



INVESTOR EXPRESS PROGRAM GUIDE

Version 2.0

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All information contained herein is proprietary and shall be kept confidential

Table of Contents

1.0 Fair Lending Statement	4
2.0 Underwriting Philosophy	4
3.0 Products	5
3.1 Products Offered.....	5
3.2 Investor Express Product Matrix	6
4.0 Regulatory Compliance	7
5.0 Borrower Eligibility	8
5.1 Eligible Borrowers	8
5.2 Ineligible Borrowers	9
5.3 Multiple Financed Properties.....	9
5.4 Ownership	9
6.0 Occupancy	9
6.1 Investment Property (Non-Owner Occupied).....	9
7.0 Statement of Business Purpose	10
8.0 Eligible Transaction Types.....	10
8.1 Purchases	10
8.2 Rate and Term Refinance.....	10
8.3 Delayed Financing Refinance.....	10
8.4 Contract for Deed/Land Contract	11
8.5 Construction Loan Refinancing.....	11
8.6 Non-Arm's Length Transactions.....	11
9.0 Credit Documentation Requirements	11
9.1 Credit Documents Age.....	11
9.2 Credit Score	12
9.3 Minimum Credit Requirements.....	12
9.4 Mortgage/Rental History.....	12
9.5 Credit Inquiries.....	12
9.6 Liens, Judgments and Collections	12
9.7 Foreclosure, Deed-In-Lieu of Foreclosure, Bankruptcy and ShortSales.....	12
10.0 Employment and Income.....	12
10.1 Income Sources and Calculation of Income.....	12
10.2 Income Documentation Requirements	13
Additional Requirements for P&L, Balance Sheet, and Business BankStatements:.....	13
Small Business Administration (SBA) Loans and Grants Requirements:	14
10.3 Rental Income.....	15
10.4 Retirement or Pension Income	15
10.5 Social Security Income	15
10.6 Unacceptable Income	15
11.0 Debts and Liabilities	16
11.1 Debt-to-Income Ratio	16
11.2 Installment Debt	16
11.3 Revolving Debt	16
11.4 Home Equity Line of Credit (HELOC)	16
11.5 Pending Sale of Departing Residence or Conversion of DepartingResidence to Investment Property	16
12.0 Assets and Source of Funds	16
12.1 Source of Funds	17
12.2 Cash Reserves	17
13.0 Property	17
13.1 Eligible Property Types	17
13.2 Ineligible Property Types	17
13.3 Appraisal Requirements.....	18

13.4	Third Party Appraisal Review	18
13.5	Properties Located in a Disaster Area.....	18
14.0	Additional Loan Attributes and Policies	19
14.1	Subordinate Financing.....	19
14.2	Chain of Title.....	19
14.3	Balloon Mortgage	19
14.4	Recasting/Re-amortizing	19
14.5	Temporary Buydown.....	19
14.6	Prepayment Penalty.....	19
14.7	Interested Party Contributions.....	19
14.8	Seller Concessions/Contribution	19
14.9	HERO/PACE/Solar Panels	20
14.10	Hazard Insurance	20
14.11	Escrows	20
15.0	Title and Closing Documentation	20
15.1	Forms.....	20
15.2	Title	21

1.0 Fair Lending Statement

Federal law prohibits discrimination in connection with the origination of 1-4 family mortgage loans. The Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age, because an applicant receives income from a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act. Also, the Fair Housing Act prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), and disability.

2.0 Underwriting Philosophy

This program is solely for 1-4 unit residential properties that are non-owner occupied as defined under Regulation Z of TILA. Regulation Z defines a non-owner occupied property as a property the borrower does not occupy or plan to occupy more than 14 days during the calendar year.

All loans must be prudently underwritten utilizing the GMFS program guidelines and industry standard best practices. DU or LPA findings must be submitted in file. DU Approve/Ineligible, LPA Accept/Ineligible for loan amount only are allowed. See product matrix for eligibility. All data points on the DU/LPA should represent the loan attributes with the exception of the GMFS guideline overlays contained in this guideline. PIW waiver based on DU/LPA recommendation is not allowed. Refer to Appendix A for a summary of overlays.

For scenarios not specifically addressed in the following Underwriting Guidelines, please contact your sales representative, transaction manager or underwriting.

3.0 Products

3.1 Products Offered

This product description describes product guidelines and requirements for the following GMFS loan programs:

- Fully Amortizing Fixed Rate 30-year term.

