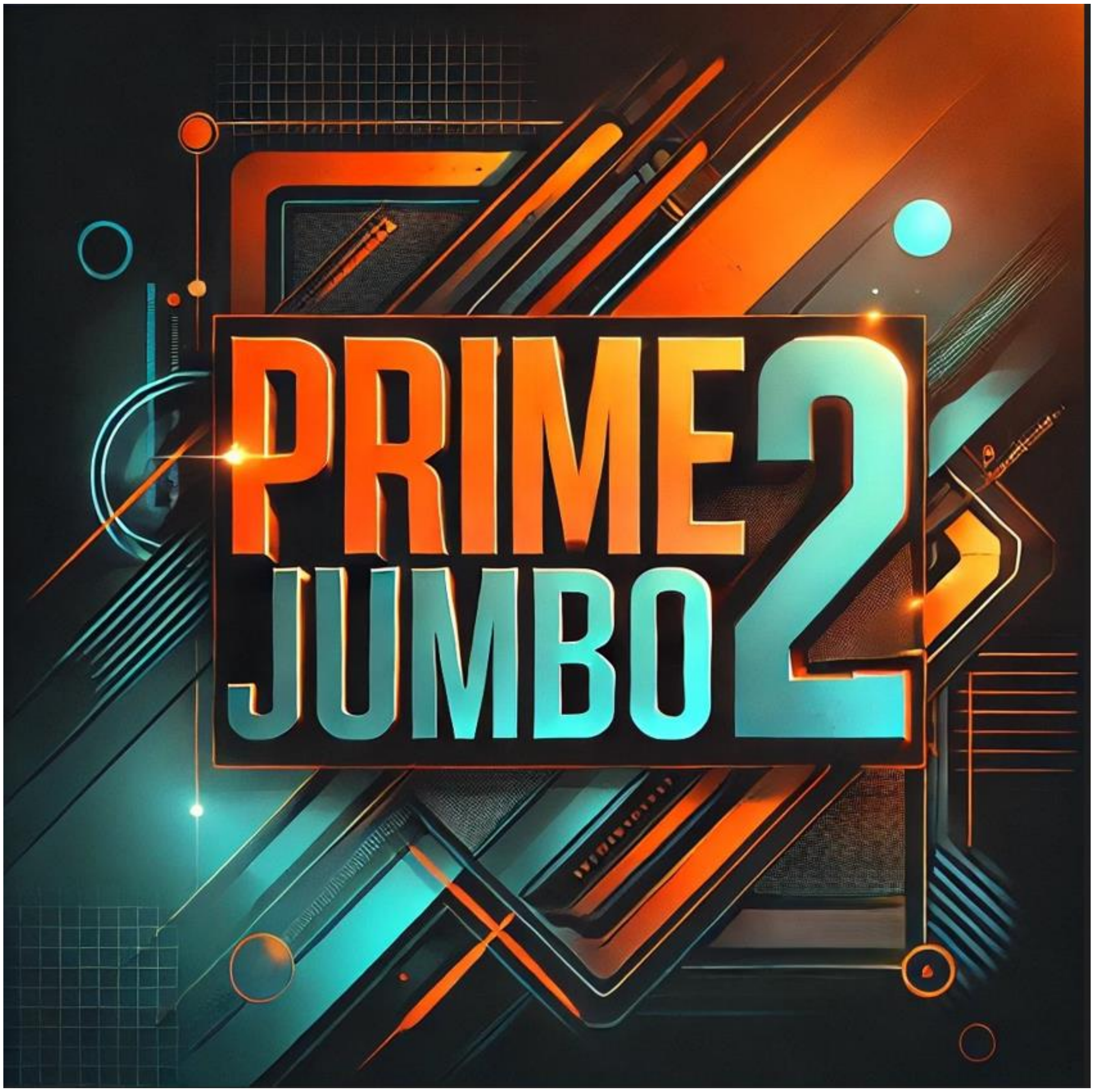

Program Eligibility Guide
Prime Jumbo 2

Version 2.4.1
Effective: 09.06.24

Contents

Prime Jumbo 2 Eligibility Matrix					
10, 15, 20, 25, 30 Year Fixed Rate – Fully Amortizing					
5/6, 7/6, 10/6 SOFR ARMS - Fully Amortizing; 5/6, 7/6, 10/6 SOFR ARMs - Interest Only					
Purchase & Rate and Term Refinance					
Occupancy	**Number of Units**	**Maximum Loan Amount**	**Maximum LTV/CLTV**	**Minimum Credit Score**	**Minimum Reserves (Months)**
Primary	1 Unit	$1,000,000	90%/90%[1]	720	12
		$1,500,000	90%/90%[1]	720	18
		$1,000,000	80%/80%	720	6
		$1,500,000	80%/80%	700	12
		$2,000,000	80%/80%	700	15
		$2,500,000	75%/75%	740	24
			70%/70%	720	24
		$3,000,000	75%/75%	780	30
			70%/70%	740	30
	2 Unit	$2,000,000	70%/70%	720	15
Second Home	1 Unit	$1,000,000	80%/80%	720	12
		$1,500,000	80%/80%	740	18
		$2,000,000	75%/75%	720	18
		$2,500,000	75%/75%	760	30
			70%/70%	720	30
Investment Property[2]	1 unit	$1,000,000	70%/70%	720	18
		$1,500,000	70%/70%	740	24
		$2,000,000	70%/70%	760	24
	2-4 Unit	$1,000,000	65%/65%	720	18
		$1,500,000	65%/65%	740	24
		$2,000,000	65%/65%	760	24
			60%/60%	740	24

Cash Out Refinance					
Occupancy	**Number of Units**	**Maximum Loan Amount**	**Maximum LTV/CLTV**	**Minimum Credit Score**	**Minimum Reserves (Months)**
Primary	1 Unit	$1,000,000	80%/80%	720	12
			75%/75%	700	12
		$1,500,000	80%/80%	740	15
			75%/75%	720	15
		$2,000,000	75%/75%	760	15
			70%/70%	740	15
		$2,500,000	70%/70%	760	24
			65%/65%	740	24
Second Home	1 Unit	$1,000,000	70%/70%	740	12
			65%/65%	720	12
		$2,000,000	70%/70%	760	15
			65%/65%	740	15
		$2,500,000	65%/65%	780	24
			60%/60%	760	24

Footnotes to Eligibility Grid

[1] The following requirements apply for transactions with LTV/CLTVs greater than 80%:

- Purchase transaction only
- Fixed rate only
- MI not required
- No Secondary Financing
- Non-permanent resident alien residency status ineligible
- Gift funds not allowed
- No condominiums or co-ops
- Self-employment income ineligible for qualifying

[2] The following requirements apply for Investment Property Purchase & Rate and Term Refinance Transactions:

- Co-ops not allowed
- Gift funds not allowed
- Appraiser must provide rent comparable schedule
- First-time home buyers not allowed
- Fixed rate only

	Other Eligibility Criteria
Cash Out Proceeds	Maximum Cash Out Proceeds Primary Residence: • Loan amounts ≤$1,500,000: $350,000. • Loan amounts >$1,500,000: $500,000. Second Home: • $350,000, regardless of loan amount.
Declining Markets	For properties located within a declining market, maximum LTV/CLTV will be reduced by 10%.

DTI	• Standard Maximum DTI: 45%.
	• Expanded DTI Maximum: 45.01% - 50.00%.
	  ○ 30-year fixed rate only.
	  ○ Primary residence and second homes only.
	  ○ Minimum FICO – 740.
	  ○ Maximum LTV/CLTV is the lesser of 70% or 10% below the maximum identified on the eligibility matrix.
	  ○ Minimum reserves must be at least 2 times the reserves identified on the eligibility matrix.
	• Occupant income to be used to calculate DTI; blended ratios are not allowed.

First-Time Homebuyer	• Maximum loan amount: $1,500,000.
	• Purchase transactions only.
	• Reserve requirements:
	  ○ ≤$1,000,000 – 16 months PITIA.
	  ○ >$1,000,000 – 24 months PITIA.

LTV/CLTV Calculations	The property value used to calculate the LTV/CLTV ratios depends on the loan purpose. In cases where two appraisals are obtained, the lesser of the two appraisals will be used as the current appraised value. Purchase Transactions: • The property value is the lesser of the purchase price or the current appraised value. • If the appraisal is used to determine the property value, any seller or builder concessions will be subtracted from the appraised value prior to calculating the LTV/CLTV. Refinance Transactions Including Inherited Properties: • The property value is the current appraised value for properties purchased at least 6 months before the closing date of the subject transaction. • The property value is the lesser of the original sales price or the current appraised value if the property was purchased less than 6 months before the closing date of the subject transaction. • The original sales price will be determined by the Closing Disclosure ("CD") issued when the subject property was purchased. Home Equity Lines of Credit ("HELOCs"): • Whether the subject transaction includes a new HELOC, or if an existing HELOC is resubordinated, the maximum line amount will be used to calculate the CLTV, even when the current balance of the HELOC is less than the maximum allowed.
Minimum Loan Amount	$1 over conforming limits
Minimum Down Payment	5% of down payment must come from borrower's own funds, regardless of LTV.

Number of Financed Properties	• Number of 1-4 unit financed properties is limited to 4. For loans sold to Windsor Mortgage, maximum total loan exposure to same borrower, including the subject property is $8,000,000. • Financed properties held in the name of an LLC or other corporation, commercial properties, timeshares, and unimproved land can be excluded from the calculation of number of financed properties. • Definition of Ownership: ○ Partial or joint ownership is considered the same as total ownership in the property. ○ 1–4-unit residential properties, where the borrower is personally obligated on the mortgage(s). ○ Applies to the total number of financed properties, not to the number of mortgages on the property. ○ Is cumulative for all borrowers (though jointly financed properties are counted as one). • Borrowers must have 6 months PITIA reserves for each additional financed property. The calculation is based on the PITIA of each property.
Temporary Interest Rate Buydowns	• Buydown Options: ○ 2-1 ○ 1-0 • General Requirements: ○ Fixed-rate mortgages only, no ARMs. ○ Primary residence or second homes only, no investment properties. ○ Purchase only transactions. ○ Seller and lender funded buydowns only; borrower-funded buydowns not allowed. • Qualifying the Borrower: ○ The borrower must be qualified using monthly payments calculated at the Note rate, without consideration of the bought down rate. ○ Reserves must be calculated using the Note rate.

