et seq.), and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).

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

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

I/We the undersigned acquired this property on \_\_\_\_\_.

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

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

\_\_\_\_\_  
Borrower                      Date

\_\_\_\_\_  
Borrower                      Date

\_\_\_\_\_  
Borrower                      Date

\_\_\_\_\_  
Borrower                      Date

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### Automatic Payment Authorization Form

You must attach a voided check or a savings deposit slip

Yes, I would like to enroll in the free\* monthly Automatic Payment Program

<b>Name:</b>	<b>Street Address:</b>	<b>City, State, Zip Code:</b>
<b>Mortgage Loan Number:</b>		
<b>Daytime Phone Number:</b>	<b>Evening Phone Number:</b>	
<b>Financial Institution Name:</b>	<b>Financial Institution Phone Number:</b>	
<b>Account Routing Number:</b>	<b>Account Number:</b>	<input type="checkbox"/> <b>Checking</b> <input type="checkbox"/> <b>Savings</b>

**\*Please note that your financial institution may assess a fee for this transaction.**

Please specify the payment date most convenient for you, which must be within the applicable grace period. **If a payment date is not specified, or your loan is a daily simple interest loan, payments will be deducted on your current loan due date.**

Deduct my payment on the \_\_\_\_\_ of each month.

I would like additional funds deducted and applied toward reducing my outstanding principal balance. Please deduct an additional \$ \_\_\_\_\_ per month.

I hereby authorize \_\_\_\_\_, including its successors and/or assigns, to initiate transfers from my checking or savings account at the financial institution indicated above for the purpose of making my monthly mortgage payment. I authorize the amount of each transfer to include my regularly scheduled payment including principal, interest and escrow items, reimbursement of corporate advances, optional insurance as applicable and the costs of any services I request.

I understand that, in accordance with the terms of my mortgage note and/or adjustments in my escrow for taxes and insurance, my payment may change from time to time as set forth in my loan documents. You are hereby authorized to change the amount of the draft from my checking or savings account, provided that you notify me of the new payment amount at least 10 days prior to the draft date. I agree that the payment change notice provided to me under the Adjustable Rate Mortgage Provisions of the Truth-in-Lending Act and/or escrow analysis form shall constitute notice of payment change as required by the Electronic Funds Transfer Act and Federal Reserve Board Regulation E.

I HEREBY AGREE TO THE TERMS AND CONDITIONS IN THIS FORM.

Borrower's Signature \_\_\_\_\_ Date \_\_\_\_\_

CoBorrower's Signature \_\_\_\_\_ Date \_\_\_\_\_

**Important Ability-to-Repay Notice**

Date: \_\_\_\_\_  
\_\_\_\_\_

Application No.:

This Important Ability-to-Repay Notice is being provided to each borrower prior to the signing of the loan documents, but after federal Truth in Lending disclosures have been provided.

In reviewing your credit application, [ ] has considered and verified the following information as it relates to your ability to repay this loan according to its terms as required by applicable law: (1) your current and reasonably expected income and/or assets (other than the value of the dwelling and any attached real property); (2) your current employment status (to the extent that employment income is relied on to determine repayment ability); (3) the monthly payment for principal and interest on the loan; (4) the monthly payment on any simultaneous loan that [ ] knows or has reason to know will be made; (5) the monthly payment for mortgage-related obligations (e.g., property taxes, certain insurance premiums, fees and special assessments for condominiums, and homeowners association, ground rent, and leasehold payments); (6) your current debt obligations, alimony, and child support; (7) your monthly debt-to-income ratio and/or residual income; and (8) your credit history.

Below and in the attached Application Form (Uniform Residential Loan Application on Fannie Mae Form 1003) is the information that [ ] has been used and considered in making this loan, as required by applicable law:

**Employment and Income**

Current Monthly Income: \_\_\_\_\_ Current Monthly Income from Assets:  
\_\_\_\_\_

**Housing Expenses**

Principal and Interest Payment \_\_\_\_\_  
Real Estate Taxes \_\_\_\_\_  
Homeowner's Insurance \_\_\_\_\_  
Association Dues \_\_\_\_\_  
Other \_\_\_\_\_  
**Total Housing Payment** \_\_\_\_\_

**Debts**

Installment and Revolving monthly debt payments \_\_\_\_\_

Other Obligations (including alimony and child support payments) \_\_\_\_\_

**Total Monthly Other Debts** \_\_\_\_\_

The information listed above and in the Attachment, was provided by you in your application and interview, and/or in third-party records and other documents (such as credit reports and tax records). Based on its consideration of this information, [ ] has made a reasonable and good faith determination that you have the reasonable ability to repay this loan according to its terms.

