Fannie Mae High Balance Matrix

Revision: March 1, 2017

Finance Type	Purchase and Rate/Term Refinances			Cash Out Refinances		
Occupancy	Owner Occupied			Owner Occupied		
Term	Fixed Rate and Fixed Period ARM's			Fixed Rate and Fixed Period ARM's		
	Property Type	LTV/CLTV	Fico Score	Property Type	LTV/CLTV	Fico Score
	1 Unit	FRM 95/95 ARM 90/90	620	1 Unit	FRM 80/80 ARM 75/75	620
		FRM 80/80 ARM 80/80	620			
	2 Unit	FRM 80/80 ARM 75/75	620	2 Unit	FRM 75/75 ARM 65/65	620
	3-4 Unit	FRM 75/75 ARM 65/65	620	3-4 Unit	FRM 75/75 ARM 65/65	620
	Second			Second		
	Fixed Rate and Fixed Period ARM's			Fixed Rate and Fixed Period ARM's		
	1 Unit - Purchase	FRM 90/90 ARM 80/80	620	1 Unit	FRM 75/75 ARM 65/65	620
		FRM 80/80 ARM 80/80	620			
	1 Unit - R/T Refi	FRM 90/90 ARM 80/80	660			
		FRM 80/80 ARM 80/80	620			
	Investment Property			Investment Property		
	Fixed Rate and Fixed Period ARM's			Fixed Rate and Fixed Period ARM's		
	1 Unit - Purchase	FRM 80/80 ARM 75/75	620	1 Unit	FRM 75/75 ARM 65/65	620
	1 Unit - R/T Refi	FRM 75/75 ARM 65/65	620			
	2-4 Unit	FRM 75/75 ARM 65/65	620	2-4 Unit	FRM 70/70 ARM 60/60	620

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	General Guidelines
ATR and QM	All loans must meet the Ability to Repay (ATR) and Qualified mortgage (QM) provisions of the Dodd-Frank Act.
Products	30 YEAR FIXED, 15 YEAR FIXED, 5/1 ARM, 7/1 ARM, 10/1 ARM
ARM Information	**For 5/1 ARM**: Index: 1 YR Libor Caps: 2% initial adjust. 2% per adjust. ,thereafter, 5% Life Floor: Margin Margin: 2.25% **For 7/1 ARM**: Index: 1 YR Libor Caps: 5% initial adjust. 2% per adjust. ,thereafter, 5% Life Floor: Margin Margin: 2.25% **For 10/1 ARM**: Index: 1 YR Libor Caps: 5% initial adjust. 2% per adjust. ,thereafter, 5% Life Floor: Margin Margin: 2.25%
Rate at Adjustment	**On 5/1 ARM**, the initial note rate is in effect for 60 months; the first interest adjustment is calculated by the lower of Index plus Margin or Initial Rate plus 2%, and is subject to Life Cap of 5% plus Initial Rate of Index plus Margin is greater. Thereafter, a 2% annual adjustment cap begins with the second adjustment. **On 7/1 ARM**, the initial note rate is in effect for 84 months; the first interest adjustment is calculated by the lower of Index plus Margin or Initial Plus 5%, and is subject to Life Cap of 5% plus Initial Rate if Index plus Margin is greater. Thereafter, a 2% annual adjustment cap begins with the second adjustment. **On 10/1 ARM**, the initial note rate is in effect for 120 months; the first interest adjustment is calculated by the lower of Index plus Margin or Initial Rate plus 5%, and is subject to Life Cap of 5% plus Initial Rate if Index plus Margin is greater. Thereafter, a 2% annual adjustment cap begins with the second adjustment.
Borrower Qualification	Fixed Rate: Borrower is qualified at the Note rate. 7/1 and 10/1 ARMS: Qualify at the greater of the Note rate of the fully indexed rate. 5/1 ARMS: Qualify at the greater of the Note rate of the fully indexed rate +2%.
Underwriting Method	Desktop Underwriter with "Approve/Eligible" Findings is required. All borrower on the loan must have a credit scores. LTV's/CLTV, and HCLTV Ratio's Greater than 95% are not permitted. Manual UW is not permitted. DU 10.0 to be used.
Income Verification	4506T authorization form required on all transactions. Transcripts are verified for all transactions. Borrower's with W2 income ONLY may process W2 transcripts. Borrowers with commission income >25% of their total earnings, or if any other type of income is used in qualifying; complete 1040 transcripts are required ** the 4506T is not required when using Employment Work Number verification and was rep and warranted on the DU
Eligible Borrowers	US Citizens; Permanent Resident Aliens with proof of lawful permanent residence; Nonpermanent resident immigrants with proof of lawful permanent residence; Revocable Trust; Must have valid Social Security Number; Maximum of 4 borrowers per loan application are allowed
Eligible Property Types	-SFR (attached / detached), PUDS, 1-4 unit and condos (exclude high rise condos). MFG Homes not allowed for this product. Properties on Dirt Roads, not allowed unless loan meets following criteria: FICO = 680 or higher, LTV = 80% or less, DTI does not exceed 43%, borrower has 2 year history on job and 2 months reserves after closing.
Appraisal Requirements	• Full appraisal required on all loans (1004 or equivalent) accompanied by 1004MC. • A Field Review (form 2000) is required when property value is >= $1,000,000 and the LTV/CLTV exceeds 75% • The appraiser performing the initial appraisal and the appraisal field review report must be qualified to perform appraisal without oversight or supervision by a "supervisory appraiser". • When the subject property is an attached condominium, the appraiser must provide at least one comparable sales form outside the subject property and outside the influence of the developer, builder, or property seller
Assets	• Follow Fannie Mae guidelines relative to funds to close

