



Jumbo AUS 1 Program Guidelines

Revised 4/12/2022 rev. 112

Summary	<p>The BFC Jumbo AUS 1 program utilizes Fannie Mae DU and Freddie Mac LPA findings and Fannie Mae and Freddie Mac documentation for Jumbo loan amounts up to \$3 million and offers 15 and 30-year fixed rate products.</p> <p>For any guidelines not addressed refer to BFC's Credit Guidelines and chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 (for DU loans) or Sections 5102 through 5500 of the Freddie Mac Single Family Seller/Servicer Guide, published June 10, 2020 (for LPA loans) hereafter referred to as Fannie Mae and Freddie Mac Guidelines.</p> <p>All Jumbo AUS 1 loans must be Qualified Mortgages (QM) and within the QM Safe Harbor. Loans that are Higher Priced Mortgage Loans (HPML), non-QM, or that are QM with Rebuttable Presumption are not eligible.</p>																																																																																																														
Products	<table border="1"> <thead> <tr> <th>Product Name</th> <th>Product Code</th> </tr> </thead> <tbody> <tr> <td>Jumbo AUS 1 15 Yr Fixed</td> <td>JAUSF15</td> </tr> <tr> <td>Jumbo AUS 1 30 Yr Fixed</td> <td>JAUSF30</td> </tr> </tbody> </table>	Product Name	Product Code	Jumbo AUS 1 15 Yr Fixed	JAUSF15	Jumbo AUS 1 30 Yr Fixed	JAUSF30																																																																																																								
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Second Home ¹ Purchase and Rate/Term Refinance					
Property Type	LTV	CLTV/HCLTV	Credit Score	Loan Amount	Max DTI
1-Unit PUD	80%	80%	680	\$1,500,000	45%
Condo Co-op	75%	75%	700	\$2,000,000	45%

1. First time homebuyers are not eligible for second homes.

Second Home Cash-Out Refinance						
Property Type	LTV	CLTV/HCLTV	Credit Score	Loan Amount	Max Cash-Out	Max DTI
1-Unit PUD	75%	75%	700	\$1,000,000	\$500,000	45%
Condo Co-op	70%	70%	720	\$1,500,000	\$500,000	45%

Investment Property ¹ Purchase and Rate/Term Refinance					
Property Type	LTV	CLTV/HCLTV	Credit Score	Loan Amount	Max DTI
1-Unit PUD	75%	75%	700	\$1,500,000	45%
Condo 2-4 Units	70%	70%	700	\$2,000,000	45%

1. First time homebuyers are not eligible for investment property.

Investment Property Cash-Out Refinance						
Property Type	LTV	CLTV/HCLTV	Credit Score	Loan Amount	Max Cash-Out	Max DTI
1-Unit PUD Condo 2-4 Units	60%	60%	700	\$1,500,000	\$350,000	45%

4506-C / Tax Transcripts

Salaried Borrowers:

- Signed IRS Form 4506-C is required.
- Tax transcripts are required to be obtained from the IRS for the income being considered for qualification.
 - Wage transcripts are acceptable for W-2 borrowers.
 - Borrower pulled transcripts are not acceptable.
 - The IRS transcripts and the supporting income documentation must be consistent.
- Transcripts are not required for business tax returns.

Self-Employed Borrowers:

- Signed IRS Form 4506-C is required.
- Tax transcripts are required to be obtained from the IRS for the income being considered for qualification.
 - Borrower pulled transcripts are not acceptable.
 - The IRS transcripts and the supporting income documentation must be consistent.

Appraisal

All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR). Appraisals will be reviewed by BFC and may also require a satisfactory appraisal review (see Third Party Appraisal Review below).

- Loan amount <= \$1,500,000 requires one appraisal.
- Loan amount > \$1,500,000 requires two appraisals.
- Reduced appraisal requirements per AUS findings are not allowed.
- Properties must be appraised within the twelve months that precede the date of the Note and Mortgage.
- Appraisals must not be over 120 days old from the date of the Note. If appraisal is over 120 days old a recertification of value is required.

