



# Jumbo AUS 2 Fixed Program Guidelines

Revised 4/12/2022 rev. 104

<b>Summary</b>	The BFCJumbo AUS 2 program utilizes Fannie Mae DU findings and documentation for Jumbo loan amounts up to \$2.5 million and offers 20, 25 and 30-year fixed rate products.																																																																																																																																																	
<b>Products</b>	<table border="1"> <thead> <tr> <th>Product Name</th> <th>Product Code</th> </tr> </thead> <tbody> <tr> <td>Jumbo AUS 2 30 Year Fixed (30, 25, or 20-year term)</td> <td>JAUS2F30</td> </tr> </tbody> </table>		Product Name	Product Code	Jumbo AUS 2 30 Year Fixed (30, 25, or 20-year term)	JAUS2F30																																																																																																																																												
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1-Unit PUD	60%	60%	740	\$1,500,000	45%	Per DU
Condo Co-op	50%	50%	740	\$2,000,000	45%	Per DU

  

Investment Property <sup>1</sup> Purchase and Rate/Term Refinance					
Property Type	LTV	CLTV/HCLTV	Credit Score	Loan Amount	Max DTI
1-Unit PUD Condo	70%	70%	740	\$1,500,000	45%
2-4 Units	70%	70%	740	\$1,500,000	45%

<sup>1</sup>. First-Time Homebuyers not eligible. Must be arms-length transaction.