3.2 Investor Express Product Matrix

GMFS Investor Express Program													
DU Approve/Ineligible - LPA Accept/Ineligible - Due Only to Loan Amount													
30-YEAR FIXED RATE													
Purchase and Rate Term Refinance							Cash-Out Refinance						
Occupancy	Number of Units	Maximum Loan Amount	Maximum LTV/CLTV	Minimum Credit Score	Minimum Reserves	Maximum DTI	Occupancy	Number of Units	Maximum Loan Amount	Maximum LTV/CLTV	Minimum Credit Score	Minimum Reserves	Maximum DTI
Non-Owner Occupied	1 Unit	\$1,000,000	70%/70%	720	See below	43%							
		\$1,500,000	70%/70%	740		43%							
	2-4 Units	\$1,000,000	65%/65%	720	See below	43%							
		\$1,500,000	65%/65%	740		43%							
Program Highlights - Refer to Guideline for all Requirements													
Underwriting	DU/LPA findings required with Approve/Accept Ineligible due only to loan amount.												
Minimum Loan Amount	Must be \$1 over the current Agency loan limit for the property County and State and number of units.												
DTI	Max 43%.												
CLTV	As per matrix.												
New Subordinate	Allowed up to maximum CLTV per matrix. Must conform to FNMA/FHLMC requirements.												
Reserves	Follow the greater of the AUS reserve requirements or 12 months PITI reserves.												
Transaction:													
Occupancy	Must be a non-owner occupied property the borrower does not occupy or plan to occupy more than 14 days during the calendar year. Signed Occupancy Affidavit and Borrower Statement of Business Purpose required.												
Interest Only	Not allowed.												
Non Arms Length	Per FNMA/FHLMC guidelines.												
MI	Not allowed.												
Flip Transactions	Seller must have taken title a minimum of 90 days prior to date of sales contract.												
Limited Cash-Out (Rate & Term Refinance)	Second lien being paid off must have been a purchase money second lien.												
Property:													
Eligible Property Types	Single Family, 2-4 Unit, PUD, Condo (FNMA/FHLMC warrantable)												
Ineligible Property Types	Manufactured homes, working farms, log homes, condo hotels, co-ops., mixed-use, builder model leaseback, boarding houses, timeshares, assisted living												
	Facilities, mandatory country club memberships, zoning violations, C5 or C6 condition grades, geodesic domes, unique properties.												
Condo Review	Must meet eligibility under GMFS Condo Project Review.												
Leasehold	Not allowed.												
Rural Properties	Properties with greater than 10 acres need to have three comparables with similar acreage.												
State Restrictions	Texas cash out not allowed.												
Appraisal	FNMA 2075//FHLMC 2070 not allowed in lieu of an appraisal. Property Inspection Waiver (PIW) not allowed. Seller must order a CDA. Loans with a collateral												
Requirements	UW score of 2.5 or lower are exempt from this requirement.												
Borrower Eligibility:													
Borrowers	All borrowers must have a valid social security number.												
Non-Occupant Co-Borrowers	Allowed as per DU/LPA.												
Inter Vivos Revocable Trusts	Lender must warrant that the Mortgage and Trust documents meet agency eligibility criteria including title and title insurance requirements, and applicable state laws that regulate the loan origination of inter vivos revocable trusts.												
Minimum Credit	Nontraditional credit not acceptable. All borrowers must have a minimum of 2 credit scores. Qualifying FICO as per matrix.												
Verbal VOE	Salaried borrower - Verbal VOE covering 24 months dated within 5 business days prior to closing documented in writing. Self-employed borrower - verify the existence of the borrower's business within 5 calendar days prior to closing.												
4506 -T	Signed 4506-T form required for all borrowers.												
Statement of Loan Purpose	Signed business purpose affidavit or statement of loan purpose indicating the loan purpose is for the acquisition, improvement or maintenance of a rental Purpose is required from borrower.												
Seller Contributions	Maximum 2%.												
Prepayment Penalty	Not allowed.												
Age of Documents	Follow the DU/LPA requirements.												
Collections/ Chargeoffs	Per DU/LPA requirements.												
Escrow Holdback	Not allowed.												

4.0 Regulatory Compliance

Seller must ensure that each loan delivered to the GMFS has been originated in compliance with all applicable federal, state and local laws and regulations including without limitation the Ability to Repay (ATR) and the Qualified Mortgage (QM) rules effective 1/10/14, the TILA-RESPA Integrated Disclosure (TRID) rule effective 10/3/15 and the laws and regulations listed below:

- Regulation X – RESPA
- Regulation Z – Truth in Lending
- Regulation G – SAFE Act – Federal Licensing and Registration
- Regulation H - SAFE Act - State Licensing and Regulation
- Regulation V – Fair Credit Reporting
- Regulation B – Equal Credit Opportunity
- Regulation P – Privacy of Consumer Financial Information (GLB)
- USA Patriot Act
- Fair Housing Act
- Dodd-Frank Act
- Federal high cost loan regulations.
- State, local, and county high cost and usury regulations.
- National Flood Insurance Act

All applicable closing documentation and disclosures pertaining to the above regulations should be included in the closed file submission.

5.0 Borrower Eligibility

Borrowers must have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located. There is no maximum age limit for a borrower. All borrowers must have a valid social security number.

5.1 Eligible Borrowers

- U.S. Citizens
- Permanent resident aliens
 - Copy of valid resident alien card must be included in loan file.
- Non-permanent resident aliens
 - Must be legally present in the U.S with an acceptable visa type. Acceptable visa types are as follows:
 - E Series (E-1, E-2, E-3)
 - G Series (G-1, G-2, G-3, G-4, G-5)
 - H Series (H-1B, H-1C)
 - 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 visaSee

USCIS.gov for more information.

- Must have a history of visa renewals and a minimum of two (2) year employment history in the U.S and qualifying income must be from the U.S.
- Must be able to verify that current employment has a probability of three (3) year continuance. VOE form may be used to document.
- Funds to close must be deposited in a U.S. financial institution. No funds to close from outside the U.S are allowed.
- Inter-Vivos Revocable Trusts
 - Trust must be established by one or more natural persons, individually, or jointly.
 - The individual(s) establishing the trust must be the primary beneficiary/beneficiaries.
 - If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.
 - At least one of the trustees must be either the individual establishing the trust, or an institutional trustee that customarily performs the duties of a trustee and is duly authorized to act as a trustee under applicable state law.
 - The mortgage and trust documents must meet agency eligibility criteria including title and title insurance requirements, as well as applicable state laws that regulate the making of loans to inter-vivos revocable trusts.
 - The trustee(s) must have the power to mortgage the security property for

the purpose of securing a loan to the party (or parties) who are the borrower(s) under the mortgage or deed of trust note.

- Illinois Land Trusts
 - Not eligible.
- Maximum of four (4) borrowers per loan.

5.2 Ineligible Borrowers

- Borrowers with only an ITIN (individual taxpayer identification number).
- Irrevocable trusts.
- Corporations, limited partnerships, general partnerships, and limited liability companies.
- Borrowers who are party to a lawsuit.
- Foreign Nationals.
- Borrowers with Diplomatic Immunity.

5.3 Multiple Financed Properties

- Follow DU/LPA requirements.

5.4 Ownership

- Ownership must be 'fee simple' only and must be in the name of the individual Borrower(s) or Trust. Borrower(s) may hold title as follows:
 - Individual
 - Joint Tenants
 - Tenants in Common

6.0 Occupancy

6.1 Investment Property (Non-Owner Occupied)

An investment property is owned by the borrower but is not occupied by the borrower. This program is solely for 1-4 unit residential properties that are non-owner occupied as defined under Regulation Z of TILA. Regulation Z defines a non-owner occupied property as a property the borrower does not occupy or plan to occupy more than 14 days during the calendar year.

A signed Occupancy Affidavit is required.

7.0 Statement of Business Purpose

A borrower signed statement of business purpose indicating the loan purpose is for the acquisition, improvement or maintenance of a rental property is required. Cash out loan proceeds used for any personal use are not eligible.

8.0 Eligible Transaction Types

8.1 Purchases

- ☐ Must adhere to Agency guidelines.
- ☐ LTV/CLTV is calculated using the lesser of the purchase price or the appraised value of the subject property.
- ☐ Seller must have taken title to the subject property a minimum of ninety (90) days prior to the date of sales contract.
- ☐ 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 7.1.