	Underwriting
Manual Underwriting	All loans must be prudently underwritten utilizing the Prime Jumbo Eligibility Guide, and industry best practices.
General and Supporting Guidelines	Refer to the Windsor Mortgage Jumbo Program Eligibility Guide for general requirements not specific to the Prime Jumbo program. To the extent reference is made herein to the Fannie Mae Selling Guide (“Fannie Guide”) and there shall be any conflict or inconsistency between the Fannie Guide and this Guide, the terms and provisions of this Guide shall govern.
Fraud Reports	A comprehensive fraud report providing loan-level information on valuation, fraud detection and regulatory compliance issues is required. Documentation as to the use of such product and the Seller’s actions to clear any adverse findings must be included in the loan file.

	Transactions
Purchase	• Multiple contracts are not allowed to be combined when determining the purchase price. • Assignment of purchase contracts are ineligible unless the transferor is a family member and there is no change to purchase price or credits.
Rate & Term Refinance	• 6 months seasoning is required if the previous transaction was a cash out refinance. • Payoff of non-purchase money seconds, including HELOCs, are allowed with 12-month seasoning. For HELOCs, document no cumulative draws >$2,000 in the last 12 months from the application date. • Properties inherited less than 12 months prior to application date: o Must have clear title or copy of probate evidencing borrower was awarded the property. o A copy of the will or probate document must be provided, along with the buy-out agreement signed by all beneficiaries. o Borrower retains sole ownership of the property after the pay out of the other beneficiaries. • Incidental cash back to the borrower may not exceed the lesser of 1% of the loan amount or $5,000. • Properties listed for sale are ineligible unless the listing was withdrawn or expired prior to the date of application.

Cash Out Refinance	• At least one borrower must have been on title to the subject property for at least 6 months prior to the disbursement date of the new loan, unless one of the following exceptions apply:
	  ○ Borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership).
	  ○ Delayed Financing requirements are met.
	  ○ If the property was owned prior to closing by a limited liability corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards meeting the borrower's six-month ownership requirement. To close the refinance transaction, ownership must be transferred out of the LLC and into the name of the individual borrower(s).
	• 12 months seasoning required from the closing date of the previous transaction to the closing date of the subject transaction.
	• If the property is owned free-and-clear, the loan may be eligible for Delayed Financing.
	• Funds required to pay off unseasoned second liens (closed end <12 months, HELOC <12 months or draws more than $2,000 in the past 12 months) must be considered in the total of cash out proceeds. Cash in hand plus the amount to pay off the 2nd lien cannot exceed the maximum cash out proceeds allowed.
	• If the borrower is paying off a loan from a pledged asset/retirement account loan, secured loan, unsecured family loan or replenishing business funds used to purchase the property:
	  ○ Cash out limitation is waived if the previous transaction was a purchase.
	  ○ 6-month seasoning requirement is waived.
	  ○ Funds used to purchase the subject property must be documented and sourced.
	  ○ Closing Disclosure for the purchase transaction must reflect payoff or pay down of pledged asset/retirement account loan, secured loan, unsecured family loan or business asset account.
	  ○ If cash out proceeds exceed payoff of loans, excess cash must meet cash out limitations.
	  ○ The purchase of the subject property must have been an arm's length transaction.
	  ○ Investment properties are ineligible.
	Properties listed for sale must be off market at least 6 months prior to
	  ○ application date.

Texas 50(a)(6) and (f)(2) Transactions	• Eligible Products: 30-year fixed rate only.
	• Maximum LTV/CLTV: the lesser of 80% or program maximum.
	• Eligible Property Types:
	  ○ 1-unit principal residence designated as the borrower's homestead under Texas law, attached or detached unit.
	  ○ Condominium.
	  ○ Planned Unit Development.

Delayed Financing	Delayed financing transactions in which the borrower purchased the subject property for cash within 6 months from the date of the application are eligible for purchase by Windsor Mortgage. Requirements: • Delayed financing transactions are underwritten and priced as rate and term refinances and are not subject to cash out refinance program limitations. • Incidental cash back limits apply for cash more than the original purchase price or appraised value (whichever is less). • The original purchase transaction must be documented by a Closing Disclosure confirming that no mortgage financing was used to obtain the subject property. • Properties located in the state of Texas must follow Texas Constitution requirements for equity refinance transactions. • Property must have been purchased using the borrower's own funds. • If funds to purchase property came from the borrower's self-employed business, see Business Funds section for additional requirements. • Settlement Statement/Closing Disclosure from the original purchase and documentation to show the down payment and closing costs used for the purchase were from the borrower's own funds (no borrowed, gift or shared funds).

Refinance to Buy Out an Owner's Interest	Transactions where one owner is required to buy out the interest of another owner (i.e., divorce settlement) may be considered as a rate and term refinance if the following conditions are satisfied: • The property must have been jointly owned for at least 12 months prior to the application date. • All parties must have signed a valid and binding agreement that states the terms of the property transfer and disposition of the proceeds. • Cash proceeds from the subject transaction are limited to the incidental cash back limitations for a rate and term refinance.
Construction-to-Permanent Loan Refinancing	Construction-to-permanent loan refinances are eligible as rate and term refinance transactions and must meet the following criteria: • Borrower must have held title to the lot for a minimum of 6 months prior to the closing of the permanent loan. • The LTV/CLTV will be based on the current appraised value if the borrower has held title to the lot for 12 or more months prior to the closing date of the subject loan. • If the lot was acquired less than 12 months before the closing date of the subject loan, the LTV/CLTV will be based on the lesser of (i) the original purchase price of the lot plus the total acquisition cost (sum of construction costs) or (ii) the current appraised value of the lot plus the total acquisition cost. • Payoff of documented construction cost overruns that were incurred outside of the interim construction financing will require payment of the overruns directly to the builder at closing. • Appraiser's final inspection is required. • A certificate of occupancy is required from the applicable governing authority. If the applicable governing authority does not require a certificate of occupancy, its equivalent must be provided. • If borrower was a first-time homebuyer when the construction contract was executed, first-time homebuyer restrictions will apply to the subject transaction.

Refinancing of Modified Loans	The refinancing of a previously modified loan is permitted subject to the following:
	• Only lender-initiated modifications on owner-occupied properties are permitted with satisfactory proof that the modification was not the result of a distress situation, and
	• The borrower must have made at least 48 timely and consecutive monthly payments.
	• Modified loans that resulted in a partial or absolute forgiveness of debt, or a restructuring of debt are ineligible:
	  ○ Forgiveness of a portion of principal or interest in either the first or second mortgage.
	  ○ Application of a principal curtailment on behalf of the investor to simulate principal forgiveness.
	  ○ Conversion of any portion of the original debt to a subordinate mortgage or conversion of any portion of the original debt from secured to unsecured debt.

Secondary Financing	New and resubordinated secondary financing is permitted up to the maximum allowable LTV/CLTV for each loan type and program.
	• Subordinate liens must be recorded and clearly subordinate to the first mortgage lien.
	• Only institutional financing is permitted unless the subordinate financing meets the Employer Subordinate Financing requirements.
	• The principal balance of a HELOC used in the LTV/CLTV calculation will be based on the fully drawn line amount.
	• Subordinate liens must not have negative amortization features, prepayment penalties or balloon payments due within 5 years of the closing date of the subject loan.
	• Employer Subordinate Financing:
	  ○ 30-year fixed rate only for subject transaction.
	  ○ Employer must have an Employee Financing Assistance Program in place.
	  ○ Employer may require full repayment of the debt if the borrower's employment ceases before the maturity date.
	  ○ Financing may be structured in any of the following ways:
	    ▪ Fully amortizing level monthly payments.
	    ▪ Deferred payments for some period before changing to fully amortizing payments.
	    ▪ Deferred payments over the entire term.
	    ▪ Forgiveness of debt over time.
	    ▪ Balloon payment of no less than 5 years, or the borrower must have sufficient liquidity to pay off the subordinate lien.

Ineligible Transaction Types	• Single Close Construction-to-Permanent Financing. • Reverse 1031 Exchange.
Escrow Holdbacks	Eligible only if escrowed funds have been disbursed and a completion certificate obtained prior to deliver of loan to Windsor Mortgage.
Escrow for HPMLs	For any loan that is determined to be a Higher Priced Mortgage Loan (HPML) under TILA and its implementing regulation, an escrow account must be established for the borrower prior to the consummation of the loan for the payment of property taxes and premiums for mortgage-related insurance, among other fees and charges.

Flip Transactions	If a seller has taken title to the subject property within 90 days prior to the date of sales contract, the following requirements apply. Measurement is based on the closing date of initial transaction and the date of the fully executed purchase contract for the subject transaction. • Property seller on the purchase contract and title commitment is the owner of record. • LTV/CLTV will be based on the lesser of the prior sales price or the current appraised value. Note: loans that are bank or relocation sales are exempt from the above requirements.
Non-Arm's Length Transactions	If a direct relationship exists between or among parties, the transaction shall be considered a non-arm's length transaction. The following non-arm's length transactions are eligible provided that such transactions and the related circumstances are properly documented and evidenced in the loan file. All other non-arm's length transactions are ineligible. • Re-sales or transfers between members of the same family with evidence that the transaction is not due to any adverse circumstances. New construction home where builder is relative is ineligible. • Property seller acting as their own agent. • Borrower acting as their own agent. • Borrower is an employee of the originating lender, and such lender has an established employee loan program (evidence of the employee loan program must be included in the loan file). • Borrower is a relative of an employee of the originating lender and such lender has successfully completed a pre-funding QC review of the loan (evidence of the successful QC review must be included the loan file). • Borrower is purchasing from their current landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord).
Foreclosure Bailout	A foreclosure bailout is a refinance or purchase transaction where the true purpose of the loan is to pay off the existing loan that is in default. These transactions are ineligible.

	Contributions and Concessions
Interested Party Contribution Limits ("IPC")	Primary Residence & Second Home: 6% Investment Property: 2%
Financing Concessions	Financing concessions include origination fees, discount points, commitment fees, appraisal costs, transfer taxes, stamps, attorney's fees, survey charges, title insurance premiums or charges, real estate tax service fees, and funds to subsidize a permanent interest rate buy down. They may also include prepaid items: • Up to 30 days of interest charges. • Real estate taxes covering any period after the settlement date, only if escrowed. • Up to 14 months of hazard insurance premiums. • Up to 12 months of HOA dues covering any period after the settlement date.
Sales Concessions	Contributions that exceed the IPC limits are considered sales concessions. Other sales concessions include items granted by any interested party to the transaction: • Vacations • Furniture • Automobiles • Golf memberships • Other giveaways The property's sales price must be adjusted downward to reflect the amount of any financing or sales concessions, and the maximum LTV/CLTV must be recalculated using the lower of the (i) reduced sales price or (ii) appraised value. The appraiser must address the effect of any financing or sales concessions on the final estimate of value. Comparable sales that are impacted by financing or sales concessions must be adjusted to reflect the market at the time of the comparable sale. All interested party contributions must be documented on the Closing Disclosure.