[ ] wants to make sure that the information listed above is correct and complete. [ ] is in the business of making loans and collecting loan payments—it has no desire to make a loan that cannot be repaid under the terms of the agreement.

By your signature(s) below, you are confirming that:

- (1) You have read and understand this Important Ability-to-Repay Notice, and the information listed above is correct and complete;
- (2) Your current or reasonably expected income or assets (other than the value of the dwelling and any attached real property) is/are consistent with the information listed above;
- (3) Your current employment status is consistent with the information listed above and/or attached;
- (4) Your current housing expenses, debts, and other obligations (including alimony and child support payments) are consistent with the information listed above;
- (5) You have not applied for or opened any new credit accounts, defaulted on any credit accounts, filed for bankruptcy, or had any judgments entered against you by a court;
- (6) You have not experienced any other changes from the time you signed or otherwise completed the information listed above and in the attached Uniform Residential Loan Application (Form 1003) that would reduce your reasonable ability to repay this loan according to its terms.

Borrower(s):

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_      \_\_\_\_\_

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_      \_\_\_\_\_

DATE      (Signature)      DATE      (Signature)

EXHIBIT D: NON-OCCUPANT CO-BORROWER CERTIFICATION

Loan Number: \_\_\_\_\_

**NON-OCCUPANT CO-BORROWER CERTIFICATION**

Borrower

\_\_\_\_\_  
Co-Borrower(s)

\_\_\_\_\_  
Subject Property Address

I/We the undersigned certify that:

- \_\_\_\_\_ I am/We are the co-borrower(s) of the Promissory Note associated with the first mortgage loan that is being made to the above Borrower(s).
- \_\_\_\_\_ I/We attest that my/our income is/are being taken into account for qualifying purposes only.
- \_\_\_\_\_ I/We attest that we do not currently, nor will ever occupy the above mentioned Subject property.
- \_\_\_\_\_ I/We attest that we will sign the mortgage or deed of trust note at closing.
- \_\_\_\_\_ I/We understand that upon consummation of this transaction I/we will have joint liability for the note with the Borrower(s).
- \_\_\_\_\_ I/We do not have an interest in the property sales transaction; such as the property seller(s), the builder(s), or the real estate broker(s).
- \_\_\_\_\_ I am a/We are family member(s) of the Borrower(s) defined as follows: The borrower's spouse, child, dependent, domestic partner, fiancé, fiancée, or any other individual related to the borrower by blood, marriage, adoption, or legal guardianship.

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

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

_____ Borrower	_____ Date	_____ Borrower	_____ Date
_____ Co-Borrower	_____ Date	_____ Co-Borrower	_____ Date
_____ Relationship to Borrower(s)		_____ Relationship to Borrower(s)	

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EXHIBIT E: CONDOMINIUM PROJECT QUESTIONNAIRE

CONDOMINIUM PROJECT QUESTIONNAIRE

Project Name: \_\_\_\_\_ Date: \_\_\_\_\_  
 Project Street Address: \_\_\_\_\_ HOA Tax Payer ID: \_\_\_\_\_  
 Unit Address: \_\_\_\_\_ Loan Number: \_\_\_\_\_  
 HOA Representative: \_\_\_\_\_ Lender Name: \_\_\_\_\_

In order for us to determine eligibility of your project, we ask for your assistance in completing this form. Any officer of the association/management form may complete this form. It is imperative that each question is answered in full. Your cooperation will assure a smooth experience for both the borrower and the seller.