	<ul style="list-style-type: none"> • Personal property may not be included in the purchase agreement/sales contract. Personal property items should be deleted from the sales contract or reasonable value must be documented and the sales price adjusted. Items that are customary to residential real estate transactions such as lighting fixtures, kitchen appliances, window treatments and ceiling fans are not considered personal property for purposes of this section. • Transferred Appraisals: Not allowed. <p>Third Party Appraisal Review:</p> <ul style="list-style-type: none"> • Appraisals with a Fannie Mae CU Score <= 2.5 do not require a third party appraisal review. • Appraisals with a Fannie Mae CU score > 2.5, or without a CU score, will require a <u>Collateral Desktop Analysis – Jumbo (CDA) Pre-Fund</u> from Clear Capital. <ul style="list-style-type: none"> ○ The CDA should be obtained by the seller and delivered to BFC in the closed loan file. ○ If the seller does not provide a CDA, one will be ordered by BFC and must be received and reviewed by BFC prior to loan purchase. ○ The CDA is required to support the value of the appraisal. If the CDA returns a value that is “Indeterminate” or if the CDA indicates a lower value than the appraised value by more than 10%, then a field review or 2nd full appraisal will be required. If a second appraisal is provided, the lower of the two values will be used as the appraised value of the property. ○ If more than two appraisals are provided, any appraisal with a CU score > 2.5 will require a CDA.
ARM Adjustments	Reserved for future use.
Assets/Down Payment/Gifts	<p>Source of Funds:</p> <ul style="list-style-type: none"> • Follow the requirements per the DU or LPA findings and Fannie Mae Guidelines (for DU) or Freddie Mac Guidelines (for LPA). If a discrepancy exists between DU and the aforementioned Fannie Mae Guide, or LPA and the aforementioned Freddie Mac Guide, the Guide requirements must be followed. • Gift funds (except gifts of equity) and minimum borrower contribution requirements are allowed per Fannie Mae Guidelines (for DU) or Freddie Mac Guidelines (for LPA). • Gifts of equity are not allowed.
Borrower Eligibility	<p>Eligible Borrowers:</p> <ul style="list-style-type: none"> • All borrowers must have a valid Social Security Number • U.S. citizens • Permanent resident aliens with evidence of lawful residency <ul style="list-style-type: none"> ○ Must be employed in the United States for the past 24 months. • Inter Vivos Revocable Trusts – Refer to BFC’s Living Trust Policy requirements. • Non-Occupant Co-Borrowers are allowed per AUS findings • First time homebuyer: A first time homebuyer is defined as a borrower who has not had ownership interest in a property within the last three (3) years from the application date. If any borrower is a first time homebuyer, the first time homebuyer guidelines apply. <ul style="list-style-type: none"> ○ Owner-occupied only ○ Maximum 80% LTV/CLTV/HCLTV ○ Maximum loan amount \$2,000,000 • Maximum of four (4) borrowers per loan. <p>Ineligible Borrowers:</p> <ul style="list-style-type: none"> • Borrowers with only an ITIN (individual taxpayer identification number) • Irrevocable trusts • Corporations, limited partnerships, general partnerships, and LLCs • Borrowers who are party to a lawsuit • Borrowers with Diplomatic Immunity • Foreign Nationals. • Land Trusts including Illinois Land Trust • Non-Permanent Resident Aliens (including DACA) • Life Estates • Guardianships • Borrowers with any ownership in a business that is Federally illegal, regardless if the income is not being considered for qualifying