Payment Abatements	• A payment abatement is an offer by an interested party to pay or reimburse a certain number of monthly payments on the borrower's behalf. These payments may cover all or a portion of the principal, interest, taxes, insurance, and any other assessments.
	• Loans with payment abatements are ineligible regardless of whether such payment abatements are disclosed on the Closing Disclosure.
	• Payment of HOA Fees:
	    ○ The payment of HOA fees is not considered a payment abatement unless the payment of HOA fees is greater than 12 months.
	    ○ The payment of HOA fees for 12 months or less is considered an interest party contribution and must meet the IPC limits.

	Property Eligibility
Eligible Properties	• Single Family Dwelling • 2-4 Unit Multifamily Dwelling, subject to eligibility restrictions • Condominiums, warrantable and non-warrantable • Planned Unit Developments • Properties up to 10 acres • Resale restrictions subject to age-related requirements
Ineligible Properties	• Time shares • Cooperatives • Condotels • Houseboats • Manufactured homes • Agricultural property (working farm or ranch) • Mixed use properties • Commercial properties • Properties >10 acres • Undeveloped lots • Properties not located within the U.S. including any territory of the U.S. such as Guam, Puerto Rico, or the U.S. Virgin Islands • Properties on Indian reservations • Properties in litigation • Properties other than condos or co-ops with less than 750 square feet • Condos or co-ops with less than 400 square feet • Properties with a secured HERO or PACE loan • Properties with income producing attributes • Unique properties • Log homes • Properties held as a leasehold • Island of Hawaii lava zones 1 and 2 • Resale restricted properties other than age-related requirements

	Borrower Eligibility
Eligible Borrowers	• U.S. Citizens • Permanent Resident Aliens • Non-Permanent Resident Aliens • No more than 4 natural persons per loan application

Resident & Immigration Status	Permanent Resident Documentation Requirements: • Alien Registration Receipt Card (USCIS Form I-551, green card), or • A passport stamped processed for I-551, temporary evidence of lawful admission for permanent residence. Valid until status or employment authorized. It must evidence the holder has been approved for, but not issued, a Permanent Residence card. • If the Permanent Resident card is expiring within six (6) months of the Note date, include a copy of the United States Citizenship and Immigration Services (USCIS) Form I-90 (Application to Replace Permanent Resident Alien Card) filing receipt. Non-Permanent Resident Eligibility Requirements: • Valid social security number, ITINs are ineligible. • Maximum 70% LTV/CLTV. • Primary residence only. • Single family residence only; no multi-unit properties. • 2-year credit and employment history required. • Funds to close must be deposited into a U.S. financial institution. • No closing permitted outside the U.S. Non-Permanent Resident Documentation Requirements: Borrower must have a current two-year history of working in the U.S. without any gaps in U.S. employment greater than 30 days. Borrowers with one of the following visa types are considered lawful non-permanent residents. • E Series (E-1, E-2, E-3) • G Series (G-1, G-2, G-3, G-4, G-5) • H Series (H-1B, H-1C, H-4) • L Series (L-1, L-1A, L-1B, Spouse L-2 with EAD) • NATO Series (NATO 1-6) • O Series (O-1) • TN-1, Canadian NAFTA visa • TN-2, Mexican NAFTA visa

Illinois Land Trust	• One-unit property only.
	• The trustee must be a financial institution customarily engaged in the business of acting as trustee under Illinois land trusts.
	• The trust agreement term must be equal to or greater than the term of the security instrument.
	• Title may be vested as follows:
	    ○ Solely in the trustee(s) of the trust,
	    ○ Jointly in the trustee(s) of the trust and in the name(s) of the individual borrower(s), or
	    ○ In the trustee(s) of more than one trust.
	• Title insurance must ensure full title protection to the Seller and must state that title to the property is vested in the trustee(s) of the trust. It must not list any exceptions with respect to the trustee(s) holding title to the property or to the trust.
	• The loan must be underwritten as if the individual(s) establishing the trust were the borrower.

Borrowers with Pending Litigation	If the lender becomes aware of, or the loan file's documentation indicates the borrower is plaintiff to a lawsuit, additional documentation must be obtained to determine there is no negative impact on the borrower's ability to repay, property, or collateral documents. If the borrower is a defendant in a lawsuit, the loan is ineligible.
Ineligible Borrowers	• Foreign nationals. • Borrowers with diplomatic immunity. • Land trusts, except for Illinois Land Trust. • Irrevocable trusts. • Bank trusts. • Qualified Personal Residence trusts. • Blind trusts. • Real estate trusts. • Limited partnerships, general partners, corporations, and limited liability companies. • Borrowers with only an ITIN.

	Age of Documentation
Credit Documentation	The age of credit documentation used to determine eligibility must be no more than 120 days old from the Note date.
Collateral Documentation	Appraisal reports (effective date) must be no older than 120 days from the Note date. After 120 days, a new appraisal is required. HOA Questionnaires must be no older than 180 days from the Note date.
	Credit
Credit Score Requirements	A minimum of 2 credit scores are required for each borrower. Rapid re-scores are not allowed unless the re-score is the result of an error on the credit report. Errors must be confirmed with the creditor.
Representative Credit Score	• One Borrower: ○ When two scores are present, use lowest score. ○ When three scores are present, use middle score. • Two or More Borrowers: ○ Identify score for each borrower based on selection criteria above. ○ Use lowest score of all borrowers as the representative credit score of the loan.
Minimum Tradeline Requirements	For a credit report and credit score to be considered valid, all the following requirements must be met for each borrower contributing income: • Minimum 3 open tradelines, with at least 1 tradeline open for a minimum 24 months from the application date. • 1 tradeline must have activity in the past 12 months from the application date. • The minimum of 3 tradelines must have no significant adverse credit, such as charge offs or collections. • Authorized user accounts, and self-reported or other non-traditional credit ratings are ineligible for use in developing or supporting a credit score.
Disputed Tradelines	All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation authenticates the dispute. Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However, if a disputed account has a zero balance and no past due payments, it can be disregarded.

Frozen Credit	Credit reports with bureaus identified as “frozen” are required to be unfrozen and a current credit report with all bureaus unfrozen is required.

Housing History	• No more than 0x30x24 mortgage delinquencies.
	• If the borrower has a rental history within the past 24 months, no more than 0x30x24 rent payment delinquencies.
	• Lack of housing payment history must be satisfactorily explained. Acceptable explanations include, but are not limited to:
	  ○ Borrower previously living with family member rent free.
	  ○ Current primary residence is owned free and clear.

Credit Events	• Past Due Accounts: must be brought current. • Collection Accounts or Charge-Offs: must be paid off at, or prior to closing if any account is >$1,000 or if the aggregate of accounts exceeds $2,500. • Judgments, Garnishments & Liens (including tax liens): must be paid off at, or prior to closing if the subject lien will be adversely impacted by not paying the debt. • Bankruptcies (Chapters 7, 11, 13): must be seasoned for at least 7 years from application date; borrowers with multiple bankruptcies are ineligible. • Foreclosure or Pre-Foreclosure (120+ days delinquent): Must be seasoned for at least 7 years from application date. • Deed-in-Lieu of Foreclosure: must be seasoned for at least 7 years from application date. • Short Sale: must be seasoned for at least 7 years from application date. • Notice of Default (NOD): must be seasoned for at least 7 years from application date. • Forbearance Agreements: must be seasoned for at least 7 years from application date unless the borrower-accepted forbearance was never used.
Credit Inquiries	Recent credit inquiries within 120 days of the credit report date not resulting in a new account on the credit report will require a letter of explanation from the borrower. If additional credit was obtained, a verification of the debt must be acquired, and the new debt must be included in the DTI.

	Liabilities
Verification of Mortgage (VOM)	A verification of mortgage is required for the most recent 24 months. If a mortgage is not reporting on the credit report, the following are acceptable methods for obtaining a payment history: • Completed VOM form and computerized payment history printout from a mortgage servicer. • Canceled checks, front and back, for the past 24 months. • Bank Statements (if the mortgage payment is automatically withdrawn from the borrower's account) for the past 24 months. Private party mortgages, managed by a mortgage servicing company, may be verified with a completed VOM and computerized printout of the payment history. If the servicing of the mortgage is not managed by a mortgage servicing company, cancelled checks or bank statements, as noted above must be provided.
Verification of Rent (VOR)	If the borrower does not have an outstanding mortgage loan, a verification of rent must be completed to verify the borrower's rental payment history for the most recent 24 months. Acceptable VORs include: • Canceled checks, front and back, reflecting rent payments. • Bank statements reflecting rent payments and a signed lease agreement. • Landlord completed VOR form is acceptable only if the landlord is a professional management company.
Revolving Debt	• The monthly payment on revolving accounts with a balance must be included in the borrower's DTI, regardless of the number of months remaining. • If the credit report does not reflect a payment and the actual payment cannot be determined, a minimum payment may be calculated using the greater of $10 or 5% of the account balance. • Payments reflected on a credit report may only be excluded if the account is documented as paid in full and closed. • Revolving debt may be paid off to qualify before closing. Documentation that the revolving debt has been paid off and the account is closed is required. • Gift funds may not be used to pay off accounts for qualifying.

Installment Debt	• Installment debts with less than 10 months remaining can be excluded from the DTI unless the amount of debt affects the borrower's ability to pay the mortgage during the months immediately after closing. • Lease payments must be included in the DTI regardless of the number of months remaining. • Property tax, insurance and HOA dues for properties owned free and clear, or where the borrower is not on the Note, must be documented and the full amount included in the DTI. See Contingent Liabilities section for exclusion of these liabilities. • PITIA on real estate owned that is pending sale must be included in the DTI. • Payments related to a 401(K) loan do not need to be included in total debt obligation. • For alimony payments, where the divorce was finalized before January 1, 2019, in lieu of including the debt in the DTI, the alimony payment can be deducted from qualifying income. For divorces finalized on or after January 1, 2019, alimony payments must be treated as a debt. • Child support payments with less than 10 months remaining do not need to be included in the DTI. • Installment debt may be paid off to qualify at or before closing. Installment debt may not be paid down to less than 10 months for qualification purposes. • Gift funds may not be used to pay off debt to qualify.

Income Taxes and Payment Plans	If the most recent federal tax return, tax extension, or tax transcripts indicate a borrower owes money to the IRS, the following are required: • Evidence of payment of taxes due in the form of a cancelled check, credit card statement, bank statement, or screenshot of the receipt from the taxing authority if paid online. • If taxes due have not been paid, sufficient liquid assets to pay the debt may be documented. When a borrower has entered into an installment agreement with the taxing authority to repay delinquent income taxes, the monthly payment amount may be included in the DTI in lieu of requiring payment in full if: • There is no indication on the credit report, preliminary title commitment, or other loan file documentation that a Notice of Federal Tax Lien has been filed against the borrow in the county in which the subject property is located. • The following documentation must be obtained: ○ An approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due, ○ At least one payment must have been made prior to closing, and ○ Evidence the borrower is current on the payments associated with the tax installment plan. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount, date, and the next payment amount owed and the due date. Note: Only one tax payment plan is allowed. If a borrower has entered into multiple tax payment plans, all but one plan must be paid in full as acknowledged by the IRS prior to close of the subject transaction. Funds must be verified and considered when calculating funds to close and reserves.
Open 30-Day Charge Accounts	Balances required to be paid monthly are not included in the DTI however verified assets must be reduced by the outstanding balance when calculating funds to close and reserves.

<table>
<tr><td>Home Equity Lines of Credit (HELOC)</td><td>HELOCs with a current outstanding balance and no payment reflected on the credit report may have the payment documented with a current billing statement.
HELOCs with a current $0 balance do not need a payment included in the DTI unless funds are being withdrawn from the HELOC for down payment and/or closing costs.
For HELOC loans paid off at closing, the line must be closed to any future draws. Requirement on title commitment for payoff and cancellation of HELOC is acceptable to document closing.</td></tr>
<tr><td>Student Loans</td><td>For all student loans, whether deferred, in forbearance, or in repayment, a monthly payment must be included in the DTI.
If a monthly payment is reflected on the credit report, the reported monthly payment must be used for qualifying.
If the credit report does not reflect a monthly payment, or if it shows $0 as the monthly payment, the monthly payment may be documented as follows:
Loan payment indicated on student loan documentation verifying monthly payment is based on an income driven plan.
For deferred loans or loans in forbearance:
1% of the outstanding loan balance (even if this amount is lower than the actual fully amortizing payment), or
A fully amortizing payment using the documented loan repayment terms.</td></tr>
</table>

Contingent Liabilities	When a borrower is obligated on a debt but is not the party who is repaying the debt, the payment may be excluded from the borrower's recurring monthly obligations. This policy is not applicable if the other party is an interested party to the transaction (such as the seller or realtor). Non-mortgage debt paid by others can be excluded from the DTI if: • There is no delinquency on the account over the past 12 months. • 12 months canceled checks or bank statements are provided from the other party making the payments. Mortgage debt paid by others can be excluded from the DTI if: • The party making the payments is obligated on the mortgage debt. • There are no delinquencies in the past 24 months. • 12 months canceled checks or bank statements are provided from the other party making the payments. • The borrower is not using rental income from the property to qualify. • The reference property must be included in the count of financed properties.
Business Debt in Borrower's Name	When a self-employed borrower claims that a monthly obligation appearing on the credit report is being paid by the borrower's business, the Seller must confirm that the obligation was actually paid out of company funds, and it was considered in its cash flow analysis of the borrower's business. The payment does not need to be included in the DTI if: • The account does not have a history of delinquency. • The business provides evidence the obligation was paid out of company funds (such as 12 months cancelled checks). • The lender's cash flow analysis of the business took payment of the obligation into consideration. The payment must be included in the DTI if: • The business does not provide sufficient evidence that the obligation was paid out of company funds. • The business provides acceptable evidence of its payment of the obligation, but the lender's cash flow analysis of the business does not reflect any business expense related to the obligation. • The account has a history of delinquency. To ensure that the obligation is counted only once, the lender should adjust the net income of the business by the amount of interest, taxes, or insurance expense, if any, that relates to the account.

Court-Ordered Assignment of Debt	When a borrower has outstanding debt that was assigned to another party by court order (such as under a divorce decree or separation agreement), the lender is not required to count the liability as part of the borrower's recurring monthly debt obligations. • The lender is not required to evaluate the payment history for the assigned debt after the effective date of the assignment. • The lender cannot disregard the borrower's payment history for the debt before its assignment.
Departing Residence Pending Sale	To exclude the payment for a borrower's primary residence that is a pending sale that will close after the subject transaction, the following requirements must be met: • A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared/satisfied. • The pending sale must be arm's length. • The closing date for the departure residence must be within 30 days of the subject transaction Note date. • Six months reserves must be verified for the PITIA of the departure residence.
Departure Residence Corporate Buy Out	To exclude the payment for a borrower's primary residence that is part of a corporate relocation, the following requirements must be met: • Copy of the executed buy-out agreement verifying the borrower has no additional monetary responsibility toward the departing residence once the property has been transferred to the third party. • Guaranteed buy-out by the third party must occur within 4 months of the fully executed guaranteed buy-out agreement. • Evidence of receipt of equity advance if funds will be used for down payment or closing costs. • Verification of an additional 6 months PITIA of the departing residence.

	Assets
Eligible Assets	Eligible assets must be held in a U.S. financial institution and sourced and seasoned for a minimum 60 days.
Joint Accounts	For joint accounts, when an account owner is a non-borrowing individual, an access letter is required. The access letter must specify the percentage or amount of assets the borrower is entitled to.
Large Deposits	• Large deposits exceeding 50% of the borrower's total monthly qualifying income or any large deposit that is out of the ordinary must be verified and explained by the borrower with the source of such funds documented. • Large deposits that cannot be sourced and explained must be subtracted from the verified asset amount.
Checking, Savings, Money Market Accounts and CDs	• 2 complete months' bank statements required. • In lieu of bank statements, use of Fannie Mae-approved asset vendor reports is acceptable as long as the data includes individual transaction details over a two month period.
Publicly Traded Stocks, Bonds, Mutual Funds	• 2 complete months' financial statements required. • Value discounted to 70% for reserves.
Retirement Accounts	• If borrower is >59 ½ years old, then use 70% of the vested value after the deduction of any outstanding loan. • If borrower is ≤59 ½ years old, then use 60% of the vested value after reduction of any outstanding loans. • Documentation requirements: ○ Most recent statement(s) covering at least a 2-month period. ○ Evidence of liquidation if using for down payment or closing costs. ○ Evidence of access to funds required for employer-sponsored retirement accounts. • Retirement accounts that do not allow for any type of withdrawal are ineligible for reserves.
Cash Value of Life Insurance and Annuities	• Most recent statement(s) covering at least a 2-month period. • 100% of the value can be used unless account is subject to penalties. • Evidence of liquidation is required if funds are being used for cash to close; if being used for reserves, liquidation is not required.

Sale of Real Property	• Copy of Closing Disclosure showing net proceeds to borrower. • Evidence of receipt of settlement proceeds into borrower's account or escrow.
1031 Exchange	Allowed on second home and investment property purchases where the exchange is for a like-kind property. Reverse 1031 exchanges are not allowed. Required documentation: • CD for both properties. • Exchange agreement. • Sales contract for exchange property. • Verification of funds from the exchange intermediary.

Business Funds	Allowed for funds to close and reserves with the following restrictions:
	• Maximum LTV/CLTV: 80%.
	• Personal and business tax returns for the entity the funds are being withdrawn from, and a year-to-date P&L and balance sheet are required.
	• Documented cash flow analysis required using prior years' tax returns, P&L, balance sheet and the most recent 3 months' business bank statements; to be completed by underwriter to confirm no negative impact to business.
	• Business bank statements must not reflect any NSF (non-sufficient funds) or overdrafts.
	• If borrower(s) ownership in the business is less than 100%, the following requirements must be met:
	    ○ Borrower(s) must have majority ownership of 51% or greater.
	    ○ The other owner(s) of the business must provide an access letter to the business funds.
	    ○ Borrower(s) percentage of ownership must be applied to the balance of business funds for use by borrower(s).
	• If business funds, or a combination of personal and business funds, are used to meet reserves requirement, at least 50% of the verified reserves must be from a personal account. Funds must be liquid and from non-retirement accounts.

Gift Funds	• Gifts, including gifts of equity, may be used once the borrower has contributed at least 5% of their own funds.
	• Gift funds are not allowed for:
	  ○ Reserves.
	  ○ LTVs >80%.
	  ○ Investment properties.
	  ○ Paying off debt to qualify.
	• Donor must be:
	  ○ a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or
	  ○ a non-relative that shares a familial relationship with the borrower defined as a domestic partner (or relative of the domestic partner), individual engaged to marry the borrower, former relative, or godparent.
	• Executed gift letter with gift amount and source, donor's name, address, phone number and relationship. When the gift is sourced by a trust established by an acceptable donor or an estate of an acceptable donor, the gift letter must be signed by the donor and list the name of the trust or the estate account.
	• Seller must verify sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account unless gift is from equity in the subject property.
	• Acceptable documentation includes the following:
	  ○ Electronic transfer of funds from a donor's account to the borrower's account to the closing agent.
	  ○ Copy of donor's check and borrower's deposit slip.
	  ○ Copy of donor's withdrawal slip and borrower's deposit slip.
	  ○ Copy of donor's check to the closing agent.
	  ○ Closing disclosure showing receipt of the donor's gift check.
	• For gifts of equity, the Closing Disclosure must reflect the amount of the gift.

Disaster Relief Grants	• Borrowers may use lump sum grants for down payment and no minimum contribution is required. • The grant may not be used for closing costs or reserve requirements. • Acceptable documentation is required to evidence that the grant is an actual grant and not a loan. • Subordinate liens against the property are not eligible.
Unacceptable Sources of Funds	• Proceeds from a personal or unsecured loan. • A cash advance on a revolving charge account or unsecured line of credit. • Foreign assets. • Non-marketable securities. • Profit sharing plans. • Labor performed by the borrower, also referred to as "sweat equity." • Gifts that must be re-paid. • Donated funds in any form, such as cash or bonds donated by the seller builder or selling agent outside of approved financing contributions. • Funds from a community second mortgage or down payment assistance program. • Individual Development Accounts (IDAs). • Pooled Savings (Community Savings Funds). • Salary Advances. • Funds in a custodial or "in trust" account. • Cryptocurrency (unless it meets the requirements for conversion to U.S dollars as noted in the Fannie Mae Selling Guide). • Trade equity. • Grants, except those noted in the Disaster Relief Grants section. • Cash on hand. • Employer assistance assets except as noted in the "Employer Relocation" section. • Loans from non-institutional lenders'

Reserves Calculation	To determine the amount of reserves, the monthly housing expense for the subject loan (also known as PITIA) is calculated, which is the sum of the: • Principal and interest. • Hazard and flood insurance premiums. • Real estate taxes, ground rent. • Special assessments, any owners' association dues (including utility charges that are attributable to the common areas but excluding any utility charges that apply to the individual unit). • Monthly co-op corporation fee (less the pro rata share of the master utility charges for servicing individual units that is attributable to the borrower's unit).
Unacceptable Reserves	In addition to the unacceptable source of assets previously listed, the following cannot be counted as part of the borrower's reserves: • Gift funds. • Cash proceeds from a cash out refinance transaction. • Proceeds from a home equity loan or line of credit, bridge loan or cash out from any other property. • Deferred compensation. • Funds that have not vested.

	Employment and Income Stability
Stability of Income	Income is a key factor used to determine a borrower's capacity or ability to repay the loan. Supporting documentation must be obtained either from the borrower or directly from borrower's employer or financial institution. Stable monthly income is the borrower's verified gross monthly income from all acceptable sources, which has been received for at least the past 2 years and can reasonably be expected to continue for at least the next 3 years. For each income source used to qualify the borrower, both the source and the amount of income must be analyzed to determine stability. When the borrower has less than a 2-year history of receiving income, the underwriter must provide a written analysis to justify the determination that the income used to qualify the borrower is stable.
Declining Income	When the borrower has declining income, the most recent 12 months of income should be used for qualifying. In certain cases, an average of income for a longer period may be used when the decline is related to a one-time capital expenditure and proper documentation is provided. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay the debt. The employer or the borrower should provide an explanation for the decline and the underwriter should provide a written justification for including the declining income in qualifying.
Stability of Employment	A minimum of 2 years of continuous employment should be verified for each borrower. If the borrower has been on their current job less than two years, verification of prior employment will be required.
Gaps of Employment	• Gaps of employment >30 calendar days during the most recent 2-year period, based on the application date, must be explained by the borrower in writing. • Extended gaps of employment, 6 months or greater, require a documented 2-year work history prior to the absence, and • The borrower must be employed with their current employer for a minimum of 6 months to include the income for qualifying purposes.
Prior Military or Education Experience	If a borrower was in the military or in school during the preceding 2 years, the following documentation is required, respectively: • Military discharge documents, or • College transcripts.

Unacceptable Sources of Income	• Any source that cannot be verified. • Income that is temporary. • Rental income (boarder income) received from the borrower's primary residence. • Expense account payments. • Retained earnings. • Deferred compensation. • Rental income from a second home. • Projected income that will begin >60 days after Note date. • Foreign income unless it is declared on personal income tax returns. • Education benefits. • Trailing income from a co-borrower. • Any income that is not legal in accordance with all applicable federal, state, and local laws, rules, and regulations. • Non-occupant income.

	Income Documentation Requirements

General Requirements	• 4506-C must be signed and completed for all borrowers.
	• Taxpayer consent form signed by all borrowers.
	• The loan file must include an income worksheet detailing income calculations. Income analysis for borrowers with multiple businesses must show the income/loss details separately, not in aggregate.
	• Fannie Mae Form 1084 or Freddie Mac Form 91, or their equivalent is required for self-employed analysis. The most recent forms should be used based on the application date. Form instructions must be followed.
	• Tax returns must meet the following requirements when used for qualifying:
	  ○ Personal income tax returns must be complete with all schedules (W2 forms, K1s, etc.) and must be signed. In lieu of a signature, personal tax transcripts for the corresponding year(s) may be provided.
	  ○ Business income tax returns must be complete with all schedules and must be signed. In lieu of a signature, business transcripts for the corresponding year(s) may be provided.

Tax Transcripts	Tax transcripts for personal tax returns for the most recent 2 years are required when tax returns are used to document borrower's income or any loss and must match the documentation in the loan file. Borrower obtained tax transcripts are not allowed.
	
	Tax Transcript Alternative Documentation
	
	When the most recent year's tax returns have been filed, and where the IRS has not processed the forms, the following alternative documentation is required:
	
	For Tax Transcripts -
	
	• Two prior years' tax transcripts. Example:
	  ○ Borrower provided 2022 & 2023 tax returns.
	  ○ 2023 tax returns have been filed but the IRS has not yet processed the returns.
	  ○ Required transcripts will be for 2021 & 2022.
	• For the most recent year's tax return, provide proof of e-filing with the IRS. This is generally an e-file receipt, or a screen shot from the borrower's online IRS account that confirms receipt of the tax returns, and
	• Proof of payment in full of tax liability or receipt of refund, as applicable, and
	• A processed 4506-C that confirms "no record of return found" with the IRS.
	
	Code 10 – Rejection – Indication of possible identity theft/fraud:
	
	• Code 10 is a potential indicator of fraud or identity theft, and caution should be exercised. The appropriate level of prudence in confirming borrower identity is required.
	• Tax transcript alternative documentation requirements should be followed to validate prior years' income.

Verbal Verification of Employment (VVOE) Requirements: Wage Earner	VVOE should cover at least the most recent 2 years of borrower's employment/income history.
	• If the borrower has had multiple employers over the past 2 years, a VVOE with all employers is required.
	• If an employer affirmatively states that a borrower's employment is likely to cease, the loan is ineligible for purchase.
	• VVOE must be performed within 10 days prior to the Note date. If the VVOE is completed more than 10 days before the Note date, a post-closing VVOE is acceptable if it supports the information used to qualify the borrower.
	• The VVOE should include the following information:
	    ○ Date of contact.
	    ○ Name and title of person contacting the employer.
	    ○ Name of employer.
	    ○ Start date of employment.
	    ○ Employment status and job title.
	    ○ Name, phone number, and title of contact person at employer.
	    ○ Independent source used to obtain employer phone number.
	• If the employer uses a third-party employment verification vendor, the Seller must obtain written verification from the vendor of the borrower's current employment status within the same time frame as the VVOE requirements.
	Note: Because third-party vendor databases are typically updated monthly, the verification must evidence that the information in the vendor's database was no more than 35 days old as of the Note date.

Verbal Verification of Employment (VVOE) Requirements: Self-Employment	• Verification of the existence of borrower's self-employment must be verified through a third-party source and no more than 30 calendar days prior to the Note date. If the verification is completed more than 30 calendar days before the Note date, a post-closing verification is acceptable if it supports the information used to qualify the borrower.
	• Third party verification requirements:
	  ○ Third party verification can be from a CPA, regulatory agency, or applicable licensing bureau. If a CPA letter is utilized, it must indicate that the borrower has been self-employed for a minimum of 2 years.
	  ○ Listing and address of the borrower's business.
	  ○ Name and title of person completing the verification and date of verification.
	  ○ If the foregoing option is not possible then:
	    ▪ Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment).
	    ▪ Evidence of current business receipts within 10 days of the loan closing date (payment for services rendered).
	    ▪ Lender certification that the borrower's business is open and operating (lender confirmed through a phone call or other means), or
	    ▪ Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).

Written Verification of Employment (WVOE)	• WVOEs may be required for a borrower's income sourced from commissions, overtime, and/or other income when the income detail is not clearly documented on the paystubs. • Paystubs and W2s are required unless a WVOE has been obtained by a Fannie Mae-approved employment and income vendor and it contains sufficient information to analyze and calculate the income.

Wage Earning Income	Paystubs must meet the following requirements: • Clearly identify the employee/borrower and the employer. • Reflect the current pay period and year-to-date earnings. • Must be computer generated. • Year-to-date pay with most recent pay period at the time of application. W2s must be complete and be a copy provided by the employer. W2s must meet the following requirements: • Clearly identify the employee/borrower and the employer. • Must be computer generated.
Salaried Income	• Most recent 30 days' paystubs with year-to-date earnings. • W2s or tax returns for the most recent 2-year period. If tax returns are provided in lieu of the W2, W2 income must clearly be identified. • VVOE. • Salaried borrowers who also own 25% or more of a business or other entity are considered self-employed. In addition to the documentation noted in this section, self-employed income documentation must be provided. • Salaried borrowers who file a Schedule C (sole proprietorship) will be required to provide self-employment documentation. This includes borrowers who may be filing the Schedule C as a tax write off for accounting purposes.
Hourly and Part-Time Income	• Most recent 30 days' paystubs with year-to-date earnings. • W2s or tax returns for the most recent 2-year period. • VVOE. • Stable to increasing income should be averaged over a 2-year period.
Commission Income	• Most recent 30 days' paystubs with year-to-date earnings. • 2 years W2s. • VVOE. • Stable to increasing income should be averaged over a 2-year period.
Overtime and Bonus Income	• Most recent 30 days' paystubs with year-to-date earnings. • W2s or tax returns for the most recent 2-year period. • VVOE. • Stable to increasing income should be averaged over a 2-year period.

Alimony, Child Support, Separate Maintenance	• Legal agreement such as a divorce decree, court ordered separation agreement, child support agreement, or other legal agreement reflecting the income will continue for at least 3 years beyond the closing date of the loan. • Evidence of receipt of full, regular, and timely payments for the most recent 12 months.
Borrowers Employed by a Family Member	• Most recent 30 days' paystubs with year-to-date earnings. • W2s or tax returns for the most recent 2-year period. • VVOE. • 2 years' tax transcripts. See specific requirements under Tax Transcripts section. • Borrower's potential ownership in the business must be addressed by obtaining a letter from a qualified disinterested third-party.
Capital Gains Income	• Document a 2-year history of positive capital gains income by obtaining copies of borrower's signed and dated federal income tax returns for the most recent 2 years, including IRS form 1040, Schedule D. • Obtain copies of 2 most recent months or most recent quarterly investment account statements (minimum 2 months' history) reflecting year-to-date activity supporting borrower's asset position and trading activity to ensure the current year's trading activity is consistent with previous year. • Obtain year-end statements or other documentation corresponding to the tax years analyzed for the capital gains income supporting a current asset position consistent with previous levels. • Document sufficient assets remain after closing to support continuance of the capital gain income at the level used for qualifying. • 2 years' tax transcripts. See specific requirements under Tax Transcripts section.
Disability Income	• Copy of the policy or benefits statement must be provided to determine current eligibility for disability payments, amounts of payments, frequency of payments, and if there is an established termination date. • Termination date may not be with 3 years of the Note date. • Note: Reaching a specific age may trigger a termination date depending on the policy.