**Part I: PROJECT INFORMATION**

Please provide actual numbers and not percentages in the chart below:

Legal Phase # Previous and Future Phases	# of Units Per Phase	# of Buildings	# of Units Complete	# of Units for Sale	# of Units Sold or Under Contract	# of Owner Occupied and Secondary Homes	# of Investor Units

NOTE: If unable to provide number of second homes, provide number of off-site addresses: \_\_\_\_\_

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

# of Owner Occupied Units \_\_\_\_\_ # of Investor Units \_\_\_\_\_ # of Units Sold from Developer \_\_\_\_\_  
 # of Secondary Home Units \_\_\_\_\_ # of Units for Sale \_\_\_\_\_ # of Units in Entire Project \_\_\_\_\_

2. Does the project have any of the characteristics listed below? Please check all that apply:  Yes  No

- Hotel/Motel Operations
- On-Site Registration Desk
- Short Term/Daily Rentals
- Continuing Care Facility
- Maid Service
- Houseboat
- Investment Security
- Live-Work Project
- Room Service
- Key-Card Entry
- Cooperative
- Timeshare
- Bellman
- Mandatory Rental Pool
- Manufactured Housing
- Multi Dwelling

3. What year was the Project built or converted? \_\_\_\_\_

4. How many stories or floors does the Project have? \_\_\_\_\_

5. What is the maximum number of units allowed in the Project? \_\_\_\_\_

6. Are at least 90% of the total units sold and closed?  Yes  No

7. Are all units and common elements complete and not subject to any additional phasing and/or additions?  Yes  No  
 If yes, when was the Project completed? \_\_\_\_\_

8. If Project is not complete, is the subject legal phase, or any prior legal phases in which units have been offered for sale, substantially complete and has a Certificate of Occupancy been issued?  Yes  No

If no, when will the phase be completed? \_\_\_\_\_  
 Date subject phase completed? \_\_\_\_\_  
 Date last phase was completed? \_\_\_\_\_  
 What remains to be completed for Project to be 100% complete? \_\_\_\_\_

9. Is the Project a conversion of an existing building within the last three years? *If yes:*  Yes  No  
 What year was the Project original built? \_\_\_\_\_  
 What date was the conversion completed? \_\_\_\_\_  
 Was the conversion a gut rehab? *Gut rehab refers to the renovation of a property down to the shell, with replacement of all HVAC and electronic components.*  Yes  No  
 What was the original use of the building? \_\_\_\_\_  
 NOTE: *If Project is a conversion completed less than four years ago, please submit a copy of the engineer/architect report, evidence of repairs completed, current Reserve Study (last 24 months), and evidence of working capital fund.*
10. Is any part of the Project used for commercial space? *If yes:*  Yes  No  
 What is the total square footage of the commercial space? \_\_\_\_\_  
 What is the total square footage of the building? \_\_\_\_\_  
 What floor(s) is the commercial space located on? \_\_\_\_\_  
 How is the commercial space currently used? \_\_\_\_\_
11. Is the Project part of a mixed-use building (contains both commercial and residential space not part of the association)? *If yes:*  Yes  No  
 What is the total square footage of the commercial space? \_\_\_\_\_  
 What is the total square footage of the building? \_\_\_\_\_  
 What floor(s) is the commercial space located on? \_\_\_\_\_  
 How is the commercial space currently used? \_\_\_\_\_
12. Is the HOA or developer involved in any litigation and/or arbitration, including the project being placed in receivership, bankruptcy, deed-in-lieu of foreclosure, or foreclosure?  Yes  No  
*If yes, please describe the details and provide documentation and attorney letter relating to the litigation:* \_\_\_\_\_
13. Are there any pending or levied special assessments by the HOA? *If yes:*  Yes  No  
 What is the total amount of assessment? \_\_\_\_\_  
 What is the assessment amount per unit? \_\_\_\_\_  
 What is the term of the assessment? \_\_\_\_\_  
 What is the current assessment balance? \_\_\_\_\_  
 Has work been completed?  Yes  No  
 Describe the nature of the assessment: \_\_\_\_\_
14. Does the association have any knowledge of any adverse environmental factors affecting the Project as a whole or any individual unit within the Project? *If yes, please provide an explanation:*  Yes  No  
 \_\_\_\_\_
15. Is there more than one association within the Project, covered by a Master or umbrella association? *If yes:*  Yes  No  
 Master association name: \_\_\_\_\_  
 Amenities and/or recreational facilities available through Master Association: \_\_\_\_\_
16. Are there any common amenities and/or recreational facilities available or to be built in the future?  Yes  No  
*If yes, please provide the type(s):*  
 Pool  Clubhouse  Tennis Court  Playground  
 Other (describe): \_\_\_\_\_
17. Are all common elements, amenities, and/or recreational facilities owned jointly by the unit owners/HOA (including any Master Association)? *If no, please provide an explanation:*  Yes  No  
 \_\_\_\_\_
18. Does the HOA own all amenities and recreational facilities debt and lien free?  Yes  No
19. Do the unit owners in the Project have rights to the use of all common elements/amenities?  Yes  No