Co-ops	<ul style="list-style-type: none"> • The co-op project must be reviewed and approved by BFC • Must meet Fannie Mae cooperative project standards • Refer to BFC's Project Standards for BFC's complete co-op requirements • BFC Underwriters must follow BFC's Cooperative (Co-op) Project Approval Process and Key Document Requirements
Credit	<p>Credit Standards: For scenarios not specifically addressed below refer to Fannie Mae Guidelines (for DU) or Freddie Mac Guidelines (for LPA).</p> <p>Credit Report: A tri-merged credit report is required. Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required.</p> <p>Credit Scores:</p> <ul style="list-style-type: none"> • The representative credit score for an individual borrower is the middle score of the three (3) scores reported. If two (2) scores are reported the representative credit score is the lower of the two scores. • For multiple borrowers the qualifying credit score is the lowest of all representative credit scores. • Credit scores from all three repositories must be requested (Equifax, Experian and TransUnion). • If only one credit score or no credit score is reported the borrower is not eligible. • No borrower in a transaction may have frozen credit. If a borrower has frozen credit and unfreezes their credit after the original credit report was ordered, a new credit report must be obtained to reflect current updated information for evaluation. • Credit rescoring is not permitted unless the rescore is correcting erroneous line items or disputed accounts. <p>Trade Lines: Per AUS findings.</p> <p>Mortgage/Rental History:</p> <ul style="list-style-type: none"> • A minimum of twenty four (24) months verified housing history is required and must reflect 0 x 30 lates. • For rental verification, a standard VOR completed by a professional management company or 24 months bank statements or cancelled checks are required. • Borrowers who have owned or rented for less than twenty four (24) months are eligible and must document 0 x 30 for the period rated and must verify no payment for the remainder of the 24 months. • Borrowers with no mortgage/rental history due to a residence scenario requiring no mortgage or rental payments are eligible with a satisfactory letter of explanation. • All payment ratings on properties for all borrowers will be considered mortgage credit for grading purposes. • If primary residence housing history reflects a forbearance arrangement, the payment history must reflect 0 x 30 lates in the most recent 24 months since exiting forbearance. The payment history must be provided by the lender/servicer. <p>Bankruptcy - Chapter 7, 11, 13: Seven (7) years since discharge / dismissal date</p> <p>Foreclosure: Seven (7) years since completion date</p> <p>Notice of Default: Seven (7) years since filing date</p> <p>Short Sale / Deed-in-Lieu: Seven (7) years since completion/sale date</p> <p>Mortgages Settled for Less, Renegotiated or Short Payoffs: Seven (7) years since settlement date</p> <p>Tax Liens, Judgments, Charge-Offs & Collections:</p> <ul style="list-style-type: none"> • Satisfactory explanation for any delinquent credit from the borrower is required. • Borrower must pay off all delinquent credit that has the potential to impact lien position. • Collection accounts or charged-off accounts do not need to be paid off if the balance of an individual account is less than \$1000.00 or if there are multiple accounts the total balance of all accounts cannot exceed \$2,500.00. <p>Credit Inquiries:</p> <ul style="list-style-type: none"> • All inquiries that have taken place within 120 days of the credit report date must be explained by the borrower and documented accordingly. • Borrower must be qualified with any new debt.

Disaster Policy	Refer to BFC's Natural Disaster Policy for requirements.
Flood Insurance	When flood insurance is required, an escrow account must be established for flood insurance premiums.
Geographic Restrictions	Texas: Texas Section 50(a)(6) transactions are not allowed.
Identity of Interest / Non-Arm's Length	<p>All of the parties to a transaction should be independent of one another. Except as indicated below if a direct relationship exists between or among the parties, the transaction is a non-arm's length transaction and the loan is not eligible. The following transactions are eligible provided that such transactions and the related circumstances are properly documented:</p> <ul style="list-style-type: none"> • Sales or transfers between members of the same family. Transaction may not be due to any adverse circumstances. Payment history for the last 12 months on the subject property is required to verify no adverse circumstances. • Property seller acting as his or her own real estate agent. • Borrower acting as his or her own real estate agent. • Borrower is the employee of the originating lender. • Borrower purchasing from his or her current landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord). • Investment property transactions must be arm's length (investment property are not eligible even for those exceptions listed above)
Income & Employment	<p>Income and Employment must be documented per the DU or LPA findings and all income sources and methods of income calculation must meet the requirements in chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 (for DU loans) or Sections 5102 through 5500 of the Freddie Mac Single Family Seller/Servicer Guide, published June 10, 2020 (for LPA loans) and the requirements below.</p> <p>Employment & Income Stability: Borrower(s) must have a minimum of two (2) years employment and income history.</p> <ul style="list-style-type: none"> • Gaps in Employment: A minimum of two (2) years consecutive employment and income history is required to be documented. Gaps more than thirty (30) days during the past two (2) years require a satisfactory letter of explanation and the borrower should be employed with their current employer for a minimum of six (6) months. • Borrower(s) must execute an attestation at closing confirming no changes to employment and income listed on the final loan application as a result of COVID-19 impacts. A sample of the attestation may be found here. <p>Income Documentation Requirements:</p> <p>Income Analysis Form: An income worksheet must be provided on every loan. Borrowers with multiple businesses must show income/loss details separately, not in aggregate on the Income Worksheet. BFC's Income Worksheet, Fannie Mae Form 1084 or Freddie Mac Form 91 is required for self-employment income analysis.</p> <p>Salaried Borrowers:</p> <ul style="list-style-type: none"> • Completed, signed and dated final Uniform Residential Mortgage Application. • Follow the requirements per the DU or LPA findings and Fannie Mae Guidelines (for DU) or Freddie Mac Guidelines (for LPA). If a discrepancy exists between DU and the aforementioned Fannie Mae Guide, or LPA and the aforementioned Freddie Mac Guide, the Guide requirements must be followed. • Verbal Verification of Employment (see below) • Signed IRS Form 4506C. • Tax transcripts are required to be obtained for the income being considered for qualification. <ul style="list-style-type: none"> ○ Wage transcripts are acceptable for W-2 borrowers. ○ Borrower pulled transcripts are not acceptable. ○ The IRS transcripts and the supporting income documentation must be consistent. • Transcripts are not required for business tax returns. <p>Salaried Borrowers with Commission/Bonus:</p> <ul style="list-style-type: none"> • Follow requirements above for salaried borrowers, plus • Commission income must be documented with a written VOE breaking down the bonus or commission income for the past 2 years or a year-to-date paystub and W-2's supporting the income.

Salaried Borrowers Verbal Verification of Employment (VVOE):

- Verbal VOE of current employment dated within ten (10) calendar days prior to closing (closing is defined as the notary date on the Security Instrument).
- If the employer uses a third-party employment verification vendor, the verification must be obtained within the same timeframe as the verbal VOE requirements above and the verification must evidence the information in the vendor's database was no more than 35 days old as of the note date.
- Any employment gaps one (1) month or greater must be addressed with a satisfactory signed letter of explanation from the borrower.

Self-Employed Borrowers:

- Borrowers with a 25 percent or greater ownership interest in a business are considered self-employed and will be evaluated as a self-employed borrower for underwriting purposes.
- Completed, signed and dated final Uniform Residential Mortgage Application.
- Follow the requirements per the DU or LPA findings and **Fannie Mae Guidelines** (for DU) or **Freddie Mac Guidelines** (for LPA). If a discrepancy exists between DU and the aforementioned Fannie Mae Guide, or LPA and the aforementioned Freddie Mac Guide, the Guide requirements must be followed.
- COVID Overlay: Due to the pandemic's continuing impact on businesses, additional documentation is required to support that the current business income is consistent with the qualifying income. Refer to the COVID overlay section below.
- Verification of Business: The existence of the borrower's business must be verified within ten (10) calendar days prior to closing (based on the notary date on the security instrument). Methods of verifying business include:
 - Verification from a third party such as a CPA, regulatory agency or by an applicable licensing bureau. If CPA letter is used it must indicate the borrower has been self-employed for a minimum of 2 years. Internet listings are not an acceptable source of verification.
- Signed IRS Form 4506C.
- Tax transcripts are required to be obtained from the IRS for income being considered for qualification.
 - Borrower pulled transcripts are not acceptable.
 - The IRS transcripts and the supporting income documentation must be consistent.
- If the tax return for the previous tax year is not filed a 12-month P&L and balance sheet for this period is required.
- If the most recent year's tax returns have not been filed by the IRS deadline, an executed copy of the borrower's extension request for both personal and business tax returns must be provided.

COVID Overlay Self-employed: Additional Requirements for P&L, Balance Sheet, & Business Bank Statements:

Underwriters should apply additional due diligence and review the recent activity of the business and any impact the current economic environment has taken on the flow of income in order to determine if the borrower's income is stable and there is a reasonable expectation of continuance. The underwriter must include comments/justification of their analysis to clearly explain their conclusion of the effect to the business.

The following additional documentation is required to support the decision that the self-employment income meets requirements:

- An audited year-to-date P&L, no older than 60 days from the Note date, reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and a Balance Sheet; **or**
- An unaudited year-to-date P&L, no older than 60 days from the Note date, signed by the borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and (3) business bank statements from the most recent three months represented on the year-to-date P&L and a Balance Sheet.
 - For example, the business bank statements should be from March through May 2021 for a year-to-date profit and loss statement dated through May 31, 2021.
 - The three most recent bank statements must support and/or not conflict with the information presented in the current year-to-date P&L statement. Otherwise, additional statements must be obtained or other documentation to support the information from the current year-to-date P&L statement must be provided.

COVID Overlay Self-employed: Small Business Administration (SBA) Loans and Grants:

The existence of a Paycheck Protection Program (PPP) loan or any other similar COVID related loan or grant could be helpful information in analyzing the borrower's business. PPP loan terms allow deferred payments for a specified period, no personal loan guarantee, and the potential for all or some portion of the loan to be forgiven. Therefore, a payment for the PPP loan does not need to be included in the borrower's liabilities at this time. Once it has been determined that any portion of the PPP loan must be repaid, follow the requirements of the "Employment and Income" and "Debts and Liabilities" sections of these guidelines.

- A payment for the PPP loan does not need to be included in the borrower's liabilities at this time.
- Proceeds from the PPP loan must not be included as business income or assets.
- PPP loan proceeds cannot be used for the subject transaction down payment, closing costs, prepaids or reserves.
- Follow all other requirements in this section for underwriting self-employed borrowers.

Other Income:

For all other income sources follow the DU or LPA findings and **Fannie Mae Guidelines** (for DU) or **Freddie Mac Guidelines** (for LPA). If a discrepancy exists between DU and the aforementioned Fannie Mae Guide, or LPA and the aforementioned Freddie Mac Guide, the Guide requirements must be followed.

Ineligible Income:

- Any source that cannot be verified.
- Income or employment commencing after the Note date. All income must be documented prior to the Note date.
- Restricted stock income (RSU).
- Income that is temporary.
- Rental Income (Boarder Income) received from the borrower's primary residence.
- Expense account payments.
- Retained earnings.
- Automobile allowances.

Insurance

Adequate insurance is required for HOI and flood as applicable. For Insurance requirements refer to BFC's **Hazard and Flood Insurance Policy**.

- Properties where the insurance coverage on the declaration page does not cover the loan amount must have
 - a cost estimate from the insurance company or agent evidencing the property is insured for its replacement cost, or
 - if a cost estimate is not provided, the policy must clearly and specifically indicate *100% replacement cost* or *Guaranteed replacement cost*. The words *100%* or *Guaranteed* must be on the policy.
- Hazard insurance must have the same inception date as the date of disbursement on purchase money mortgages. This may be documented with a post-closing Closing Disclosure or the correction of the inception date on the hazard policy.

Interested Party Contributions

Interested party contributions include funds contributed by the property seller, builder, developer, real estate agent or any other party with an interest in the real estate transaction.

- May only be used for closing costs and prepaid expenses and may not be used for down payment or reserves.
- Maximum interested party contributions are limited to:

Occupancy	LTV/CLTV/HCLTV	Maximum Seller Contributions
Primary Residence and Second Home	> 75%	6%
	≤ 75%	9%
Investment Properties	All LTV/CLTV/HCLTVs	2%

Seller Concessions:

Seller contributions in excess of the interested party contribution limits or contributions not being used for prepaid expenses or closing costs are considered seller concessions. The amount of the seller concession must be deducted from the purchase price and appraised value to determine the LTV.