<b>4506-C / Tax Transcripts</b>	<p><b>4506-C/Tax Transcripts:</b> A signed 4506-C will be processed and tax transcripts obtained for all borrowers and all years in which income or loss was used in the underwriting decision.</p> <ul style="list-style-type: none"> <li>• Tax transcripts for personal tax returns are required when tax returns are used to document borrower's income or any loss and must match the documentation in the loan file.</li> <li>• W-2 transcripts are required to validate W-2 wages.</li> <li>• Transcripts must be obtained directly from the IRS via a third party.</li> <li>• Transcripts are not required for business tax returns.</li> </ul>
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<b>Appraisal</b>	<p>All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR). Appraisals on wholesale transactions must be ordered through a BFC approved Appraisal Management Company (AMC). Appraisals will be reviewed by BFC and will also require a satisfactory CDA ordered by BFC.</p> <p>Reduced appraisal requirements per AUS findings are not allowed.</p> <table border="1"> <thead> <tr> <th>First Lien Loan Amount</th> <th>Appraisal Requirement</th> </tr> </thead> <tbody> <tr> <td colspan="2" style="text-align: center;"><b>Purchase Transactions</b></td> </tr> <tr> <td>≤ \$2,000,000</td> <td>1 Full Appraisal</td> </tr> <tr> <td>&gt; \$2,000,000</td> <td>2 Full Appraisals</td> </tr> <tr> <td colspan="2" style="text-align: center;"><b>Refinance Transactions</b></td> </tr> <tr> <td>≤ \$1,500,000</td> <td>1 Full Appraisal</td> </tr> <tr> <td>&gt; \$1,500,000</td> <td>2 Full Appraisals</td> </tr> </tbody> </table> <p><b>Appraisal Considerations:</b></p> <ul style="list-style-type: none"> <li>• Follow Fannie Mae selling guide requirements.</li> <li>• When 2 appraisals are required, the following apply: <ul style="list-style-type: none"> <li>○ Appraisals must be completed by 2 independent companies.</li> <li>○ The LTV will be determined by the lower of the 2 appraised values as long as the lower appraisal supports the value conclusion. The final inspection and/or recertification of value must be for the appraisal with the lower value.</li> <li>○ The underwriter must review both appraisal reports and address any inconsistencies between the 2 reports and all discrepancies must be reconciled.</li> </ul> </li> </ul> <p><b>Collateral Desktop Assessment:</b></p> <ul style="list-style-type: none"> <li>• Appraisals with a Collateral Underwriter (CU) score &gt; 2.5 require a "Collateral Desktop Analysis - Jumbo (CDA) Pre-Fund" analysis as described below.</li> <li>• Appraisals/loans where all of the following apply do not need a CDA: <ul style="list-style-type: none"> <li>○ CU score ≤ 2.5, and</li> <li>○ LTV ≤ 80%, and</li> <li>○ Loan amount ≤ \$1,500,000</li> </ul> </li> <li>• When required, A "Collateral Desktop Analysis - Jumbo (CDA) Pre-Fund" will be ordered by BFC after the underwriter has reviewed the appraisal.</li> </ul>	First Lien Loan Amount	Appraisal Requirement	<b>Purchase Transactions</b>		≤ \$2,000,000	1 Full Appraisal	> \$2,000,000	2 Full Appraisals	<b>Refinance Transactions</b>		≤ \$1,500,000	1 Full Appraisal	> \$1,500,000	2 Full Appraisals
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	<ul style="list-style-type: none"> <li>• 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 one (1) of the following requirements must be met: <ul style="list-style-type: none"> <li>○ A Clear Capital BPO and a Clear Capital Value Reconciliation of Three Reports is required. The Value Reconciliation will be used for the appraised value of the property. OR,</li> <li>○ A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property.</li> </ul> </li> <li>• If two (2) full appraisals are provided, a CDA is not required.</li> </ul> <p><b>Transferred Appraisals:</b> Transferred appraisals are not allowed.</p>
<b>ARM Adjustments</b>	Reserved for future use.
<b>Assets/Down Payment/Gifts</b>	<p>Follow the DU findings and <b>Fannie Mae Guidelines</b> except as detailed below:</p> <ul style="list-style-type: none"> <li>• Eligible assets must be held in a US account.</li> <li>• Large deposits inconsistent with monthly income or deposits must be verified if using for down payment, reserves or closing costs.</li> <li>• Fannie Mae approved third party suppliers and distributors that generate asset verification reports are permitted for the purpose of verifying assets.</li> <li>• A written VOD as a stand-alone document is not acceptable. <ul style="list-style-type: none"> <li>○ A system generated automated VOD may be used as a stand-alone documentation if provided by a verifiable institutional bank.</li> </ul> </li> </ul> <p><b>Gift Funds:</b></p> <ul style="list-style-type: none"> <li>• Gift funds not eligible for LTV &gt; 80%</li> <li>• Gift funds may be used once borrower has contributed 5% of their own funds.</li> </ul> <p><b>Business Funds:</b></p> <ul style="list-style-type: none"> <li>• Cash flow analysis required using most recent three (3) months business bank statements to determine no negative impact to business. Business bank statements must be no older than the latest three months represented on the year-to-date profit and loss statement</li> <li>• Business bank statements must not reflect any NSF's (non- sufficient funds) or overdrafts</li> <li>• If borrower(s) ownership in the business is less than 100%, the following requirements must be met: <ul style="list-style-type: none"> <li>○ Borrower(s) must have majority ownership of 51% or greater</li> <li>○ The other owners of the business must provide an access letter to the business funds</li> <li>○ Borrower(s) % of ownership must be applied to the balance of business funds for use by borrower(s)</li> </ul> </li> </ul> <p><b>Retirement Accounts:</b> If funds are being used for down payment or closing costs, evidence of liquidation of retirement funds is required.</p>
<b>Borrower Eligibility</b>	<p><b>Eligible Borrowers:</b></p> <ul style="list-style-type: none"> <li>• All borrowers must have a valid Social Security Number</li> <li>• U.S. citizens</li> <li>• Permanent resident aliens with evidence of lawful residency <ul style="list-style-type: none"> <li>○ Must be employed in the United States for the past 24 months.</li> </ul> </li> <li>• Inter Vivos Revocable Trusts – Refer to <b>BFC's Living Trust Policy</b> requirements.</li> <li>• Non-occupant borrowers must be a related family member of the borrower(s).</li> <li>• First time homebuyer: A first time homebuyer is defined as anyone who has not owned a home in the past three (3) years. For loans with more than one (1) borrower where at least one borrower has owned a home in the past three (3) years, first-time homebuyer requirements do not apply. All First-Time Homebuyers must meet the following requirements: <ul style="list-style-type: none"> <li>○ Maximum loan amount of \$1,500,000.</li> <li>○ FTHB reserve requirements per the <b>Reserves</b> section in these guides.</li> <li>○ Investment property transactions not allowed</li> </ul> </li> </ul> <p><b>Ineligible Borrowers:</b></p> <ul style="list-style-type: none"> <li>• LLCs, Corporations or Partnerships</li> <li>• Non-Revocable Trusts</li> <li>• Non-Permanent Resident Aliens</li> <li>• Borrowers with Diplomatic Immunity</li> <li>• Land Trusts</li> <li>• Foreign Nationals</li> <li>• Life Estates</li> </ul>