8.2 Rate and Term Refinance

- ☐ A minimum of 6 months (per DU/LPA) must have elapsed if the previous refinance transaction combined a first and a non-purchase money subordinate lien into a new first lien. Provide closing disclosure from any prior transaction.
- ☐ Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the date of closing.
- ☐ The mortgage amount may include the:
 - ☐ Pay off of the existing liens.
 - ☐ Pay off of a co-owner pursuant to a written agreement.
 - ☐ Financing of the payment of prepaid items and closing costs.
 - ☐ Pay off subordinate financing only to the extent that such financing was used to acquire the property. Borrower must document that all proceeds from the subordinate financing were used to acquire the property.
- ☐ Cash back to the borrower is limited to the lesser of \$2,000 or 2% of the new loan.

8.3 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. Delayed financing refinances are underwritten as rate and term refinances. Property may not be located in Texas.

A Closing Disclosure is required to document no mortgage financing was used to obtain the subject property.

8.4 Contract for Deed/Land Contract

Contract for Deed/Land Contracts are ineligible.

8.5 Construction Loan Refinancing

Construction loan refinances are eligible as rate and term refinances and must meet the following criteria:

- Only the permanent financing on a construction to permanent 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 will be based on the lesser of: a) the original purchase price of the lot plus the total acquisition costs (sum of construction costs) or b) the current appraised value of the lot plus the total acquisition 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 for purchase.

8.6 Non-Arm's Length Transactions

- Certain Non-Arm's Length Transactions in which a direct relationship exists between the borrower and any party in the transaction are permitted as stipulated by the Agency Guidelines.

9.0 Credit Documentation Requirements

For scenarios not specifically addressed in DU/LPA findings or below please contact your sales representative, transaction manager or underwriter.

9.1 Credit Documents Age

- For all transaction types follow the DU/LPA requirements for age of document requirements.

9.2 Credit Score

- The representative credit score for qualification purposes 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. Credit scores from all three repositories must be requested (Equifax, Experian and TransUnion).
- For multiple borrowers the credit score is the lowest of all representative credit scores.
- If only one credit score or no credit score is reported borrower is not eligible. A minimum of two credit scores is required.

See GMFS loan product matrix for minimum credit score requirements.

9.3 Minimum Credit Requirements

- Minimum credit requirement as determined by DU/LPA.

9.4 Mortgage/Rental History

- Mortgage/Rental payment history requirements as determined by DU/LPA.

9.5 Credit Inquiries

- 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.

9.6 Liens, Judgments and Collections

- Collection accounts or charged-off accounts must be paid off as required by DU/LPA.

9.7 Foreclosure, Deed-In-Lieu of Foreclosure, Bankruptcy and Short Sales

- At least seven (7) years must have elapsed since bankruptcy discharge or dismissal, foreclosure, notice of default (NOD), short sale or deed-in-lieu measured from the date of completion to the date of application.

10.0 Employment and Income

For information regarding employment and income requirements not addressed below please contact your sales representative, transaction manager or underwriter.

10.1 Income Sources and Calculation of Income

All income sources and method of income calculation must meet most recent agency guidelines.

The loan file should include an Income Analysis form detailing income calculations. The non-taxable portion of fixed income such as Social Security income, VA benefits, Pensions, and Annuity income may be grossed-up twenty five percent (25%).

Foreign income used for qualifying must be supported by the most recent two (2) years U.S. tax returns.

Unreimbursed business expenses must be deducted from income. This includes borrowers who earn commission income regardless of the percentage of commission income to total income.

10.2 Income Documentation Requirements

Salaried Borrowers:

- Completed, signed and dated final Uniform Residential Mortgage Application. Most current agency form must be used.
- Follow DU/LPA requirements for income documentation.
- W-2's and paystubs must be computer generated.
- Signed IRS Form 4506T at application and at closing.
- Tax transcripts are only required to be obtained from the IRS if requested by the AUS.
- Verbal VOE dated within 5 business days prior to closing documented in writing. The verbal VOE must cover 24 months of employment. If the borrower has changed jobs during the past two years, the verbal VOE must show the start and end dates for each job.

Self-Employed Borrowers:

- Completed, signed and dated final Uniform Residential Mortgage Application. Most current agency form must be used.
- Follow DU/LPA requirements for income documentation. All loans must have a minimum of one year of tax returns.
- Signed IRS Form 4506T at application and at closing.
- Tax transcripts are only required to be obtained from the IRS if requested by the AUS.

Additional Requirements for P&L, Balance Sheet, and Business Bank Statements:

Lenders should apply due diligence and review the actions of the business. Including 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. Due to the pandemic's continuing impact on businesses, lenders are now required to obtain the following documentation to support the decision that the self-employment income meets requirements:

- (1) 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 (2) a Balance Sheet; **or**
- (1) 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 (2) business bank statements from the most recent two months represented on the year-to-date P&L and (3) a Balance Sheet.
 - o For example, the business bank statements should be from April and May 2020 for a year-to-date profit and loss statement dated through May 31, 2020.
 - o The two most recent bank statements must support and/or not conflict with the information presented in the current year-to-date P&L statement. Otherwise, the lender must obtain additional statements or other documentation to support the information from the current year-to-date P&L statement.
- All borrowers owning 25% or more of a business or entity must provide a year-to-date P&L statement and balance sheet for that entity, regardless of whether or not the business income is being used to qualify. This requirement includes all business entities including those organized as pass through entities.
- 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.
- The P&L and balance sheet is required even if the borrower does not have a business checking account.
- P&L and tax returns must show stable or increasing income from all business entities and income sources for the period relative to previous periods. Income cannot decline by 20% or more from the prior tax period.

Small Business Administration (SBA) Loans and Grants Requirements:

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.

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 requirements in this section for underwriting self-employed borrowers.

Verification of Active Business:

- The lender must verify the existence of the borrower's business within 5 calendar days prior to closing. 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.

10.3 Rental Income

- Follow DU/LPA requirements.

10.4 Retirement or Pension Income

- Follow DU/LPA requirements.

10.5 Social Security Income

- Follow DU/LPA requirements.

10.6 Unacceptable Income

Unacceptable income sources include the following:

- Any source that cannot be verified.
- Restricted Stock income (RSU).
- Income that is temporary.
- Rental Income (Boarder Income) received from the borrower's primary residence.
- Expense account payments.
- Asset depletion of non-employment related assets.
- Retained earnings.
- Automobile allowances.

11.0 Debts and Liabilities

For information regarding the treatment of debts and liabilities not addressed below please refer to the most recent Fannie Mae/Freddie Mac Selling Guide.

11.1 Debt-to-Income Ratio

The Debt-to-Income (DTI) ratio is based on the total of existing monthly liabilities and any planned future monthly liabilities divided by gross monthly income. Liabilities include but are not limited to all housing expenses, revolving debts, installment debts, other mortgages, rent, alimony, child support, and other consistent and recurring expenses. The seller must ensure that all liabilities are included in qualifying. Refer to the Product Matrix for the maximum allowable DTI.

11.2 Installment Debt

- Follow DU/LPA requirements.

11.3 Revolving Debt

- Follow DU/LPA requirements.

11.4 Home Equity Line of Credit (HELOC)

- For HELOC loans paid off at closing the line must be closed to any future draws. Requirement on title commitment for payoff and cancellation of HELOC is acceptable to document.

11.5 Pending Sale of Departing Residence or Conversion of Departing Residence to Investment Property

If the current primary residence is either pending sale, or being converted to a second home or investment property the following applies:

- Both the current and proposed PITI payments must be used to qualify if the current primary residence is pending sale.
- Both the current and proposed PITI payments must be used to qualify if the current primary residence is being converted to a 2nd home.
- Lenders should follow the standard income, reserve and borrower minimum property equity percentage requirements as stipulated by Freddie Mac or Fannie Mae.

For conversion of the current primary residence into an investment property, Fannie Mae or Freddie Mac guidelines are applicable for the calculation of rental income.

12.0 Assets and Source of Funds

For information regarding assets and source of funds not addressed below please refer to the most recent Fannie Mae/Freddie Mac Selling Guide.

12.1 Source of Funds

- Follow DU/LPA requirements.

12.2 Cash Reserves

- Follow the greater of the AUS reserve requirements or 12 months PITI reserves.
- Reserves must be verified and comprised of liquid assets that the borrower can readily access. Equity lines of credit or gift funds are not acceptable sources to meet the reserve requirement.

13.0 Property

13.1 Eligible Property Types

- 1-4 unit attached/detached non-owner occupied properties.
- Low/mid/high-rise new and established agency warrantable condominiums. Condominiums with HOA in litigation are ineligible.
- Planned Unit Development (PUD).
- Maximum lot size 20 acres. Properties with greater than 10 acres must have three comparables with similar acreage.

13.2 Ineligible Property Types

- Manufactured Homes
- Co-ops
- Factory built housing
- Properties held as leasehold
- Condo hotel units
- Log homes
- Unwarrantable condominiums
- Timeshare units
- Geothermal homes
- Unique properties
- Mixed use properties
- Commercially zoned properties.
- Agriculturally zoned properties (agricultural/residential eligible)
- Properties with an oil and gas lease.
- Properties with more than 20 acres.
- Working farms
- Properties located in Guam, Puerto Rico, American Samoa, Northern Mariana Islands, and the U.S. Virgin Islands.