20. Does the HOA share any common amenities with other, unaffiliated projects?  Yes  No
21. Does the Project have any mandatory, upfront membership fees for the use of recreational amenities owned by an outside party?  Yes  No
22. Are any units in the Project with resale or deed restrictions? *If yes, please explain. Provide related agreements and number of units subject to restriction and unit numbers:*  Yes  No
- 
23. Are all units owned fee simple?  Yes  No
24. Are any of the units owned in a leasehold? *If yes, please provide copies of leasehold documents.*  Yes  No
25. Is the developer leasing or renting any of the units in the Project? *If yes, provide number of units leased/rented by developer:*  Yes  No
- 
26. Is the developer responsible for assessments on unsold units?  Yes  No
27. If a unit is taken over in foreclosure, will the mortgagee be liable for more than six months of unpaid dues?  Yes  No
28. How many units are over 60 days delinquent on HOA dues or assessments (including REO owned units)? \_\_\_\_\_
29. How many units are over 30 days delinquent (including units that are over 60 days delinquent) in payment of HOA dues or assessments (including REO owned units)? \_\_\_\_\_
30. Does any single entity (individual, investor, or corporation) own more than 10% of the units in the Project?  Yes  No
31. Are two members of the HOA Board required to sign all checks written from the reserve account?  Yes  No
32. Does the HOA maintain two, separate bank accounts or the operating and reserve accounts?  Yes  No
33. Does at least 10% of annual budget provide for funding of replacement reserves, capital expenditures, deferred maintenance, and insurance deductibles?  Yes  No
34. Is the Project professionally managed? *If yes, please provide:*  
*What is the length of the current management contract?*  Yes  No  
*Does the management contract require a penalty for cancellation of at least 90 days?*  Yes  No
35. Has the developer turned over Project control to unit owners?  
*If yes, when was it turned over?* \_\_\_\_\_  
*If no, what is the anticipated date the Project will be turned over to the unit owners?* \_\_\_\_\_
36. If/when the Project is turned over to the unit owners, does the developer retain any ownership in the Project besides unsold units?  
*If yes, please provide what is owned by the developer and how it is used:* \_\_\_\_\_

**PART II. PREPARER INFORMATION**

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
 Title: \_\_\_\_\_ Email: \_\_\_\_\_

When completed by HOA representative, this form will be utilized to help determine financing eligibility of a unit within the Project. Completion of this form does not create legal liability on the part of the preparer. The undersigned hereby certifies that the above information is true and correct to the best of the preparer's knowledge and is presented on behalf of the Homeowners Association for the Project listed.

Signature of HOA Representative: \_\_\_\_\_ Date: \_\_\_\_\_

**PART III: REQUIRED DOCUMENTATION**

**New Projects:**

- Fannie Mae Application for Project Approval (Form 1026) Project Certification, Verus Condominium Questionnaire, or similar.
- FNMA Warranty of Project Presale signed by developer/builder as authorized representative (Form 1029).
- FNMA Warranty of Condominium Project Legal Documents (Form 1054) or comparable lender's warranty.
- FNMA Final Certification of Substantial Project Completion completed by developer (Form 1081).
- Current Annual Budget.
- Current Balance Sheet (dated within the last 60 days).
- Evidence of current HOA/Project Insurance in compliance with FNMA guidelines.
- Project legal documents: Declarations, By-Laws, and any Amendments.
- Schedule of outstanding loan information.
- Letter from construction lender stating financing is in good standing.
- Evidence there are no contractor liens outstanding.
- Project Marketing Analysis: sales and marketing plan.
- Photos of subject property and two comparable projects including site, improvements, facilities/amenities, and parking.
- PERS Preliminary Approval, if applicable.