	<ul style="list-style-type: none"> <li>• Guardianships</li> <li>• Borrowers with any ownership in a business that is Federally illegal, regardless if the income is not being considered for qualifying</li> </ul>
<b>Co-Ops</b>	<ul style="list-style-type: none"> <li>• The co-op project must be reviewed and approved by BFC prior to closing</li> <li>• Must meet Fannie Mae cooperative project standards</li> <li>• Must be located in the states of Arizona, California, Colorado, Florida, Nevada, Oregon, Texas and Washington.</li> <li>• Refer to BFC's <b>Project Standards</b> for BFC's complete co-op requirements</li> </ul>
<b>Credit</b>	<p><b>Credit Standards:</b> A tri-merged credit report is required. Unless otherwise addressed below, Fannie Mae underwriting guidelines must be followed for evaluating a borrower's credit history.</p> <p><b>Credit Scores:</b></p> <ul style="list-style-type: none"> <li>• All borrowers must have a minimum of two (2) credit scores. If one credit repository is frozen, the credit scores from the unfrozen bureaus are utilized.</li> <li>• The lowest qualifying score of all applicants is used to qualify. The qualifying score is the lower of 2 or middle of 3 scores and must be reviewed for each borrower.</li> </ul> <p><b>Trade Lines:</b> Per DU findings</p> <p><b>Disputed Trade Lines:</b></p> <ul style="list-style-type: none"> <li>• All disputed trade lines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute.</li> <li>• Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded.</li> </ul> <p><b>Mortgage History:</b></p> <ul style="list-style-type: none"> <li>• If the borrower(s) has a Mortgage in the most recent twenty-four (24) months, a mortgage rating must be obtained, reflecting 0x30 in the last twenty-four (24) months.</li> <li>• The mortgage rating may be on the credit report or a VOM.</li> <li>• If the mortgage holder is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory mortgage history is required.</li> <li>• The mortgage history requirements are applicable to all mortgages and all borrowers on the loan.</li> <li>• The borrower(s) credit report must be reviewed to determine the status of all mortgage loans. For any mortgage on the credit report it must be verified that none of the mortgages are subject to a loss mitigation program, repayment plan, loan modification or payment deferral plan. In addition to reviewing the credit report, the same due diligence must be exercised for any other mortgage loan on which a borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine the loan payments are current as of the Note date of the subject transaction. Current means the borrower has made all payments due in the month prior to the Note date of the subject transaction and no later than the last business day of that month. Acceptable documentation includes one of the following for each mortgage: <ul style="list-style-type: none"> <li>○ Loan payment history from the servicer or third-party verification service</li> <li>○ Payoff statement for loans being refinanced</li> <li>○ Current mortgage statement from the borrower</li> <li>○ Verification of mortgage (VOM)</li> </ul> </li> </ul> <p><b>Rental History:</b> Per DU findings</p> <ul style="list-style-type: none"> <li>• If DU does not ask for rental verification, none is required</li> <li>• Any rental verification provided by the borrower must reflect 0x30 in the last 12 months</li> <li>• Borrowers living rent free are eligible</li> </ul> <p><b>Bankruptcy - Chapter 7, 11, 13:</b> Seven (7) years since discharge / dismissal date</p> <p><b>Foreclosure:</b> Seven (7) years since completion date</p> <p><b>Notice of Default:</b> Seven (7) years since filing date</p> <p><b>Short Sale / Deed-in-Lieu:</b> Seven (7) years since completion/sale date</p>

	<p><b>Forbearance (resulting in subsequent loan modification):</b> Seven (7) years since exit from forbearance unless all payments were made according to the Note during the forbearance period</p> <p><b>Mortgages Settled for Less, Renegotiated or Short Payoffs:</b> Seven (7) years since settlement date</p> <p><b>Loan Modifications:</b></p> <ul style="list-style-type: none"> <li>• If the modification was due to hardship or included debt forgiveness, seven (7) years seasoning since modification is required.</li> <li>• Lender initiated modification will not be considered a derogatory credit event if the modification did not include debt forgiveness and was not due to hardship as evidenced by supporting documentation. No seasoning requirement would apply.</li> </ul> <p><b>Multiple Derogatory Credit Events:</b> Multiple derogatory credit events are not allowed, regardless if seasoned over seven (7) years. A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event and a mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event.</p> <p><b>Tax Liens, Judgments, Charge-Offs, &amp; Past-Due Accounts:</b></p> <ul style="list-style-type: none"> <li>• Must be satisfied or brought current prior to or at closing.</li> <li>• Cash-Out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts.</li> <li>• Payment plans on prior year tax liens/liabilities are not allowed and must be paid in full.</li> <li>• If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient liquid assets to pay the debt must be documented if the amount due is within ninety (90) days of loan application date or if the tax transcripts show an outstanding balance due. A payment plan for the most recent tax year is allowed if the following requirements are met: <ul style="list-style-type: none"> <li>○ Payment plan was setup at the time the taxes were due. Copy of the payment plan must be included in the loan file</li> <li>○ Payment is included in the DTI</li> <li>○ Satisfactory pay history based on terms of payment plan is provided</li> <li>○ Payment plan is only allowed for taxes due for the most recent tax year, prior years not allowed. For example, borrower files their 2019 return or extension in April 2020 A payment plan would be allowed for taxes due for 2019 tax year. Payment plans for 2018 or prior years would not be allowed</li> <li>○ Borrower does not have a prior history of tax liens</li> </ul> </li> </ul> <p><b>Medical Collections:</b> Per DU findings</p> <p><b>Credit Inquiries:</b></p> <ul style="list-style-type: none"> <li>• All inquiries that have taken place within 120 days of the credit report date should be explained by the borrower and documented accordingly.</li> <li>• Borrower must be qualified with any new debt.</li> </ul>
<b>Disaster Policy</b>	Refer to BFC's <b>Natural Disaster Policy</b> for requirements.
<b>Flood Insurance</b>	Adequate insurance is required for HOI and flood as applicable. For Insurance requirements refer to BFC's <b>Hazard and Flood Insurance Policy</b> .
<b>Identity of Interest / Non-Arm's Length</b>	<p>A non-arm's length transaction exists whenever there is a personal or business relationship with any parties to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company or other interested party. The following non-arm's length transactions are eligible:</p> <ul style="list-style-type: none"> <li>• Family sales or transfers</li> <li>• Property seller acting as their own real estate agent</li> <li>• Relative of the property seller acting as the seller's real estate agent</li> <li>• Borrower acting as their own real estate agent</li> <li>• Relative of the borrower acting as the borrower's real estate agent</li> <li>• Borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence of employee program to be included in loan file. If the borrower has an ownership interest an exception is required.</li> <li>• Originator is related to the borrower. If the borrower has an ownership interest an exception is required.</li> </ul>

	<ul style="list-style-type: none"> <li>• Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord)</li> </ul> <p>Gifts from relatives that are interested parties to the transaction are not allowed, unless it is a gift of equity.</p> <p>Real estate agents may apply their commission towards closing costs and/or prepaids if the amounts are within the interested party contribution limitations.</p> <p>Investment property transactions must be arm's length.</p> <p>Other non-arm's length transactions may be acceptable on an exception basis.</p>
<p><b>Income &amp; Employment</b></p>	<p><b>Stability of Employment &amp; Income:</b> Income must be stable and meet the following requirements to be considered for qualifying:</p> <ul style="list-style-type: none"> <li>• A two-year employment history is generally required.</li> <li>• If the borrower(s) have less than a two year employment and income history, a written analysis must be provided to justify the determination that the income used to qualify the borrower is stable.</li> <li>• 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 <a href="#">here</a>.</li> <li>• <b>Declining Income:</b> <ul style="list-style-type: none"> <li>○ The most recent twelve (12) months should be used or the most conservative income calculation if the declining period is shorter than 12 months.</li> <li>○ Income must be stabilized and not subject to further decline in order to be considered for qualifying purposes.</li> <li>○ The employer or the borrower is to provide an explanation for the decline and the underwriter should provide a written justification for including the declining income in qualifying.</li> </ul> </li> </ul> <p><b>Tax Returns:</b> Tax returns must meet the following requirements when used for qualifying:</p> <ul style="list-style-type: none"> <li>• Personal income tax returns (if applicable) must be complete with all schedules (W-2 forms, K-1s etc.) and must be signed and dated on or before the closing date.</li> <li>• Business income tax returns (if applicable) must be complete with all schedules and must be signed and dated on or before the closing date.</li> <li>• For Unfiled Tax Returns for the prior year's tax return: <ul style="list-style-type: none"> <li>○ Between Jan 1 and the tax filing date (typically April 15), borrowers must provide: <ul style="list-style-type: none"> <li>▪ IRS form 1099 and W-2 forms from the previous year</li> <li>▪ Loans closing in January prior to receipt of W-2s may use the prior year year-end paystub. For borrowers using 1099s, evidence of receipt of 1099 income must be provided.</li> </ul> </li> <li>○ Between the tax filing date (April 16) and the extension expiration date (typically October 15), borrowers must provide (as applicable): <ul style="list-style-type: none"> <li>▪ Copy of the filed extension.</li> <li>▪ Evidence of payment of any tax liability identified on the federal tax extension form.</li> <li>▪ W-2 forms.</li> <li>▪ Form 1099, when applicable.</li> <li>▪ Year-end profit and loss for prior year.</li> <li>▪ Current year profit &amp; loss.</li> <li>▪ Balance sheet for prior calendar year.</li> </ul> </li> </ul> </li> <li>• After the extension expiration date, loan is not eligible without prior year tax returns.</li> </ul> <p><b>Taxpayer Consent Form:</b> Must be signed by all borrowers. BFC's loan documents include a taxpayer consent form.</p> <p><b>Income Analysis Form:</b> 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. <b>BFC's Income Worksheet</b>, Fannie Mae Form 1084 or Freddie Mac Form 91 is required for self-employment income analysis.</p>

Income Type	Documentation Requirement
<b>Salaried</b>	<ul style="list-style-type: none"> <li>• Income and Employment must be documented per the DU findings and <b>Fannie Mae Guidelines</b>. If a discrepancy exists between DU and the Fannie Mae Guide, the Guide requirements must be followed.</li> <li>• W-2 transcripts <ul style="list-style-type: none"> <li>○ Borrower pulled transcripts are not acceptable</li> <li>○ The IRS transcripts and the supporting income documentation must be consistent</li> </ul> </li> <li>• VVOE within 10 days of notary date</li> </ul>
<b>Bonus &amp; Commission Income</b>	<ul style="list-style-type: none"> <li>• Follow requirements above for salaried borrowers, plus</li> <li>• Commission/Bonus income must be documented for the most recent 2 (two) years with a year-to-date paystub and W-2s</li> </ul>
<b>Retirement Income (Pension, Annuity, 401(k) and IRA distributions)</b>	<ul style="list-style-type: none"> <li>• Existing distribution of assets from an IRA, 401(k) or similar retirement asset must be sufficient to continue for a minimum of three (3) years</li> <li>• If any retirement income will cease within the first three (3) years of the loan, the income may not be used.</li> <li>• Document per the DU findings and <b>Fannie Mae Guidelines</b>. If a discrepancy exists between DU and the Fannie Mae Guide, the Guide requirements must be followed.</li> </ul>
<b>Restricted Stock &amp; Stock Options</b>	<ul style="list-style-type: none"> <li>• May only be used as qualifying income if the income has been consistently received for two (2) years and is identified on the paystubs, W-2s and tax returns as income and the vesting schedule indicates the income will continue for a minimum of two (2) years at a similar level as prior two (2) years</li> <li>• A two (2) year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the lower of the current stock price or the 52-week average for the most recent twelve (12) months reporting at the time of application. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule.</li> <li>• Additional awards must be similar to the qualifying income and awarded on a consistent basis</li> <li>• There must be no indication the borrower will not continue to receive future awards consistent with historical awards received</li> <li>• Borrower must be currently employed by the employer issuing the RSUs/stock options for the RSUs/stock options to be considered in qualifying income</li> <li>• Stock must be a publicly traded stock</li> <li>• Vested restricted stock units and stock options cannot be used for reserves if using for income to qualify</li> <li>• RSU income must be entered into DU as bonus income</li> </ul>
<b>Trust Income</b>	<p>Income from trusts may be used if guaranteed and regular payments will continue for at least three (3) years.</p> <ul style="list-style-type: none"> <li>• Regular receipt of trust income for the past twelve (12) months must be documented</li> <li>• Copy of trust agreement or trustee statement showing: <ul style="list-style-type: none"> <li>○ Total amount of borrower designated trust funds</li> <li>○ Terms of payment</li> <li>○ Duration of trust</li> <li>○ Evidence the trust is irrevocable</li> </ul> </li> <li>• If trust fund assets are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income</li> </ul>

**Self-Employment:** Self-employed borrowers are defined as those individuals who have 25% or greater ownership interest or receive a 1099 statement to document income. The requirements below apply to self-employed borrowers:

- A minimum 720 credit score is required when any self-employment income is used for qualifying purposes. If the self-employment income is not needed for qualifying purposes, then the 720 credit score minimum is not applicable.

- In order to use self-employment income for qualifying purposes, the underwriter must consider the impact of COVID-19 on the business and the stability of income.
- Self-Employment Documentation Requirements:**
- Income and Employment must be documented per the DU findings and **Fannie Mae Guidelines** except as detailed below:
    - If DU returns a recommendation for one (1) year of tax returns, the most recent year's tax return must be provided. IRS extensions are not permitted.
      - If borrower has filed an extension, the most recent prior two (2) years filed tax returns are required.
  - YTD Profit and Loss (P&L) Statement is required.
    - An audited or unaudited year-to-date P&L signed by the preparer (audited) or the borrower (unaudited).
    - The P&L must report business revenue, expenses, and net income up to and including the most recent month preceding the loan application date. The YTD P&L must not be more than 90 days aged prior to the Note date.
    - If the borrower has filed an extension for the current tax year, the year-to-date profit and loss statement must be provided to cover the full year.
    - If the year-to-date business income is less than the historically calculated income derived from the tax returns, the borrower may qualify by reducing the historical income to no more than the current level of stable monthly income using details from the year-to-date P&L statement.
  - Verification of the existence of the borrower's business within ten (10) business days of the notary date from a third party, such as a CPA, regulatory agency, or applicable licensing bureau.

**Unacceptable Sources of Income:**

- Deferred compensation
- Income or employment commencing after the Note date. All income must be documented prior to the Note date
- Retained earnings
- Education benefits
- Trailing spouse income
- Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations. Federal law restricts the following activities and therefore the income from these sources are not allowed for qualifying:
  - Foreign shell banks
  - Medical marijuana dispensaries if borrower has any ownership
  - Any income resulting from ownership in a business related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law

**Interested Party Contributions**

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender or their affiliates and/or any other party with an interest in the real estate transaction. The following restrictions for interested party contributions apply:

- 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 LTVs	2%

**Loan Limits**

Units	Contiguous U.S.		Alaska & Hawaii	
	Min Loan Amount	Max Loan Amount	Min Loan Amount	Max Loan Amount
1	\$647,201	See Matrix	\$970,801	See Matrix
2	\$828,701	See Matrix	\$1,243,051	See Matrix
3	\$1,001,651	See Matrix	\$1,502,476	See Matrix
4	\$1,244,851	See Matrix	\$1,867,276	See Matrix

The minimum loan amount is \$647,201 or \$1 above the standard conforming limit for the number of units.



<b>Max Financed Properties / Exposure</b>	<p>Maximum number of financed properties – follow Fannie Mae requirements.</p> <ul style="list-style-type: none"> <li>• 1-4 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 for the mortgage.</li> <li>• Ownership of commercial or multifamily (5 or more units) real estate is not included in this limitation.</li> </ul> <p><b>Maximum Loans/Maximum Exposure:</b> A maximum of two BFC Jumbo loans and no more than four total BFC loans are permitted to one borrower.</p>
<b>Mortgage Insurance</b>	Not applicable, regardless of LTV.
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>• Owner-occupied primary residences</li> <li>• Second homes</li> <li>• Investment properties</li> </ul>
<b>Property Eligibility</b>	<p><b>Eligible Properties:</b></p> <ul style="list-style-type: none"> <li>• Attached/detached SFRs</li> <li>• Attached/detached PUDs</li> <li>• Condos</li> <li>• Co-ops</li> <li>• 2-4 units</li> </ul> <p><b>Condominiums:</b> Must be Fannie Mae warrantable and meet Fannie Mae guidelines</p> <p><b>Properties with &gt; 10 ≤ 40 acres:</b></p> <ul style="list-style-type: none"> <li>• Maximum 35% land to value</li> <li>• No income producing attributes</li> <li>• Properties &gt; 20 acres reduce maximum LTV by 10%</li> </ul> <p><b>Properties Subject to Existing Oil/Gas Leases must meet the following:</b></p> <ul style="list-style-type: none"> <li>• Title endorsement providing coverage to the lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease</li> <li>• No active drilling; Appraiser to comment or current survey to show no active drilling</li> <li>• No lease recorded after the home construction date; Re-recording of a lease after the home was constructed is permitted</li> <li>• Must be connected to public water</li> <li>• Properties that fall outside these parameters may be considered on an exception basis</li> </ul> <p><b>Unpermitted Additions:</b> Properties with unpermitted additions will be reviewed on a case-by-case basis.</p> <p>The property must meet zoning requirements and the appraiser must identify that the improvements have been made in a workmanlike manner and are consistent with the architecture of the remainder of the home.</p> <p><b>Ineligible Properties:</b></p> <ul style="list-style-type: none"> <li>• 2-4 unit second home properties</li> <li>• Condotels/Condo Hotels</li> <li>• Manufactured Homes/Mobile Homes</li> <li>• Mixed-Use Properties</li> <li>• Model Home Leasebacks</li> <li>• Non-Warrantable Condominiums</li> <li>• Properties with condition rating of C5/C6</li> <li>• Properties with quality rating of Q6</li> <li>• Properties located in areas where a valid security interest in the property cannot be obtained</li> <li>• Properties &gt; 40 acres</li> <li>• Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant</li> <li>• Tenants-in-Common projects (TICs)</li> <li>• Unique properties</li> <li>• Working farms, ranches or orchards</li> <li>• Commercial properties</li> <li>• Geodesic dome homes</li> <li>• Geothermal homes</li> </ul>

	<ul style="list-style-type: none"> <li>• Timeshares</li> <li>• Properties located on Indian/Native American tribal land</li> </ul>																																									
<b>Property Flips</b>	<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"> <li>• Property seller on the purchase contract must be the owner of record.</li> <li>• LTV/CLTV/HCLTV will be based on the lesser of the prior sales price or the current appraised value.</li> </ul>																																									
<b>Qualifying Ratios</b>	<ul style="list-style-type: none"> <li>• Refer to the <b>Eligibility Matrix</b> for qualifying ratios.</li> <li>• 45% for LTV/CLTV/HCLTV ≤ 80%</li> <li>• 36% for LTV/CLTV/HCLTV &gt; 80%</li> </ul> <p><b>Revolving Charges/Lines of Credit:</b> Follow the requirements per the DU findings and <b>Fannie Mae Guidelines</b>. If a discrepancy exists between DU and the Fannie Mae Guide, the Guide requirements must be followed.</p> <p><b>Installment Debt:</b> Follow the requirements per the DU findings and <b>Fannie Mae Guidelines</b>. If a discrepancy exists between DU and the Fannie Mae Guide, the Guide requirements must be followed.</p> <p><b>Home Equity Line of Credit (HELOC):</b></p> <ul style="list-style-type: none"> <li>• For HELOC loans paid off at closing the line must be closed to any future draws and the loan file must contain evidence the HELOC has been closed. A requirement on title commitment for payoff and cancellation of HELOC is acceptable to document.</li> <li>• Subordination of HELOC loans is permitted up to maximum CLTV per matrix.</li> </ul> <p><b>Departure Residence - Pending Sale of Departing Residence or Conversion of Departing Residence to Investment Property:</b> Follow the requirements per the DU findings and <b>Fannie Mae Guidelines</b>. If a discrepancy exists between DU and the Fannie Mae Guide, the Guide requirements must be followed.</p> <p><b>Pending Litigation:</b> If the 1003, title commitment or credit documents indicate that the borrower is party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower's ability to repay, assets or collateral</p> <p>For treatment of liabilities or qualifying ratios not addressed refer to Fannie Mae guidelines.</p>																																									
<b>Repair Escrows</b>	Loans with escrows for completion of postponed improvements (escrow holdbacks) are not eligible.																																									
<b>Reserves</b>	<p>Beyond the minimum reserve requirements, and to fully document the borrower's ability to meet their obligations, borrowers should disclose all liquid assets.</p> <table border="1"> <thead> <tr> <th>Occupancy</th> <th>Loan Amount</th> <th>Required Reserves</th> </tr> </thead> <tbody> <tr> <td rowspan="6"><b>Primary Residence</b></td> <td>≤ \$1,000,000 &amp; LTV ≤ 80%</td> <td>6 months</td> </tr> <tr> <td>≤ \$1,000,000 &amp; LTV &gt; 80%</td> <td>12 months</td> </tr> <tr> <td>\$1,000,001 - \$1,500,000 ≤ 80%</td> <td>9 months</td> </tr> <tr> <td>\$1,000,001 - \$1,500,000 &gt; 80%</td> <td>15 months</td> </tr> <tr> <td>\$1,500,001 - \$2,000,000</td> <td>12 months</td> </tr> <tr> <td>\$2,000,001 - \$2,500,000</td> <td>24 months</td> </tr> <tr> <td rowspan="4"><b>Second Home</b></td> <td>≤ \$1,000,000</td> <td>12 months</td> </tr> <tr> <td>\$1,000,001 - \$1,500,000</td> <td>18 months</td> </tr> <tr> <td>\$1,500,001 - \$2,000,000</td> <td>24 months</td> </tr> <tr> <td>\$2,000,001 - \$2,500,000</td> <td>36 months</td> </tr> <tr> <td rowspan="2"><b>Investment Property</b></td> <td>≤ \$1,000,000</td> <td>18 months</td> </tr> <tr> <td>\$1,000,001 - \$1,500,000</td> <td>24 months</td> </tr> <tr> <td rowspan="5"><b>First-Time Homebuyer</b></td> <td><b>Loan Amount</b></td> <td><b>Required Reserves</b></td> </tr> <tr> <td>≤ \$1,000,000 &amp; LTV ≤ 80%</td> <td>12 months</td> </tr> <tr> <td>≤ \$1,000,000 &amp; LTV &gt; 80%</td> <td>15 months</td> </tr> <tr> <td>\$1,000,001 - \$1,500,000 ≤ 80%</td> <td>15 months</td> </tr> <tr> <td>\$1,000,001 - \$1,500,000 &gt; 80%</td> <td>18 months</td> </tr> </tbody> </table>	Occupancy	Loan Amount	Required Reserves	<b>Primary Residence</b>	≤ \$1,000,000 & LTV ≤ 80%	6 months	≤ \$1,000,000 & LTV > 80%	12 months	\$1,000,001 - \$1,500,000 ≤ 80%	9 months	\$1,000,001 - \$1,500,000 > 80%	15 months	\$1,500,001 - \$2,000,000	12 months	\$2,000,001 - \$2,500,000	24 months	<b>Second Home</b>	≤ \$1,000,000	12 months	\$1,000,001 - \$1,500,000	18 months	\$1,500,001 - \$2,000,000	24 months	\$2,000,001 - \$2,500,000	36 months	<b>Investment Property</b>	≤ \$1,000,000	18 months	\$1,000,001 - \$1,500,000	24 months	<b>First-Time Homebuyer</b>	<b>Loan Amount</b>	<b>Required Reserves</b>	≤ \$1,000,000 & LTV ≤ 80%	12 months	≤ \$1,000,000 & LTV > 80%	15 months	\$1,000,001 - \$1,500,000 ≤ 80%	15 months	\$1,000,001 - \$1,500,000 > 80%	18 months
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	<p><b>Reserves and Multiple Financed Properties:</b></p> <ul style="list-style-type: none"> <li>All financed properties, other than the subject property, require an additional 6 months PITIA reserves for each property.</li> <li>If eligible to be excluded from the count of multiple financed properties, reserves are not required.</li> </ul> <p><b>Retirement Accounts for Reserves:</b></p> <ul style="list-style-type: none"> <li>Eligibility Percentage to meet reserve requirements: <ul style="list-style-type: none"> <li>If borrower <math>\geq 59 \frac{1}{2}</math>, then 70% of the vested value after the reduction of any outstanding loans</li> <li>If borrower <math>&lt; 59 \frac{1}{2}</math>, then 60% of the vested value after the reduction of any outstanding loans</li> </ul> </li> </ul> <p><b>Ineligible Sources for Reserves:</b></p> <ul style="list-style-type: none"> <li>Business assets</li> <li>Equity lines of credit or Bridge loans</li> <li>Any borrowed funds (secured or unsecured)</li> <li>Gift funds</li> </ul>
<p><b>Subordinate Financing</b></p>	<ul style="list-style-type: none"> <li>Subordinate financing is allowed up to maximum CLTV per the Credit Matrix.</li> <li>Secondary financing terms must conform to Fannie Mae guidelines.</li> <li>Down payment and closing cost assistance subordinate financing is not permitted.</li> </ul>
<p><b>Temporary Buydowns</b></p>	<p>Not allowed.</p>
<p><b>Texas Home Equity</b></p>	<p><b>Texas Section 50(a)(6) transactions:</b></p> <ul style="list-style-type: none"> <li>1-unit primary residence only</li> <li>30-year fixed rate only</li> <li>Regardless if the new loan is a rate/term or cash-out refinance, any loan classified under Texas law as a Texas 50(a)(6), must follow the cash-out eligibility matrix and be locked as a cash-out refinance.</li> </ul>
<p><b>Transactions</b></p>	<ul style="list-style-type: none"> <li>Purchase</li> <li>Rate/Term Refinance</li> <li>Cash-Out Refinance</li> </ul> <p><b>Rate/Term Refinance:</b> The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items.</p> <ul style="list-style-type: none"> <li>If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC that has been in place for twelve (12) months and total draws do not exceed \$2,000 in the most recent twelve (12) months.</li> <li>A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months.</li> <li>A seasoned equity line is defined as not having draws totaling over \$2,000 in the most recent twelve (12) months. Withdrawal activity must be documented with a transaction history.</li> <li>Max cash back at closing is limited to 1% of the new loan amount.</li> <li>Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the application date.</li> </ul> <p><b>Cash-Out Refinance:</b></p> <ul style="list-style-type: none"> <li>Borrower must have owned the property for at least six (6) months. If the property is owned free and clear and six (6) month seasoning is not met, refer to Delayed Purchase Refinancing section below.</li> <li>Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) six (6) months prior to the application date.</li> </ul> <p><b>LTV/CLTV/HCLTV Calculation for Refinances:</b></p> <ul style="list-style-type: none"> <li>If subject property is owned more than twelve (12) months, the LTV/CLTV/HCLTV is based on the current appraised value.</li> <li>If subject property is owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value. Documented improvements must be supported with receipts.</li> <li>The twelve (12) month time frame may be based on subject transaction Note date.</li> </ul> <p><b>Continuity of Obligation:</b> When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements have been met. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible:</p>