Dividends and Interest Income	• Tax returns for the most recent 2-year period. • 2 years' tax transcripts. See specific requirements under Tax Transcripts section. • Documented assets to support the continuation of the interest and dividend income. • If any portion of the assets used to generate the interest and/or dividend income are used for down payment and closing costs, the reduction of those assets must be taken into consideration when calculating the income used for qualifying.

Employment Offers and Contracts	Start Date Prior to Loan Closing:
	• If the borrower is scheduled to begin employment under the terms of an employment offer or contract, an executed copy of the borrower's offer or contract for future employment and anticipated income must be obtained. A paystub that includes sufficient information to support the income used to qualify the borrower based on the offer or contract must be provided prior to closing.
	Start Date After Loan Closing:
	• If the borrower will not begin employment until after loan closing, a pay stub may be obtained after closing when each of the following criteria is met:
	o Purchase transaction.
	o Principal residence.
	o One-unit property.
	o Borrower is not employed by a family member or by an interested party to the transaction.
	o The borrower is qualified using only fixed based income.
	o Employment must begin within 60 days of the Note date.
	o Sufficient income or cash reserves must be verified to support the mortgage payment and any other obligations between the Note date and the start of employment.
	o The borrower's offer or contract for future employment must be provided.
	o The employment offer or contract must:
	    o Clearly identify the employer and the borrower, be signed by the employer, and be accepted and signed by the borrower,
	    o Clearly identify the terms of employment, including position, type, and rate of pay, and start date, and
	    o Be non-contingent (Note: If conditions of employment exist, the underwriter must confirm prior to closing that all conditions of employment are satisfied either by verbal verification or written documentation).
	    o The employment must be in the form of a guaranteed non-revocable contract for employment.

Foreign Income	• Most recent 30 days' paystubs with year-to-date earnings. • W2s or the equivalent for the most recent 2 years. • Income must be reported on U.S. tax returns for the most recent 2-year period. • VVOE. • 2 years' tax transcripts. See specific requirements under Tax Transcripts section. • All income must be converted to U.S. currency.
K-1 Income/Loss on Schedule E of the 1040s	• If the income is $0 or positive, stable, and not used for qualifying, the K1 is not required. • If income is positive, and is used for qualifying: ○ K-1 is required. ○ If the borrower has less than 25% ownership: ▪ Year-to-date income must be verified if the most recent K1 is more than 90 days from the Note date. ○ If the borrower has 25% or more ownership, refer to self-employment documentation and income requirements. • If income represents a loss: ○ K-1 is required. ○ If the borrower has less than 25% ownership: ▪ Where loss is >5% of total qualifying income, deduct loss from income. ▪ Where loss is ≤5% of total qualifying income, lender must analyze the information to ensure the losses do not materially impact the borrower's ability to repay, otherwise they should be included in review of income regardless of ownership percentage. ○ If the borrower has 25% or more ownership, refer to self-employment documentation and income requirements.

K-1 Recent Conversion	• A borrower who has recently been made a partner with their employer (typically but not necessarily a law firm, accounting firm etc.) may have their income considered as stable provided a minimum of two years with the same employer is verified. The borrower's ownership percentage must be less than 25%. Documentation requirements:
	  ○ 2 years' personal tax returns signed on or before the closing date. In lieu of a signature, personal tax transcripts for the corresponding year may be provided.
	  ○ 2 years' tax transcripts. See specific requirements under Tax Transcripts section. The transcripts must validate the income documentation used to underwrite the loan. The transcripts and supporting income documentation must be consistent.
	  ○ Copy of partnership agreement. Guaranteed payments due under the partnership agreement must be equal to or greater than previously reported W-2 income.
	    ▪ If the agreement does not specify guaranteed payments to the partner, borrower must have received partnership payments via K-1 for a minimum of one year, and the income must be documented with the prior year's K-1.
	• Income must be calculated based on the most recent two years' W-2 income.

Non-Taxable Income	• Income types include child support, military rations/quarters, disability, foster care, etc. • Documentation must be provided to support continuation for 3 years. • Income may be grossed up by 25%. If the actual amount of taxes that would generally be paid by a wage earner in a similar tax bracket is more than 25% of the borrower's non-taxable income, that amount may be used to develop the adjusted gross income. • Tax returns for the previous 2 years must be provided to confirm income is non-taxable. • 2 years' tax transcripts. See specific requirements under Tax Transcripts section.
Rental Income	Follow Fannie Mae Selling Guide requirements.

Restricted Stock (RS), Restricted Stock Units (RSUs) and Stock Options – Performance Based	History of Receipt: • Two consecutive years required with current employer; it is acceptable to use a rolling 24-month history of receipt vs. calendar years plus year-to-date. • To be considered for history of receipt, RS and RSU used for qualifying must have vested and been distributed to the borrower from their current employer, without restriction. Continuance: • Documentation must support continuance for at least 3 years. Documentation Requirements • Year-to-date paystubs documenting all year-to-date earnings, including receipt of any RSUs. • Two years W2s. • Verbal Verification of Income ("VVOI") Or • Written VOE documenting all year-to-date earnings and the earnings for the most recent 2 calendar years. • Employment and income verifications obtained through a third-party verification service provider are permitted, provided that the documentation clearly identifies and distinguishes the payout(s) of RS/RSUs. Additional Documentation Requirements: • Evidence the stock is publicly traded. • Documentation verifying that the vesting provisions are performance-based (e.g., RS and/or RSU agreement, offer letter). • Vesting Schedule(s) currently in effect detailing past and future vesting. • Evidence of receipt of previous year(s) payout(s) of RS/RSUs (e.g., year-end paystubs, employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds) that must, at a minimum, include the number of vested shares or its cash equivalent distributed to the borrower (pretax). Calculation of Income: • Based on the form in which vested RSUs are distributed to the borrower (shares or cash equivalent), the Seller must use the applicable method to calculate the monthly income: • RSU Distributed as Shares:

	○ Multiply the 52-week average stock price as of the application date by the total number of vested shares distributed (pre-tax) to the borrower in the past 2 years, then divide by 24. ○ Example: If 200 vested shares were distributed (pre-tax) in the past 2 years and the 52-week average stock price as of the application-received date is $10, multiply 200 x $10 then divide by 24 = $83.33 monthly income. • RSU Distributed as Cash Equivalent: ○ Use the total dollar amount distributed (pre-tax) from the cash equivalent of vested shares in the past 2 years and divide 24. Note: When the calculation results in declining income from the RS or RSU source, this must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay the debt. The underwriter should provide a written justification for including the declining income for qualifying.

Restricted Stock (RS), Restricted Stock Units RSUs) and Stock Options – Time Based	History of Receipt: • One year required with current employer; it is acceptable to use a rolling 12-month history of receipt vs. calendar years plus year-to-date. • To be considered for history of receipt, RS and RSU used for qualifying must have vested and been distributed to the borrower from their current employer, without restriction. Continuance: • Documentation must support continuance for at least 3 years. • Documentation Requirements • Year-to-date paystub(s) documenting all year-to-date earnings, including receipt of any RS/RSUs. • 1-year W2 from the most current calendar year • VVOI Or • Written VOE documenting all year-to-date earnings (including payout(s) of RS/RSUs) as well as earnings for the most recent calendar year. • Employment and income verifications obtained through a third-party verification service provider are permitted, provided that the documentation clearly identifies and distinguishes the payout(s) of RS/RSUs. Additional documentation requirements: • Evidence the stock is publicly traded. • Documentation verifying that the vesting provisions are time-based (RS and/or RSU agreement, offer letter). • Vesting schedule(s) currently in effect detailing past and future vesting. • Evidence of receipt of previous year's payout(s) of RS/RSU (e.g., year-end paystub, employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds) that must, at a minimum, include the number of vested shares or its cash equivalent distributed to the borrower (pre-tax). Calculation of Income Based on the form in which vested RS or RSUs are distributed to the borrower (i.e., as shares or its cash equivalent), the Seller must use the applicable method(s) below to calculate the monthly income. • RS or RSU Distributed Shares:

	○ Multiply the 52-week average stock price as of the application date by the number of vested shares distributed (pre-tax) to the borrower is the past year, then divide by 12. ○ Example: If 50 vested shares were distributed (pre-tax) in the past year and the 52-week average stock price as of the application date is $10, multiply 50 x $10 then divide by 12 = $41.67 monthly income. • RS or RSU Distributed as Cash Equivalent: ○ Use the total dollar amount distributed (pre-tax) from the cash equivalent of vested shares in the past year and divide by 12. Note: When the calculation results in declining income from the RS or RSU source, this must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay the debt. The underwriter should provide a written justification for including the declining income for qualifying.

Retirement Income	All retirement benefits, including annuity retirement benefits must have a minimum continuance of 3 years from the closing date to be considered as qualifying income. Document verification of distribution with any of the following, including a combination of documentation: • Distribution or awards letter; or • Tax returns or tax transcripts from the prior year; or • Most recent IRS 1099 form; or • Last 2 months bank statements to document the regular deposit of payments.
Royalty Income	Income received from royalty payments may be considered as qualifying income with the following requirements: • Evidence of receipt for the most recent 12 months (if payments are received less than monthly, 24 months is required), • Evidence royalty payments are likely to continue for at least 3 years, • 2 years' personal tax returns, including Supplemental Income and Loss Schedule E, • 2 years' tax transcripts. See specific requirements under Tax Transcripts section.

Self-Employed Income General Requirements	General Information
	
	Borrowers who own twenty-five percent (25%) or more of a business or other entity, or where the borrower receives 1099 forms to document income, are considered self-employed and will be evaluated as a self-employed borrower for underwriting purposes.
	
	Income calculations should be based on the forms identified in the General Income Documentation Requirements section.
	
	Profit and Loss Statements (P&Ls) and Balance Sheets
	
	• Year-to-date P&L statements and balance sheets are required if the closing date is beyond 90 days from the end of the last fiscal year.
	• P&Ls and balance sheets are not required if the income is positive and not being used for qualifying or if the income is negative and represents less than 5% of the total income.
	• If the tax return for the previous tax year has not been filed, a 12-month P&L statement and balance sheet for that period is required.
	• If the most recent year's tax returns have not been filed by the IRS deadline, the following is required:
	    ○ an executed copy of the borrower's extension requests for both personal and business tax returns.
	    ○ Where a tax amount is owed to the IRS, evidence of proof of payment, or receipt of refund.
	    ○ A processed 4506-C that confirms "no record of return found" with the IRS is required.

Sole Proprietorship (Includes Schedule C and Schedule F)	• 2 years' personal tax returns signed on or before the closing date. In lieu of a signature, personal tax transcripts for the corresponding year may be provided. • 2 years' tax transcripts. See specific requirements under Tax Transcripts section. The transcripts will be used to validate the income documentation used to underwrite the loan. The transcripts and supporting income documentation must be consistent. • Year-to-date P&L statement. • Year-to-date balance sheet. Tax returns for prior year is not a substitute for balance sheet. • VVOE. • Stable to increasing income should be averaged over 2 years.

Partnership/S-Corporation	• 2 years' personal tax returns signed on or before the closing date. In lieu of a signature, personal tax transcripts for the corresponding year may be provided. • 2 years' tax transcripts. See specific requirements under Tax Transcripts section. The transcripts will be used to validate the income documentation used to underwrite the loan. The transcripts and supporting income documentation must be consistent. • 2 years' K-1s reflecting ownership percentage if counting any income from this source in qualifying (K-1, W2 income, capital gains or interest/dividends) or if Schedule E reflects a loss. • 2 years' business tax returns (1065s or 1120S) signed if 25% or greater ownership. In lieu of a signature, business tax transcripts for the corresponding year may be provided. • Due date for business returns for Partnerships and S-Corporations is typically March 15 with an extension for six (6) months or typically September 15. After the extension date has passed, the loan is not eligible without the filed tax return. • Business returns and year-to-date financials are not required if the income reporting is $0 or positive, not declining and not counted as qualifying income. • Year-to-date P&L if 25% or greater ownership. • Year-to-date balance sheet if 25% or greater ownership. • VVOE. • Stable to increasing income should be averaged for 2 years.

C-Corporation	• 2 years' personal tax returns signed on or before the closing date. In lieu of a signature, personal tax transcripts for the corresponding year may be provided. • 2 years' tax transcripts. See specific requirements under Tax Transcripts section. The transcripts will be used to validate the income documentation used to underwrite the loan. The transcripts and supporting income documentation must be consistent. • 2 years' business returns (1120) signed if 25% or greater ownership. In lieu of a signature, business tax transcripts for the corresponding year may be provided. • Business returns must reflect percentage of ownership for borrower. • Year-to-date P&L if 25% or greater ownership. • Year-to-date balance sheet if 25% or greater ownership. • VVOE. • Stable to increasing income should be averaged for 2 years.
Secondary Self-Employment Income	• Business income reported on a borrower's individual income tax returns is not required to be used in qualification if the Seller is only using income that is not derived from self-employment and self-employment is a secondary and separate source of income. • Secondary and separate sources of self-employment losses reporting on 1040 tax transcripts greater than 5% of borrower's total qualifying income must be deducted from qualifying income. Additional self-employment documentation is not required. • Examples of income not derived from self-employment include salary and retirement income.
Self-Employed Co-Borrower Income	• When co-borrower income derived from self-employment is not being used for qualifying purposes, the lender is not required to document or evaluate the co-borrower's self-employment income. • Co-borrower self-employment losses reporting on 1040 tax returns or transcripts greater than 5% of borrower's total qualifying income must be deducted from qualifying income. Additional self-employment documentation is not required.
Social Security Income	• Social Security income must be verified by a Social Security Administration benefit verification letter. If benefits expire within the first 3 years of the loan, the income may not be used. • Benefits (children or surviving spouse) with a defined expiration date must have a remaining term of at least 3 years.

Teacher Contracts and Income	• Teachers and school administrators who are employed based on an annually renewed contract, do not need to meet the three (3) year minimum continuance requirement if the following additional requirements are met:
	  ○ Annual contracts are common for the school district.
	  ○ Economic conditions of the area do not pose a threat to the demand for teachers; and
	  ○ The teacher/administrator has a minimum two (2) years of experience.
	• The number of paychecks the borrower receives per year must be considered when calculating the income. As an example, for a teacher who receives 10 paychecks per year, qualifying income is calculated as follows:
	  ○ (Monthly salary X 10)/12 = qualifying income

Trust Income	General Requirements:
	• Obtain a copy of the trust agreement, the trustee’s statement, or the trust’s federal income tax returns confirming the amount, frequency, and type of income being received.
	    o A borrower who is also a trustee may not supply the trustee's statement.
	• Confirm continuance of income. This is based on the type of income received through the trust. Examples:
	    o If trust income is derived from rental income, then three-year continuance is not required.
	    o If the trust income is a fixed payment derived from a depleting asset, then three-year continuance must be determined.
	• Funds used from a trust for down payment, closing costs, or reserves must be subtracted from the total funds available to determine if the income meets the continuity requirement.
	Requirements for Trust with Fixed Payments:
	• Use the fixed payment amount from the trust agreement as the borrower's qualifying income, converting it to a monthly amount, as applicable.
	• Document current receipt of trust income with one month's bank statement or other equivalent documentation.
	• Payments must have been received for 12 months or longer to be considered stable monthly income, unless the following requirements are met:
	    o The trust documentation reflects fixed payments,
	    o The borrower is not the grantor, and
	    o At least one payment is received prior to closing.
	Requirements for Trust with Variable Payments:
	• Calculate the qualifying income amount per Fannie Mae Variable Income Requirements in B3-3.1-01.
	• Document the following:
	    o A minimum 24-month history of trust income by obtaining copies of the borrower's signed federal tax income tax returns for the most recent two years, and
	    o Current receipt of trust income with one month's bank statement or other equivalent documentation.

	Valuation Requirements
General Appraisal Requirements	The following conditions must be met on an appraisal: • Value is on an "as-is" basis and not subject to future improvements. • Condition rating is C1 through C4. • C5 and C6 condition ratings are ineligible. • Appraisals assigned from another lender are not permitted. • Appraisal must be completed for subject transaction; prior appraisals are not permitted.
Number of Appraisals	Loan Amount: • ≤$1,500,000: 1 full appraisal. • >$1,500,000: 2 full appraisals. If two appraisals are required, the following applies: • Appraisals must be completed by two independent appraisal companies. • Both appraisal reports must be reviewed and address any inconsistencies between the two reports and all discrepancies must be reconciled. • If two appraisals are completed "subject to," and 1004Ds are required, it is allowable to provide one 1004D. If only one 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon.
Secondary Valuation	Secondary valuation requirements when 1 appraisal is required: • A Collateral Desktop Analysis report (CDA) from Clear Capital is required. ○ If the CDA returns a value that is "indeterminate" or if the CDA indicates a lower value than the appraised value and exceeds a 10% tolerance, then a field review or 2nd appraisal is required. • If a field review product value is more than 10% below the appraised value, a second appraisal is required. • Value will be based on the lesser of the original appraisal, field review, or 2nd appraisal. • It is acceptable to provide a field review or second appraisal in lieu of a CDA. The use of an appraisal review product does not relieve the Seller of its representations and warranties relating to the property and the appraisal, including the underwriting review.

Appraisal Requirements for HPML	In addition to the general requirements for an appraisal to comply with Title XI of FIRREA, two (2) written appraisals completed by two (2) different appraisers are required for the following HPMLs: • The property seller acquired the property within ninety (90) days prior to the date of the borrower's purchase agreement with the seller and the borrower's purchase price exceeds the property seller's acquisition price by more than ten percent (10%), or • The property seller acquired the property between ninety-one (91) and one hundred and eighty (180) days prior to the date of the borrower's purchase agreement with the seller and the borrower's purchase price exceeds the property seller's acquisition price by more than twenty percent (20%).

	Property Project Requirements

Condominiums: Warrantable	General Requirements
	
	To be considered warrantable, a condominium project must comply with all requirements published in the Fannie Mae Selling Guide. A Condominium Eligibility Questionnaire may be required to determine eligibility. Refer to Fannie Mae's Condominium Project Questionnaire – Short Form 1077 or Condominium Project Questionnaire – Full Form 1076, or their equivalents, and as applicable.
	
	Condominium Project Review
	
	Attached condominiums:
	
	• Limited review allowed for attached units in established condominium projects.
	    ○ Eligible transactions per Fannie Mae guidelines.
	    ○ Projects located in Florida are not eligible for Limited Review.
	• Condo Project Manager ("CPM") or Project Eligibility Reviews Service ("PERS") allowed.
	• Full review allowed. Warranty must be to Fannie Mae full review guidelines.
	• Projects with 2-4 units, project review is waived. Additional Fannie Mae requirements apply when the project review is waived. Refer to section B4-2.1-02 of the Fannie Mae Selling Guide for additional information.
	• Condominium documents to support condominium eligibility review must be no older than one hundred eighty (180) days from the Note date.
	
	Detached condominiums:
	
	• Project review is waived. Additional Fannie Mae requirements apply when the project review is waived. Refer to section B4-2.1-02 of the Fannie Mae Selling Guide for additional information.

Condominiums: Non-Warrantable	General Requirements • Maximum LTV/CLTV is 10% below program maximum. ○ Example: Program max LTV/CLTV for a $1,000,000 loan amount is 80%. If condo is non-warrantable, maximum LTV/CLTV is 70% • Limited to primary residence and second homes. • 30 Year Fixed Rate Only. • Loans must be locked as a non-warrantable condo with the applicable pricing adjustments applied. • Full project review required. • Only one non-warrantable feature permitted. • All other Fannie Mae condo requirements must be met. • Condo project's legal phase, including common elements of the project is substantially complete. Non-Warrantable Features Commercial Space: • Commercial space greater than 35% but less than or equal to 50% owned and controlled by the HOA must be separate and distinct from the condo project HOA. • Commercial space must be compatible with residential use (such as stores, offices, restaurants, or bars, among other commercial spaces), and must compliment the neighborhood. The commercial space shall be deemed to include eligible spaces above and below grade, excluding parking. Presale: Condo projects (new or converted) must have at least 30% of the condo units sold or under a pending sales contract (common areas must be complete). For a specific legal phase or phases, at least 30% of the total units in the subject legal phase(s), considered together with all prior legal phases, must have been conveyed or be under contract for sale to principal residence or second home purchasers. Budget: For condo projects where replacement reserves are less than 10%, the following conditions must be met: • Less than 10% but no less than 7% replacement reserves are permitted if the current reserve balance exceeds 10% of the operating expense for such project.

	- Less than 7% replacement reserves are permitted if the current reserve balance exceeds 20% of the operating expenses. - Regardless of the replacement reserves percentage amount, the balance sheet must be provided, and the date of the balance sheet must be within 120 days of the Note date. Maximum Ownership by One Entity: - Maximum ownership by one entity is 25% for projects with more than 10 units. - Units owned by the developer, sponsor, or succeeding developer that are vacant and being actively marketed for sale are not included in the calculation. - Units currently leased, including units owned by the developer, sponsor, or succeeding developer, must be included in the calculation. - For projects with 10 units or less, follow Fannie Mae Selling Guide.

Planned Unit Development (PUD)	PUDs must comply with all requirements published in the Fannie Mae Selling Guide. A PUD Eligibility Letter is not required. For properties located in a PUD project, the Project Review is waived apart from some basic requirements that must be met. • The project is not an ineligible project. • Priority of Common Expense Assessments (HOA fees) must not exceed 6 months of regular common expense assessments, even if applicable law provides for a longer priority period. • Insurance requirements for PUD projects must be met for title, hazard, liability (if a new project) and flood. Appraisal must meet all applicable appraisal requirements established by the Fannie Mae Selling Guide.

Cooperatives (Co-ops)	General Requirements • Are not eligible.

Ineligible Condominium, PUD and Cooperative Projects	• Projects in litigation: Any project for which the HOA or co-op corporation is named as a party to pending litigation or, any project for which the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project is ineligible. Litigation that involves minor matters are not considered ineligible projects; provided, that the pending litigation has no impact on the safety, structural soundness, habitability, or functional use of the project. The following are defined to be minor matters: ○ Non-monetary litigation involving neighbor disputes or rights of quiet enjoyment. ○ Litigation for which the claimed amount is known, the insurance carrier has agreed to provide the defense, and the amount is covered by the association's or co-op corporation's insurance; or ○ The HOA or co-op corporation is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due HOA dues. • Condotel: Any project that is managed and operated as a hotel or motel, even though the units are owned individually. Projects with any of the following characteristics are considered hotel-type projects, and are therefore, ineligible: ○ Projects that include registration services and offer rentals of units daily. ○ Projects with names that include the words "hotel" or "motel." ○ Projects that restrict the owner's ability to occupy the unit. ○ Projects with mandatory rental pooling agreements that require the unit owners to either rent their units or to give a management firm control over the occupancy of the units. These formal agreements between the developer, HOA, and/or the individual unit owners, obligate the unit owner to rent the property on a seasonal, monthly, weekly, or daily basis. In many cases, the agreements include blackout dates, continuous occupancy limitations, and other such use restrictions. In return, the unit owner receives a share of the revenue generated from the rental of the unit. ○ Projects that include any of the following: central telephone system, room service, units that do not contain full-sized kitchen appliances, daily cleaning service, advertising of rental rates, restrictions on interior decorating, franchise agreements, central key systems, location of the project in a resort area, projects converted from a hotel or motel.

	• Projects with non-incidental business operations owned or operated by the HOA such as, but not limited to, a restaurant, spa, health club, etc. • Investment securities: projects that have documents on file with the Securities and Exchange Commission, or projects where unit ownership is characterized or promoted as an investment opportunity. • Common interest apartments or community apartment projects: any project or building that is owned by several owners as tenants-in-common or by a HOA 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 in the building. • Timeshare or segmented ownership projects. • Houseboat projects. • Manufactured housing projects. • Multi-dwelling unit condominiums or cooperatives: projects that permit an owner to hold title (or stock ownership and the accompanying occupancy rights) to more than one dwelling unit, with ownership of all his or her owned units (or shares) evidenced by a single deed and financed by a single mortgage (or share loan). • Condominium or cooperative projects that represent a legal use of the land if zoning regulations prohibit rebuilding the improvements to current density in the event of their partial or full destruction. • A tax-sheltered syndicate's leasing to a cooperative or "leasing" cooperatives: projects that involve the leasing of the land and the improvements to the cooperative corporation, even if the cooperative corporation owns part of the building. • Limited equity cooperatives: projects in which the cooperative corporation places a limit on the amount of return that can be received when stock or shares are sold. • Cooperative projects with units that are subject to resale restrictions or located on land owned by community land trusts. • Cooperative projects in which the developer or sponsor has an ownership interest (or other rights in the project real estate or facilities), other than the interest or rights it has in relation to unsold units. New projects where the seller is offering sale/financing structures more than permitted limits. These excessive structures include, but shall not be limited to, builder/developer contributions, sales concessions, HOA, or principal and interest payment abatements, and/or contributions not disclosed on the Closing Disclosure.

	Attached condominium and cooperative projects where more than fifteen percent (15%) of the total units in a project are thirty (30) days or more past due on their HOA dues/maintenance fees. For example, a one hundred (100) unit project may not have more than fifteen (15) units that are thirty (30) days or more delinquent. Newly converted, no-gut rehabilitation condominium conversions are ineligible for financing. Cooperatives and condominiums with less than four hundred (400) square feet.

Version History

Effective Date	Effective Date Definition	Version	Description of Material Changes
5/12/2023	Lock Date	1.7	Underwriting: Clarifies use of Fannie Mae Selling Guide when the Prime Jumbo Eligibility Guide is silent. Transactions: • Cash Out Refinance – (1) Requires at least one borrower be on title for six months prior to disbursement date, (2) Twelve months seasoning required between prior and current transactions. • Delayed Financing – Properties located in the state of Texas must follow Texas Equity regulatory requirements. • Construction-to-Permanent Refinance – Construction cost overruns must be paid through escrow and directly to the builder. • Flip Transactions – Clarifies measurement of seasoning requirement. • Non-Arm's Length – Clarifies sales between family members does not include new construction where the builder is a relative. Borrower Eligibility: Borrowers with Pending Litigation – NEW section provides guidance for borrowers with pending litigation. Liabilities: Income Taxes and Payment Plans – NEW section provides requirements for income taxes owed and payment plans. Assets: • Checking, Savings, Money Market, CD – Allows for the use of Fannie Mae – approved asset vendor reports to verify funds to close and reserves. • Gift Funds – (1) Expands definition of donor to include non-relatives who share a familial relationship, and (2) clarifies documentation requirements when there is an electronic transfer of funds. Income Documentation Requirements: Expands alternative transcript requirements to include W2 transcripts when there are delays in processing by the IRS. Employment Offers and Contracts: NEW section replaces Projected Income. Provides guidance when start date is before or after closing.

Effective Date	Effective Date Definition	Version	Description of Material Changes
8/25/2023	Lock Date	1.8	Alternative Transcript Documentation: Adds processed 4506-C with a Code 10 response documentation requirements. Restriction Stock Units – Time and Performance Based: History of receipt requirement amended to state "with current employer." Secondary Valuation: Removed requirement that CDA is required prior to close.
12/29/2023	Lock Date	1.9	Construction-to-Permanent Loan Refinancing: Adds requirement that if borrower was a first-time homebuyer when the construction contract was executed, FTHB restrictions will apply to subject transaction. Texas 50(a)(6) and (f)(2) Transactions: Allow for 30-year fixed rate product only. Delayed Financing: Adds requirements: • Borrower funds required for purchase. • For business funds, borrower must be 100% owner and cash flow analysis completed to determine impact of withdrawal to business. • CD/HUD-1 from purchase required. Employer Subordinate Financing: Clarifies first lien must be a 30-year fixed rate product only. Gift Funds: Adds gift letter requirement must include name of trust or estate account when the gift is sourced from a trust. Rental Income: Removes specific language and defers to the Fannie Mae Selling Guide. Trust Income: Amends requirements to include differences between fixed and variable trust income payments. Warrantable Condominium: • Changes HOA Questionnaire language from "required" to "may be required" to account for other documentation types used in determining warrantability of a project. • Updates Fannie Mae Selling Guide section for project review waivers.

Effective Date	Effective Date Definition	Version	Description of Material Changes
1/8/2024	Correction	1.9.1	Publicly Traded Stocks, Bonds, Mutual Funds: Added back requirements which were inadvertently removed with last updated. Self-Employed Co-Borrower Income: Corrected label. Social Security Income: Added back requirements which were inadvertently removed with last update.
2/09/2024	Lock Date	2.0	Number of Financed Properties: For loans sold to Windsor Mortgage, maximum total loan exposure to same borrower, including the subject property is $8,000,000.
3/22/2024	Lock Date	2.1	Delayed Financing: Adds reference to Business Funds section when business funds were used to purchase subject property. Business ownership percentage now aligns with Business Funds section. Eligible Properties: Adds eligibility of properties subject to resale restrictions with age-related requirements. Ineligible Properties: Adds ineligibility of resale restricted properties, except those subject to age-related requirements. Credit Score Requirements: Removes credit score table and adds new section titled Representative Credit Score. Income Taxes and Payment Plans: Adds requirement that only one tax payment plan is allowed. Business Funds: Amended as follows: • Maximum LTV/CLTV: 80%. • Cash flow analysis must be completed by underwriter to confirm no negative impact to business. • Removes option for use of CPA letter to confirm no negative impact to business. • If funds being used are a combination of personal and business, 50% of funds must be from personal, liquid, non-retirement accounts. Unacceptable Reserves: Removes business funds as ineligible.

Effective Date	Effective Date Definition	Version	Description of Material Changes
			K-1 Income/Loss on Schedule E of the 1040s: Adds requirements for losses >5% and <=5% when borrower owns less than 25% of business. K-1 Recent Conversion: Adds requirements when a borrower has recently been made partner with employer and converts from W2 income to K-1 income.
5/3/2024	Lock Date	2.2	Temporary Interest Rate Buydown Requirements: Adds lender-paid buydown as eligible.
6/14/2024	Lock Date	2.3	Non-Permanent Resident Alien: Adds H-4 Visa as eligible. Cash Out Refinance: Adds verbiage for payoff of unseasoned seconds to be included the maximum allowed cash out proceeds. Tax Transcripts: Removes requirement for either tax or W2 transcripts for all loans, providing a new requirement that tax transcripts are required if tax returns are used to qualify the borrower, or at underwriter's discretion. Salaried Income: Removes reference to W2 transcripts or tax transcripts. Hourly and Part-Time Income: Removes reference to W2 transcripts or tax transcripts. Commission Income: Removes reference to W2 transcripts or tax transcripts. Overtime and Bonus Income: Removes reference to W2 transcripts or tax transcripts. Alimony, Child Support, Separate Maintenance: Removes reference to W2 transcripts or tax transcripts.
9/6/2024	Lock Date	2.4	Eligibility Matrix: Adds "CLTV" to Footnote 1 for transactions greater than 80% LTV/CLTV. Borrower Eligibility: For Non-Permanent Resident adds borrower must have a current two-year history of working in the U.S. without any gaps in U.S. employment greater than 30 days. Age of Documentation: Updates age of Credit Documentation from 90 days to 120 days.

9.6.2024	Minimum Loan Amount	2.4	Minimum loan amount revised to reflect $1 over conforming loan limit