**Established Projects:**

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

**Re-Certification of Projects:**

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

EXHIBIT F: DEVELOPER / BUILDER QUESTIONNAIRE

**DEVELOPER/BUILDER QUESTIONNAIRE**

Project Name: \_\_\_\_\_  
 Legal Address: \_\_\_\_\_  
 Developer Company Name: \_\_\_\_\_ President/Owner: \_\_\_\_\_  
 Address: \_\_\_\_\_ Phone: \_\_\_\_\_  
 Website: \_\_\_\_\_ Email: \_\_\_\_\_  
 Builder Name: \_\_\_\_\_ President/Owner: \_\_\_\_\_  
 Address: \_\_\_\_\_ Phone: \_\_\_\_\_  
 Website: \_\_\_\_\_ Email: \_\_\_\_\_  
 Broker/Marketing Co. Name: \_\_\_\_\_ Sales Manager: \_\_\_\_\_

1. Is the marketing firm affiliated with the developer/builder? *if yes, describe the relationship:*  Yes  No  
 2. Are sales or financing concessions offered as part of the marketing of units? *if yes, what concessions are being offered? Please provide sales and marketing plan.*  Yes  No

**BUILDER/DEVELOPER CONSTRUCTION EXPERIENCE**

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

**PROJECTS COMPLETED**

Project Name	Location	# of Units	Year Completed

**BUILDER/DEVELOPER PRE-SALE CERTIFICATION**

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

10. Does the builder/developer plan to retain ownership of any units, common elements, or other Project facilities other than during initial marketing period? *if yes, please provide an explanation of what is being retained and the reason:*  Yes  No  
 11. Are there any mechanic's liens, complaints, or litigation filed against the property? *if yes, please provide an explanation and any supporting documentation:*  Yes  No

**DEVELOPER/BUILDER REQUIRED DOCUMENTATION**

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

**CERTIFICATION**

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

Builder/Developer Name (please print) \_\_\_\_\_ Title \_\_\_\_\_  
 Builder/Developer Signature \_\_\_\_\_ Date \_\_\_\_\_

Title 18 U.S.C. 1014, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any matter in the jurisdiction of any department or agency of the United States, shall be fined not more than \$1,000,000 or imprisoned for not more than 30 years or both. In addition, violation of this or others may result in debarment and civil liability for damages suffered by the Department.  
 Venus Mortgage Capital 03/07/16

EXHIBIT G: ALTERNATIVE LOAN REVIEW FORM

Alternative Loan Review Form	
Borrower Name:	
Loan Number:	
<input type="checkbox"/> Borrower DOES NOT qualify for FHA/FNMA/FHLMC loan programs	
<input type="checkbox"/> Borrower DOES qualify for FHA/FNMA/FHLMC loan program (Borrowers who qualify not eligible for Right Start Mortgage Capital programs)	
Please list reasons the loan is not eligible for FHA/FNMA/FHLMC loan program (Attach DU/LP Findings for support as applicable): <ul style="list-style-type: none"> <li>• _____</li> <li>• _____</li> <li>• _____</li> <li>• _____</li> </ul>	
Underwriter Name:	
Underwriter Signature:	
Date of Review:	

EXHIBIT H – BORROWER CONTACT CONSENT FORM

**BORROWER CONTACT CONSENT FORM**

To ensure that we have the correct contact information for the purpose of servicing your loan, please provide the following information.

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

**Mailing address for your mortgage statements and other correspondence:**

\_\_\_\_\_ Same as the subject property

\_\_\_\_\_ Please use this mailing address instead:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Cell phone number:**

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

Borrower ( \_\_\_\_\_ ) - \_\_\_\_\_

Co-Borrower ( \_\_\_\_\_ ) - \_\_\_\_\_

**Email address:**

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

Borrower \_\_\_\_\_ @ \_\_\_\_\_

Co-Borrower \_\_\_\_\_ @ \_\_\_\_\_

**Signature(s)**

Borrower \_\_\_\_\_

Date

Co-Borrower \_\_\_\_\_

—

Date

EXHIBIT I – CONDOMINIUM PROJECT WARRANTY CERTIFICATION

**Condominium Project Warranty Certification**

<b>Project Name:</b>	
<b>Project Address:</b>	
<b>Phase</b>	
<b>Borrower Name:</b>	
<b>Subject Address:</b>	
<b>Lender Name:</b>	
<b>Loan Number:</b>	

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

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

Project type:  Established  New  2-4 unit

Project Documents reviewed include:

	Condo Questionnaire
	Current annual HOA/Project Budget
	Current Balance Sheet
	Evidence of Project Insurance
	Project legal documents as required by Project type

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

\_\_\_\_\_  
Signature of Lender Representative certifying

\_\_\_\_\_  
Name of Lender Representative

\_\_\_\_\_  
Title of Lender Representative

\_\_\_\_\_

Date of Certification:

