Jumbo 2 AUS Guide

Contents

Jumbo 2 AUS Eligibility Matrix

10, 15, 20, 25, 30-Year Fixed Rate, 5/6, 7/6, 10/6 SOFR ARMS Purchase & Rate and Term Refinance				
Occupancy	**Number of Units**	**Maximum Loan Amount**	**Maximum LTV/CLTV[1]**	**Minimum Credit Score**
Primary	1 Unit	$1,500,000	80%/80%	660
		$2,000,000	75%/75%	680
			65%/65%	660
		$2,500,000	80%/80%	720
		$3,000,000	80%/80%	740
	2 Units	$1,000,000	80%/80%	660
		$1,500,000	65%/65%	660
		$2,000,000	60%/60%	660
Second Home	1 Unit	$1,000,000	80%/80%	660
		$1,500,000	70%/70%	680
		$2,000,000	55%/55%	700
		$2,500,000	80%/80%	720
		$3,000,000	80%/80%	740
Investment	1-4 Units	$1,000,000	70%/70%	680
		$1,500,000	65%/65%	680
Cash Out Refinance				
Primary	1 Unit	$1,000,000	75%/75%	660
		$1,500,000	70%/70%	680
		$2,000,000	80%/80%	720
		$2,000,000	55%/55%	660
	2 Units	$1,000,000	70%/70%	680
		$1,500,000	55%/55%	660
Second Home	1 Unit	$1,000,000	75%/75%	700
		$1,500,000	65%/65%	700
		$2,000,000	75%/75%	740
Investment	1-4 Units	$1,000,000	65%/65%	680
		$1,500,000	60%/60%	720

Footnote:

[1] For properties located within a declining market, the maximum LTV/CLTV will be reduced by 10%.

<table>
<tr><th colspan="2">Other Eligibility Criteria</th></tr>
<tr><td>Minimum Loan Amount</td><td>$1 over high balance limits.</td></tr>
<tr><td>Maximum DTI</td><td>49.99%</td></tr>
<tr><td>Maximum Cash Out Proceeds</td><td>Loan amounts ≤$1,500,000: $350,000.
Loan amounts >$1,500,000: $500,000.</td></tr>
<tr><td>Reserves</td><td>Follow the greater of DU or below requirements:
Primary Residence:

Loan Amount ≤$1,000,000 – minimum 6 months PITIA reserves.
Loan Amount >$1,000,000 and ≤$2,000,000 – minimum 9 months PITIA reserves.
Loan Amount >$2,000,000 – minimum 12 months PITIA reserves.
Two units regardless of the loan amount – minimum 12 months PITIA reserves.

Second Home:

Loan Amount ≤ $2,000,000 – minimum 9 months PITIA reserves.
Loan Amount >$2,000,000 – minimum 12 months PITIA reserves.

Investment Properties:

12 months PITIA reserves regardless of loan amount.
Ineligible Assets for Reserves:
Gift Funds.
Cash-out proceeds.
</td></tr>
<tr><td>Minimum Down Payment</td><td>5% of the down payment must come from the borrower's own funds, regardless of LTV/CLTV.</td></tr>
<tr><td>Number of Financed Properties</td><td>
Per DU. For loans sold to Windsor Mortgage, the maximum total loan exposure to the same borrower, including the subject property, is $8,000,000.
1–4-unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated on the mortgage.
</td></tr>
<tr><td>Temporary Interest Rate Buydowns</td><td>
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-funded buydowns only; lender and borrower-funded buydowns are 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.
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Underwriting	
Desktop Underwriter (DU)	Fannie Mae's Desktop Underwriter ("DU") is the only eligible AUS system allowed for the program. DU Findings Report required with Approve/Eligible or Approve/Ineligible recommendations due only to the loan amount. Fannie Mae-approved validation services allowed; no R&W relief provided. "Caution," "Incomplete," "Invalid," or "Out of Scope" recommendations are not allowed.
General and Supporting Guidelines	Refer to the Windsor Mortgage Program Eligibility Guide for general requirements not specific to this program. This Jumbo 2 AUS Eligibility Guide ("Guide") supplements that and should be read together for purposes of the Jumbo 2 AUS program. If any term or provision contained in this Guide shall conflict with or be inconsistent with any provision contained in the Windsor Program Guide, the terms, and provisions of the more restrictive shall govern. Where Guides are silent on a topic, defer to the Fannie Mae Selling Guide for requirements. 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 is ineligible unless the transferor is a family member and there is no change to purchase price or credits.
Rate & Term Refinance	• 6 months of seasoning is required if the previous transaction was a cash-out refinance. • The 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.
Cash Out Refinance	Properties listed for sale must be off-market at least 6 months prior to the 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.

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. • If the borrower was a first-time homebuyer when the construction contract was executed, first-time homebuyer restrictions will apply to this transaction. • 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. • The 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. • The 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. • Construction loan refinance transactions in which the borrower has functioned as builder or general contractor are not eligible for purchase. • If the borrower was a first-time homebuyer when the construction contract was executed, first-time homebuyer restrictions would apply to the subject transaction.

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 the property came from the borrower's self-employed business, the borrower must be 100% owner, and a cash flow analysis must be completed to confirm no negative impact on the business. • 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).
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 delivery of the 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 the sales contract, the following requirements apply. Measurement is based on the closing date of the initial transaction and the date of the fully executed purchase contract for the subject transaction. • The 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.

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's 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:
	    o 30-year fixed rate only for the subject transaction.
	    o Employers must have an Employee Financing Assistance Program in place.
	    o An employer may require full repayment of the debt if the borrower's employment ceases before the maturity date.
	    o 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.
	        ▪ A balloon payment of no less than 5 years or the borrower must have sufficient liquidity to pay off the subordinate lien.

Property Eligibility	
Eligible Properties	• Single Family Dwelling • 2-4 Unit Multifamily Dwelling, subject to eligibility restrictions • Condominiums, warrantable • Planned Unit Developments
Ineligible Properties	• Cooperatives • Timeshares • Condominiums, non-warrantable • Condotels • Houseboats • Manufactured homes • Agricultural property (working farm or ranch) • Mixed-use properties • Commercial properties • 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 with income-producing attributes • Unique properties • Properties held as a leasehold • Island of Hawaii lava zones 1 and 2

Borrower Eligibility	

Eligible Borrowers	All borrowers must have a social security number. Documentation requirements apply to Permanent Residents and Non-Permanent Residents.
	• U.S. Citizens
	• No more than 4 natural persons are allowed per loan application.
	• Permanent Resident Aliens
	  ○ A valid and current Permanent Resident card (form I-551), also known as a green card or
	  ○ A passport stamped processed for I-551, Temporary evidence of lawful admission for permanent residence. Valid until employment authorized. It must evidence the holder has been approved for, but not issued, a Permanent Resident 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 Aliens
	  ○ 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.
	  ○ Valid visa types:
	    ▪ E Series (E-1, E-2, E-3)
	    ▪ G Series (G-12, G-2, G-3, G-4, G-5)
	    ▪ H Series (H-1B, H-1C)
	    ▪ 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+

Borrowers with Pending Litigation	• If the lender becomes aware of, or the loan file's documentation indicates, the borrower is a plaintiff in 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	• Borrowers without a social security number.
	• Borrowers with diplomatic immunity.
	• Foreign nationals.
	• Limited partnerships, general partners, corporations, and limited liability companies.
	• The following trusts:
	  ○ Irrevocable trusts.
	  ○ Land trusts.
	  ○ Bank trusts.
	  ○ Qualified Personal Residence Trusts.
	  ○ Blind trusts.
	• Real estate trusts.

First-Time Homebuyer	• Maximum loan amount: $1,500,000.
	• Investment properties are ineligible.
	• Borrower's living rent-free must meet the following minimum tradeline requirements:
	  ○ Minimum 3 tradelines, with at least 1 tradeline open for a minimum of 24 months from the application date.
	  ○ 1 tradeline must have had activity in the past 12 months from the application date.
	  ○ The minimum of 3 tradelines must have had no significant adverse credit, such as charge-offs or collections.
	  ○ Authorized user accounts cannot be used in the determination of minimum tradelines.

Inter Vivos Revocable Trusts	○ Seller must warrant that the Mortgage and Trust documents meet Fannie Mae eligibility criteria, including title and title insurance requirements and applicable state laws that regulate the loan origination of inter vivos revocable trusts.

Credit	
Credit Score Requirements	• The credit report must reflect at least two reported scores for borrowers whose income is used to qualify. The lowest middle score of all borrowers is used to determine the representative score for eligibility purposes. • Self-reported or other non-traditional credit ratings are ineligible for use in developing or supporting a credit score. • Averaging credit scores to determine eligibility is not allowed. • Rapid re-scores are not allowed unless the re-score is the result of an error on the credit report. The creditor must confirm errors.
Minimum Tradeline Requirements	Follow DU messaging requirements.
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	Mortgage: • 0x30x12, 0x60x24, x0x90x24 Rent: • 0x30x12
Letters of Explanation	• Mortgage past due payments or significant derogatory credit will require a satisfactory signed letter of explanation. • Credit inquiries within the last 120 days will require a letter of explanation. Any new debt will need to be added to the debt obligations for qualifying purposes.

Credit Events	Significant Credit Events: Use of extenuating circumstances to reduce the waiting period for foreclosure, bankruptcy, or short sale/deed in lieu of foreclosure is not allowed. Regardless of the AUS findings report, borrowers with the above credit events that are seasoned less than 7 years require the following: • 0x30x24 rental housing history in the past 24 months. • No mortgage past due payments since the credit event. Multiple Credit Events: • Not allowed. • Credit events more than 10 years old from the application date do not need to be evaluated or considered. Forbearance Agreements: • Requirements apply to subject and non-subject properties currently or previously owned by the borrower. • Allowable 6 months after the end of the forbearance period. • The borrower must have made all monthly payments during the forbearance period. • Forbearance terms to skip any payments are not allowed. • Payoff statements and mortgage statements must not reflect any deferred principal balance or any indication of current forbearance.
Liabilities	
Verification of Mortgage (VOM)	Standalone VOE is not acceptable unless it is from a financial institution.
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. The landlord's completed VOR form is acceptable only if the landlord is a professional management company. The lack of housing payment history must be satisfactorily explained. Acceptable explanations include, but are not limited to: • The borrower previously lived with a family member rent-free. • Current primary residence owned free and clear.

	Assets
Eligible Sources of Funds	Follow DU findings report messaging for documentation requirements. Use of Fannie Mae-approved asset vendor reports is acceptable.
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.
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 is also referred to as "sweat equity." • Gifts that must be repaid. • 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 for" 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 "Acceptable Sources of Funds" section. • Cash on hand. • Loans from non-institutional lenders.

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. • Business 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	
General Income Documentation Requirements	• The income documentation required is based on the DU Findings Report. Additional documentation may be required to calculate certain types of income properly. • When the borrower has less than a two-year history of receiving income, the lender must provide a written analysis to justify the determination that the income used to qualify the borrower is stable. • A standalone written VOE/VOI is not allowed <u>except</u> if used in the validation services process or if obtained through The Work Number or similar employment verification service. • 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, when present in the loan file, must be reviewed in their entirety. Prior years' income reporting on the documentation must be considered when analyzing the income stream.

	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: o 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 and W2 Transcripts	Transcripts are required for all borrowers whose income is used to qualify for the loan and will be used to validate the income documentation. The transcripts and supporting income documentation must be consistent.
	
	Tax Transcripts
	
	• Tax transcripts for personal tax returns are required when tax returns are used to document a borrower's income or any loss and must match the documentation in the loan file. Borrower-obtained tax transcripts are not allowed.
	
	W2 Transcripts
	
	W2 transcripts are required to validate W2 wages if tax transcripts are not provided, and the borrower does not have any other income source or loss.
	
	• The following W2-type earnings will require tax transcripts:
	    o Borrowers employed by a family member.
	    o Borrowers with 25% or greater ownership in the company. Tax and W2 Transcript Alternative Documentation
	
	When the most recent year's tax returns or W2s have been filed, and where the IRS has not processed the forms, the following alternative documentation is required:
	
	For Tax Transcripts -
	
	• Tax transcripts for the previous one or two years (per DU findings report)/
	    o Example:
	        ▪ Borrower provided 2022 tax returns.
	        ▪ Two thousand twenty-two tax returns have been filed but the IRS has not yet processed the returns.
	        ▪ Required transcripts will be for 2021.
	• 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 screenshot 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 confirms "no record of return found" with the IRS.
	