	<ul style="list-style-type: none"> <li>The borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements: <ul style="list-style-type: none"> <li>Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months, or</li> <li>Is related to the borrower on the mortgage being refinanced</li> </ul> </li> <li>The borrower on the new refinance transaction was added to title twenty-four (24) months or more prior to the disbursement date of the new refinance transaction.</li> <li>The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership.</li> <li>The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. In this case the following requirements apply: <ul style="list-style-type: none"> <li>Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer</li> <li>The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan</li> </ul> </li> <li><b>NOTE:</b> Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.</li> </ul> <p><b>Delayed Purchase Refinance:</b></p> <ul style="list-style-type: none"> <li>Follow Fannie Mae Requirements.</li> <li>LTV/CLTV/HCLTV for Rate/Term refinances must be met. The loan is treated and priced as a rate/term refinance except for primary residence transactions in Texas which must follow TX 50(a)(6) guidelines.</li> </ul> <p><b>Construction to Permanent Financing:</b></p> <ul style="list-style-type: none"> <li>The Borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction.</li> <li>LTV/CLTV/HCLTV is determined based on the length of time the borrower has owned the lot. The time frame is defined as the date the lot was purchased to the Note date of the subject transaction. <ul style="list-style-type: none"> <li>For lots owned twelve (12) months or more, the appraised value can be used to calculate the LTV/CLTV/HCLTV.</li> <li>For lots owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the current appraised value of the property or the total acquisition costs (documented construction costs plus documented purchase price of lot)</li> </ul> </li> </ul>
<b>Underwriting Method</b>	<p>All loans must be submitted to Fannie Mae DU.</p> <ul style="list-style-type: none"> <li>The DU recommendation must be either Approve/Eligible or Approve/Ineligible</li> <li>Approve/Eligible is allowed for high balance loan amounts only</li> <li>Approve/Ineligible may only be ineligible due to the following: <ul style="list-style-type: none"> <li>Loan amount</li> <li>Maximum cash-out on a rate/term refinance</li> </ul> </li> </ul> <p>Loans must be documented per the DU findings and the corresponding Fannie Mae Guidelines except for those guideline differences identified herein. In case of a conflict between these program guidelines and Fannie Mae Guidelines, the requirements in these program guidelines will prevail.</p> <p><b>QM Designation:</b> The underwriter must indicate the QM designation of the loan on the 1008. All primary residence and second home Jumbo AUS 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>
<b>Other Requirements</b>	<p><b>QM Safe Harbor:</b> 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><b>Age of Documentation:</b></p> <ul style="list-style-type: none"> <li>Per Fannie Mae</li> <li>Self-employment YTD P&amp;L: No more than 90 days</li> <li>Document age is based on the date the note is signed</li> </ul>

**Payment Recast:**

Loans may be eligible for a payment recast (re-amortization) if the borrower makes a large principal curtailment. **Recasts are not guaranteed and this allowance is subject to change at any time.** All recasts will be reviewed and approved on a case-by-case basis. General eligibility is based on the following characteristics:

- The loan must be current and in good standing.
- A written request with the customer's signature must be submitted. The written request must include the loan number, the amount of funds being sent to be applied to reduce the principal and it must specifically request a recast of the payment after the funds have been applied.
- A minimum of twenty thousand dollars (\$20,000) must be applied towards principal.
- Funds must be a guaranteed funds source (Bank Check, Wire, etc.), not a personal check.
- A recast cannot be performed on a loan closed, modified or recast within the last six (6) months.