	• Gift funds are allowed in accordance with Fannie Mae guidelines • When using account statements, the lender must document source of funds for any single deposit exceeding 50% of the total monthly qualifying income for the Mortgage.
Continuity of Obligation	Follows Fannie Mae Guidelines
Credit	• At least one borrower must have a minimum of one credit score to be eligible. • Must pay off any existing judgments or tax liens.
Non-Occupancy Co-Borrower	• Only Primary Borrower may use gift for down payment and closing costs. • Owner occupied only-**Purchase and R/T Refinance**: non-occupant co-borrower allowed, non-occupant must be an immediate family member. • **Refinance cash-out**: if the non-occupant co-borrower is not on the original note, they must be an immediate family member with minimum FICO of 660 and borrower(s) must be able to cover full PITIA with gross monthly income up to 100%. • Mortgage Insurance allowed for both BMPI and LPMI • For High Balance Loans subject to RightStart matrix limits.
Derogatory Credit	• Non-traditional credit NOT allowed. • Minimum credit score(s): Minimum required per LTV/CLTV grid • DU Approve/Eligible General Credit Guidelines Mortgage lates: subject to DU findings. **related to 30 day lates only** Chapter 7 or 11 Bankruptcy: 4 years have elapsed since the discharge or dismissal date to the Application date; *extenuating circumstance not allowed on Bankruptcy* Chapter 13 Bankruptcy: 2 years have elapsed since discharge date to the Application date; 4 years have elapsed since dismissal date to the Application Date **NOTE**: Multiple bankruptcy filings in the past 7 years: 5 years from the most recent discharge or dismissal date Short Sale, "Settled for Less", Deed-in-lieu of foreclosure, Pre-foreclosure: with AUS approval- 4 years waiting period (base on Credit report Date) is required. 2 years waiting period (base on Credit Report Date) is acceptable if reason was due to extenuating circumstances as per agency guidelines. Extenuating circumstances must be explained with adequate supporting documentation Foreclosure: 7 years waiting period is required from completion date to the Application date; *extenuating circumstance not allowed on Foreclosure.* • Borrower with multiple BK filings: 60 months since most recent discharged / dismissal. • Deed-in-Lieu of Foreclosure, pre-foreclosure Sale (Short Sale), Mortgage Charge-off is 4 years but may allow 2 years with documented extenuating circumstances. • Mortgages with previous modifications or restructured loans on subject property- Allowable under RightStart direct only. 24 month satisfactory Payment record required after the date of the recorded modification, and AUS approval.
Ratios	• The maximum DTI subject to DU findings
Escrow Holdbacks	Only permitted for HUD or FNMA REO's, if borrower is financing cost of and for weather-related repairs. Cannot be health or safety repairs