Loan Limits	<p>The minimum loan amount is \$1 above the one-unit conforming limit. High Balance/Super Conforming loan amounts are eligible.</p> <p>Refer to the Eligibility Matrix for maximum loan amounts.</p>
Max Financed Properties / Exposure	<ul style="list-style-type: none"> • Primary residence: There is no limit on number of financed properties the borrower owns. • Second home and investment property: Follow Fannie Mae or Freddie Mac guidelines per the AUS findings. <p>Maximum Loans/Maximum Exposure: A maximum of two BFC Jumbo loans and no more than four total BFC loans are permitted to one borrower.</p>
Mortgage Insurance	Not applicable, regardless of LTV.
Occupancy	<ul style="list-style-type: none"> • Owner-occupied primary residences • Second homes • Investment Properties <ul style="list-style-type: none"> ○ For cash-out refinances of an investment property, a borrower signed Business Purpose & Occupancy Affidavit indicating the loan purpose is for the acquisition, improvement or maintenance of a rental property is required. The Affidavit must be signed prior to or at closing. ○ Cash-out loan proceeds used for any personal use are not eligible.
Property Eligibility	<p>Eligible Properties:</p> <ul style="list-style-type: none"> • Attached/detached SFRs • Attached/detached PUDs • Condos • Co-ops • 2-4 units <p>Condominiums:</p> <ul style="list-style-type: none"> • All condos must be Fannie Mae or Freddie Mac warrantable corresponding to the AUS findings. • Condos with litigation are ineligible. • Minimum square footage 400 square feet. <p>Land-to-Value:</p> <p>The property site should be of a size, shape, and topography that is generally conforming and acceptable in the market area. It must also have competitive utilities, street improvements, adequate vehicular access, and other amenities. As amenities, easements, and encroachments may either detract from or enhance the marketability of a site, the appraiser must reflect them in his or her analysis and evaluation. The appraiser must comment if the site has adverse conditions or if there is market resistance to a property because the site is not compatible with the neighborhood or the requirements of the competitive market, and assess the effect, if any, on the value and marketability of the property.</p> <p>Properties with > 10 ≤ 20 acres:</p> <ul style="list-style-type: none"> • Properties cannot be zoned agricultural or rural (agricultural/residential is eligible) • Three comparable sales with similar acreage are required. <p>Declining Markets: Reduce maximum LTV/CLTV/HCLTV by 10%</p> <p>Ineligible Properties:</p> <ul style="list-style-type: none"> • 2-4 unit second home properties • Condotels/Condo Hotels • Factory built housing/Manufactured Homes/Mobile Homes • Mixed-Use Properties • Leasehold • Model Home Leasebacks • Non-Warrantable Condominiums • Properties with condition rating of C5/C6 • Properties with construction rating of Q6 • Properties located in areas where a valid security interest in the property cannot be obtained • Properties >20 acres • Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant • Tenants-in-Common projects (TICs)

	<ul style="list-style-type: none"> • Unique properties • Log homes • Working farms, ranches or orchards • Agricultural zoning (agricultural/residential is eligible) • Commercially zoned properties • Geodesic dome homes • Geothermal homes • Timeshares • Properties subject to existing oil or gas leases • Properties located on Indian/Native American tribal land • Properties with UCC filings¹, private transfer covenants, mechanics liens and other items that would impact title (including PACE liens), marketability or foreclosure are not allowed. ¹ Properties with solar panels are eligible and must follow Fannie Mae guidelines. Payoff of a HERO or PACE lien is considered cash-out. 															
Property Flips	<p>If the seller has taken title to the property within 90 days prior to the date of the purchase contract of the subject transaction, the following requirements apply:</p> <ul style="list-style-type: none"> • Property seller on the purchase contract must be the owner of record. • LTV/CLTV/HCLTV will be based on the lesser of the prior sales price of the current appraised value. 															
Qualifying Ratios	<ul style="list-style-type: none"> • Refer to the Eligibility Matrix for qualifying ratios. • Fixed Rate: Qualify at the Note rate. <p>Revolving Charges/Lines of Credit: Follow the requirements per the DU or LPA findings and Fannie Mae Guidelines (for DU) or Freddie Mac Guidelines (for LPA). If a discrepancy exists between DU and the aforementioned Fannie Mae Guide, or LPA and the aforementioned Freddie Mac Guide, the Guide requirements must be followed.</p> <p>Installment Debt: Follow the requirements per the DU or LPA findings and Fannie Mae Guidelines (for DU) or Freddie Mac Guidelines (for LPA). If a discrepancy exists between DU and the aforementioned Fannie Mae Guide, or LPA and the aforementioned Freddie Mac Guide, the Guide requirements must be followed.</p> <p>Home Equity Line of Credit (HELOC):</p> <ul style="list-style-type: none"> • For HELOC loans paid off at closing the line must be closed to any future draws. A requirement on title commitment for payoff and cancellation of HELOC is acceptable to document. • Subordination of HELOC loans is permitted up to maximum CLTV per matrix. <p>Departure Residence - Pending Sale of Departing Residence or Conversion of Departing Residence to Investment Property: Follow the requirements per the DU or LPA findings and Fannie Mae Guidelines (for DU) or Freddie Mac Guidelines (for LPA). If a discrepancy exists between DU and the aforementioned Fannie Mae Guide, or LPA and the aforementioned Freddie Mac Guide, the Guide requirements must be followed.</p> <p>For treatment of liabilities or qualifying ratios not addressed herein refer to Fannie Mae and Freddie Mac guidelines.</p>															
Repair Escrows	Loans with escrows for completion of postponed improvements (escrow holdbacks) are not eligible.															
Reserves	<p>Reserves for PITIA must be verified and be comprised of liquid assets that the borrower can readily access.</p> <table border="1"> <thead> <tr> <th>Loan Amount</th> <th>Reserve Requirement LTV <= 80%</th> <th>Reserve Requirement LTV > 80%</th> </tr> </thead> <tbody> <tr> <td><= \$1,000,000</td> <td>Per AUS</td> <td>Greater of AUS or 6 months</td> </tr> <tr> <td>> \$1,000,000 - \$2,000,000</td> <td>Greater of AUS or 3 months</td> <td>Greater of AUS or 6 months</td> </tr> <tr> <td>> \$2,000,000 - \$2,500,000</td> <td colspan="2">Greater of AUS or 12 months (Purchase and R/T) Greater of AUS or 18 months (Cash-out)</td> </tr> <tr> <td>> \$2,500,000 - \$3,000,000</td> <td colspan="2">Greater of AUS or 18 months</td> </tr> </tbody> </table> <p>Reserves and Multiple Financed Properties: Follow Fannie Mae Guidelines (for DU) or Freddie Mac Guidelines (for LPA).</p>	Loan Amount	Reserve Requirement LTV <= 80%	Reserve Requirement LTV > 80%	<= \$1,000,000	Per AUS	Greater of AUS or 6 months	> \$1,000,000 - \$2,000,000	Greater of AUS or 3 months	Greater of AUS or 6 months	> \$2,000,000 - \$2,500,000	Greater of AUS or 12 months (Purchase and R/T) Greater of AUS or 18 months (Cash-out)		> \$2,500,000 - \$3,000,000	Greater of AUS or 18 months	
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	<p>Ineligible Sources for Reserves:</p> <ul style="list-style-type: none"> • Equity lines of credit or Bridge loans or any other borrowed funds • Gift funds • Business assets • Cash out from the subject property
Subordinate Financing	<p>Subordinate financing is allowed per the Credit Matrix. Subordinate liens must conform to Fannie Mae and Freddie Mac Guidelines.</p> <p>The HCLTV is calculated based on the full line amount of any HELOC regardless of the amount of funds drawn.</p>
Temporary Buydowns	Not allowed.
Texas Home Equity	Not allowed.
Transactions	<ul style="list-style-type: none"> • Purchase • Rate/Term Refinance • Cash-Out Refinance <p>Seasoning: Seasoning is calculated from the Note date of the previous loan.</p> <p>Rate/Term Refinance:</p> <ul style="list-style-type: none"> • The new loan amount may include the: <ul style="list-style-type: none"> ○ Principal balance of the existing first lien ○ Payoff of a purchase second lien ○ Payoff of a co-owner pursuant to a written agreement ○ Financing of the payment of prepaid items and closing costs ○ Payoff of a non-purchase second lien seasoned a minimum of 12 months from date of application. The second lien must not evidence draws exceeding \$2,000 within the past 12 months from date of application. Withdrawal activity must be documented with a transaction history of the line of credit. • Minimum of 6 months seasoning from the Note date of the new transaction required if previous refinance was cash-out, including the pay-off of a non-seasoned subordinate lien. • For properties purchased more than six (6) months prior to the closing date the current appraised value may be used to calculate LTV/CLTV/HCLTV. • For properties purchased within six (6) months of closing date the LTV/CLTV/HCLTV will be based upon the lesser of the original sales price or the current appraised value conclusion from the appraiser. Original sales price will be determined from the Closing Disclosure from the subject acquisition transaction. • Inherited properties are exempt from this seasoning requirement. LTV/CLTV/HCLTV will be calculated off current appraised value. • Cash back to the borrower is limited to \$2,000. Principal reduction is permitted up to a maximum of \$2,500. • Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the application date. <p>Cash-Out Refinance:</p> <ul style="list-style-type: none"> • Borrower must have held title for a minimum of 6 months from disbursement date. • The current appraised value may be used to calculate LTV/CLTV/HCLTV. • Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) six (6) months prior to the date of closing. • Texas Cash-Out refinances are ineligible. <p>Continuity of Obligation:</p> <p>For a refinance transaction to be eligible for purchase there must be a continuity of obligation of the outstanding lien that will be paid through the refinance transaction. Continuity of obligation is met when any one of the following exists:</p> <ul style="list-style-type: none"> • At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced. • The borrower has been on title and residing in the property for at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor.

	<ul style="list-style-type: none"> • The loan being refinanced and the title to the property are in the name of a natural person or a limited liability company (LLC) as long as the borrower owns at least 25% of the LLC prior to transfer. Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement. • The borrower has recently been legally awarded, the property (divorce, separation or dissolution of a domestic partnership). <p>Delayed Financing Refinance: Delayed financing refinances in which the borrowers purchased the subject property for cash within ninety days (90) from the date of the application are eligible for purchase. Cash back to the borrower in excess of the original purchase price or appraised value (whichever is less) is not allowed.</p> <ul style="list-style-type: none"> • Delayed financing refinances are underwritten as rate and term refinances and are not subject to cash-out refinancing program limitations. • A Closing Disclosure is required to document no mortgage financing was used to obtain the subject property. • Preliminary title reflects the borrower as the owner and no liens. • Funds used to purchase the property are fully documented and sourced and must be the borrower's own funds (no gift funds or business funds). • Funds drawn from a HELOC on another property owned by the borrower, funds borrowed against a margin account or funds from a 401(k) loan are acceptable if the following requirements are met: <ul style="list-style-type: none"> ○ The borrowed funds are fully documented. ○ The borrowed funds are reflected on the Closing Disclosure (CD) as a payoff on the new refinance transaction. • Property may not be located in Texas. <p>Contract for Deed / Land Contract: Ineligible</p> <p>Construction to Permanent Financing: Construction loan refinances are eligible as rate/term or cash-out refinances and must meet the following criteria:</p> <ul style="list-style-type: none"> • Only the permanent financing on a construction to perm loan is eligible. Single closing construction permanent loan refinances are ineligible. • Borrower must have held title to the lot for a minimum of 6 months prior to the closing of the permanent loan. • The LTV 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 permanent loan. • If the lot was acquired less than 12 months before the closing date of the permanent loan the LTV/CLTV/HCLTV will be based on the lesser of: <ul style="list-style-type: none"> ○ the original purchase price of the lot plus the total acquisition costs (sum of construction costs), or ○ the current appraised value of the lot plus the total acquisition costs (sum of construction costs). • 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 proof must be provided. • Construction loan refinances in which the borrower has acted as builder are not eligible.
<p>Underwriting Method</p>	<p>All loans must be submitted to DU or LPA and receive findings of DU Approve/(Eligible or Ineligible) or LPA Accept/(Eligible or Ineligible). DU Approve/Ineligible or LPA Accept/Ineligible findings are allowed with the loan amount being the only reason for the Ineligible finding. Loans must be documented per the DU or LPA findings and the corresponding Fannie Mae or Freddie Mac Guidelines except for those guideline differences identified herein. In case of a conflict between these program guidelines and Fannie Mae or Freddie Mac Guidelines, the requirements in these program guidelines will prevail.</p> <p>QM Designation: The underwriter must indicate the QM designation of the loan on the 1008. All primary residence and second home Jumbo AUS 1 loans must be QM Safe Harbor. Investment property loans are considered business purpose loans and therefore not subject to QM and should be designated as QM Exempt.</p>

Other Requirements	<p>QM Safe Harbor: All loans must be QM Safe Harbor as defined by § 1026.43 effective 3/1/21. The APR must not exceed the average prime offer rate (APOR) for a comparable transaction as of the date the interest rate is set by 1.5 or more percentage points.</p> <p>Age of Documentation: Per Fannie Mae (DU loans) or Freddie Mac (LPA loans).</p> <p>Chain of Title: All transactions require a minimum twelve (12) month chain of title.</p> <p>Closing Date: Where referenced in these guidelines, "closing date" is defined as the date the notary signs the security instrument.</p> <p>Payment Recast: BFC is unable to guaranty a loan will be eligible for a payment recast (re-amortization). Eligibility will be determined by the loan servicer.</p>
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