	For W2 Transcripts –
	
	• W2 transcripts for the previous one or two years (per DU findings report).

- Example:
  - Borrower provided 2022 W2.
  - The IRS has not yet processed 2022 W2s.
  - The required transcript will be for 2021.
- A processed 4506-C confirms "no record found" with the IRS. Please note this option is only available through June 30th of each year. After June 30th, the prior year's W2 transcript is required.

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 or W2 alternative documentation requirements should be followed to validate prior years' income.

<table>
<tr>
<td>Verbal Verification of Employment (VVOE) Requirements: Wage Earner</td>
<td>VVOE should cover at least the most recent 2 years of the 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 the person contacting the employer.
Name of employer.
Start date of employment.
Employment status and job title.
Name, phone number, and title of the contact person at the employer.
Independent sources were used to obtain the employer's 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 be evidence that the information in the vendor's database was no more than 35 days old as of the Note date.</td>
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Verbal Verification of Employment (VVOE) Requirements: Self-Employment	• Verification of the existence of the 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 preceding 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).

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. • Two years of tax transcripts. See specific requirements under the Tax and W2 Transcripts section. • The borrower's potential ownership in the business must be addressed by obtaining a letter from a qualified disinterested third party.

Restricted Stock (RS), Restricted Stock Units (RSUs) and Stock Options – Performance Based	History of Receipt:
	• Two consecutive years are required with the 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 the 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 document all year-to-date earnings, including receipt of any RSUs.
	• Two years W2s.
	• Verbal Verification of Income ("VVOI")
	Or
	• They are 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 (pre-tax).
	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.

Self-Employment	Follow the DU findings report and Fannie Mae Selling Guide for documentation and income calculation requirements, except:
	• Verification of the existence of the business must be completed within 30 days of the Note date.
	• A year-to-date P&L statement, updated through the most recent quarter, is required when the self-employed income is the primary source of income used to qualify for the loan.
	• After 3/31, if tax returns for the prior year have not been filed, then a P&L and Balance Sheet for the prior year are also required in addition to the current quarter P&L.
	• Secondary Self-Employment Income:
	    ○ Business income reported on a borrower's individual income tax returns is not required to be used in a qualification if the lender is only using income that is not derived from self-employment, and self-employment income is a secondary and separate source of income.
	    ○ Secondary and separate sources of self-employment losses reporting on 1040 tax returns or transcripts greater than 5% of the 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.
	• Income from Self-Employed Co-Borrower:
	    ○ 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 the borrower's total qualifying income must be deducted from qualifying income. Additional self-employment documentation is not required.

	Valuation Requirements

Appraisal Requirements	• Full appraisal with interior and exterior inspection:
	  ○ Uniform Residential Appraisal Report (Form 1004)
	  ○ Individual Condominium Unit Appraisal Report (Form 1073)
	  ○ Two-to-Four Unit Residential Appraisal Report (Form 1025)
	• Property Inspection Waivers (PIWs) are not permitted.
	• Appraisals expire 120 days after the effective date. Appraisal updates are not allowed.
	• Appraisals assigned from another lender are not permitted.
	• 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 the subject transaction; prior appraisals are not permitted.
	• Loan amounts ≤$1,500,000 – 1 appraisal required.
	• Loan amounts >$1,500,000 – 2 appraisals required.

Secondary Valuation	Secondary valuation requirements when 1 appraisal is required: • CU score ≤2.5, or • CDA supporting appraised value. ○ 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. • Note: 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%).
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.

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 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. • Timeshare or segmented ownership projects. • Houseboat projects. • Manufactured Housing Projects

Ineligible Condominium, PUD and Cooperative Projects	• Common interest apartments or community apartment projects: any project or building that several owners own as tenants-in-common or by an 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. • 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 their owned units (or shares) evidenced by a single deed and financed by a single mortgage (or share loan). • Condominium or cooperative projects 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, 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.