Fannie Mae High Balance Matrix

<table>
<tr><td>Financing Concessions</td><td>Financing concessions for primary residences and second homes must be within the following allowable percentages:
9% of value with LTV/TLTV ratios less than or equal to 75%
6% of value with LTV/TLTV ratios greater than 75% up to and including 90%
The maximum financing concession for investment properties is 2% regardless of the LTV ratio
Value is the lesser of appraised value or purchase price
Property Seller cannot pay for future HOA dues</td></tr>
<tr><td>High Cost / High Priced</td><td>Not Allowed</td></tr>
<tr><td>Minimum Loan Amount</td><td>The minimum loan amount should be at least $1 dollar more than the Conforming loan amount limits for the subject property</td></tr>
<tr><td>Gift</td><td>Follow Fannie Mae’s guidelines for gift funds. See B3-4.3-04 for additional details</td></tr>
<tr><td>Reserves</td><td>Primary residence: Follow AUS findings.
Second Homes: Follow AUS findings. However if the borrower owns additional financed second homes or investment properties, provide:
2 months for each additional second home or investment when borrower owns 1-4 total (including subject) financed properties.
6 months for each additional second home or investment when borrower owns 5-10 total (including subject) financed properties.
Required in addition to DU required reserves
Investment – Follow AUS findings. However if the borrower owns additional financed second homes or investment properties, provide:
2 months for each additional second home or investment when borrower owns 1-4 total (including subject) financed properties.
6 months for each additional second home or investment when borrower owns 5-10 total (including subject) financed properties.
Required in addition to DU required reserves</td></tr>
<tr><td>Assets</td><td>Allowable Assets for down payment and closing:
Checking
Saving
401K (vested 100%) – Follows Fannie Mae Guidelines
Stock – Follows Fannie Mae Guidelines
Business Funds - 50% of the account balance ** must own the company 100% **
Underwriter is required to do cash flow and evidence that business funds will not negatively effect the business
Life Insurance – 100% of cash value
Government Bonds – Follows Fannie Mae Guidelines
<u>Retirement Accounts</u>
Funds from an individual retirement account (IRA/Keogh) and/or tax-favored retirement savings account (401k) may be used for the down payment, closing costs, and reserves provided the borrower has access to the fund(s). However, because there are severe penalties for early withdrawal (before retirement age), only the net value, after any withdrawal and/or tax penalties are deducted, may be considered.

No more than 70% of the vested balance, less outstanding loans secured by the account funds, should be used to calculate the amount of funds available. The underwriter must verify the ownership of the account and confirm that the account is vested and allows withdrawals regardless of current employment status. Exception: 100% of the vested balance, less outstanding loans</td></tr>
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<table>
<tr><td>Assets (Cont.)</td><td>secured by the account funds can be used only if it can be verified the borrower will not be subject to any penalties or taxes. (E.g., if the borrower has already withdrawn the funds and it can be verified in a bank account, or if a statement is obtained from the borrower’s CPA or accountant.)

<u>Retirement Accounts must be verified by the following</u>:

• Most recent two months statements

◦ Note: For 401k accounts the statement must reflect the vested balance or percentage of vesting, any outstanding loans, the ending balance of the account and terms of withdrawals/loans. If the 401k account is used for reserves the terms of the retirement plan must show that the borrower is vested and that the plan will allow withdrawals regardless of the current employment status.
• Any outstanding loans must be subtracted prior to determining the vested balance;
If the assets are required for closing, proof of liquidation is required.</td></tr>
<tr><td>Max.# of Financed Properties</td><td>Owner Occupied: up to 10 financed
Second home: up to 4 financed
Investment: up to 4 financed</td></tr>
<tr><td>Multiple Financed Properties</td><td>• Minimum Fico score of 720 for borrower with more than 7 financed properties (6-2016 update)
• There is additional .250 hit adjustment for more than 4 financed properties *refer to rate sheet
• Cash-Out Refinance loan on properties purchased greater than six (6) months since the date of acquisition is now allowed for borrowers, who own two to ten (2-10) financed properties.
◦ If the seasoning is less than six (6) months then all delayed financing guidelines must be met.
• Financed property has been re-defined as a residential one-to four-unit (1-4) property with a mortgage for which the borrower is personally obligated.
◦ A property in the name of a Limited Liability Company (LLC) where the borrower has more than twenty-five percentage (25%) ownership is no longer included in limitation. **I don’t see this anywhere in the GUIDE**
◦ Property Loans in the name of the Limited Liability Company (LLC), if borrower is not personally obligated on the mortgages the mortgages are not counted in total real estate obligations.
◦ Property types NOT subject to the financing limitations include: Commercial Real Estate, Multi-Family property consisting of more than four units, timeshare, vacant lot (RESIDENTIAL OR COMMERCIAL), Manufactured home on a leasehold estate not titled as Real Property. (chattel lien on a home) **new**

• Maximum number of financed properties for a borrower continues to be ten (10).
◦ RightStart Mortgage will finance a maximum of four (4) properties for a borrower at one time.
• Reserve requirement for other financed properties will now be calculated by applying a specific percentage based on the aggregate Unpaid Principal Balance (UPB) for all mortgages and Home Equity Line of Credit (HELOC).
◦ The percentage is determined by the number of financed properties owned by the borrower as explained below:

<table><tr><th>Number of financed properties</th><th>Reserves (as percentage of UPB)</th></tr><tr><td>One to four (1-4)</td><td>2%</td></tr><tr><td>Five to six (5-6)</td><td>4%</td></tr></table></td></tr>
</table>

Multiple Financed Properties (Cont.)	Seven to ten (7-10) | 6% (DU ONLY) The aggregate UPB calculation does not include the mortgages and HELOCs that are • The subject property, • The borrower's principle residence, • Properties that are sold or pending sale, and • Accounts that will be paid by closing (or omitted) NOTE: • DU will also include the UPB calculation open mortgages and HELOCs on the credit report that are not disclosed on the online loan application. If processing multiple second home or investment applications simultaneously, the same assets may be used to satisfy the reserve requirements for both mortgage applications. Reserves are not cumulative for multiple applications. Funds to close are subtracted from available assets when considering sufficient assets for reserves.
Properties Listed for Sale	• No Cash-Out Transaction: The subject property must not be currently listed for sale. It must be taken off the market on or before taking loan application. Borrowers must confirm their intent to occupy the subject property (for principle residence transactions). • Cash-Out Transactions: Properties listed for sale in the six months preceding the disbursement date of the new mortgage loan are limited to 70% LTV/CLTV. Properties that were listed for sale must be taken off the market on or before taking loan application.
Two to Four Unit Condo Project	Requires 3 out of 4 to be owner occupied.
Attached Condo's over 4 Unit Condo Project	For investment property transactions on attached units in established projects, at least 50% of the total units in the projects must be conveyed to principal residence or second home purchasers. This requirement does not apply if the subject mortgage is for a principal residence or second home. Financial institution-owned REO units that are for sale (not rented) are considered owner-occupied when calculating the 50% owner-occupancy ratio requirement.
Property Flipping Policy (Properties resold within 180 days of purchase)	FNMA has no requirement
Cash Out	The max cash out limit is based on high balance loan limits on matrix
Mortgage Insurance	• PMI and LPMI Single premium allowed for Fixed Products. PMI Borrower monthly paid for ARM products Only. Please refer to the product grid above for max LTV/CLTV allowed. • LPMI minimum Fico score is 660. • Maximum DTI is subject to current mortgage insurance guidelines and AUS findings.