13.3 Appraisal Requirements

- All appraisals must be completed on the most current agency appraisal forms as stipulated in the Seller's Guide and conform to agency appraisal practices, USPAP and the Appraisal Independence Requirements, and any requirement for HPMLs, if applicable.
- Property Inspection Waiver (PIW) 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 needs to be performed.

13.4 Third Party Appraisal Review

- The seller must order an appraisal desk review product for each loan from a vendor listed on the Exchange's Approved Appraisal Desk Review Vendors/Products list posted on the Exchange's portal. Note: Loans submitted with a collateral underwriter score of 2.5 or lower are exempt from the above requirement.
- A copy of the appraisal desk review report should be submitted in the loan file. The review must not be over 120 days old from the date of the Note.
- If the desk review produces a value in excess of a 10% negative variance to the appraised value, the loan is not eligible for purchase; provided, the seller has the option to then ask the Exchange to order a Field Review to support the appraised value. If the field review also produces a value in excess of a 10% negative variance to the appraised value, then the loan will remain ineligible for purchase.
- All appraisals are reviewed for eligibility as well as value support. However, 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 thereof.

13.5 Properties Located in a Disaster Area

For properties located in a FEMA declared disaster area a re-inspection is required to be performed by the original appraiser. A written certification is required from the appraiser to confirm that the property value has not been impacted by the disaster.

For FEMA declared natural disasters, the inspections must be dated after the disaster end date is declared by FEMA.

14.0 Additional Loan Attributes and Policies

14.1 Subordinate Financing

- Allowed up to maximum CLTV per matrix. Secondary financing terms must conform to FNMA/FHLMC guidelines.

14.2 Chain of Title

- All transactions require a minimum twelve (12) month chain of title.
- For purchase transactions seller must have taken title to the subject property a minimum of ninety (90) days prior to the date of sales contract.

14.3 Balloon Mortgage

- Balloon mortgages are not eligible for purchase.

14.4 Recasting/Re-amortizing

- Recasting or re-amortized transactions are not eligible for purchase.

14.5 Temporary Buydown

- Temporary buydown mortgage loans are not eligible for purchase.

14.6 Prepayment Penalty

- Mortgage loans with prepayment penalties are not eligible for purchase.

14.7 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. Interested party contributions may only be used for closing costs and prepaid expenses

- Maximum 2% contribution allowed.

14.8 Seller Concessions/Contribution

- 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.

14.9 HERO/PACE/Solar Panels

- Any item that that will include a UCC associated with the property and/or will create an easement on title is ineligible.

14.10 Hazard Insurance

- 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.
- Hazard insurance must have the same inception date as the date of disbursement on purchase money mortgages. This may be documented with apost-closing Closing Disclosure or the correction of the inception date on the hazard policy.
- All applicable loans must adhere to HFIAA regarding flood insurance escrows.
- Escrow holdbacks are not allowed.

14.11 Escrows

- It is recommended that escrow account be created for funds collected by the originator to pay taxes, hazard insurance, flood insurance, special assessments, water, sewer, and other items as applicable.
- Escrow for HPML: For any loan that is determined to be a Higher Priced Mortgage Loan (HPML) under the Truth-in-Lending Act and its implementing regulation, 12 C.F.R. §1026.35, as may be amended from time to time, 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. Notwithstanding the prior statement, an escrow account is not required for transactions that are otherwise exempt under 12 C.F.R. §1026.35(b)(2).
- All applicable loans must adhere to HFIAA regarding flood insurance escrows.
- Escrow holdbacks are not allowed. Any inadequacies determined by the appraisal must be remedied prior to closing.

15.0 Title and Closing Documentation

15.1 Forms

- All Notes, security instruments, riders, addenda and special purpose documents used in connection with fully amortizing one to two family conventional first mortgages delivered to the Exchange must be prepared on approved Agency forms unless this guide specifically requires otherwise. See most recent FannieMae Selling Guide for reference.
 - Copy of security instrument submitted in the file must be a true and certified stamped copy of the original recorded security instrument.
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15.2 Title

Title insurance must meet Agency requirements and be written on the 2006 American Land Title ALTA form providing gap coverage or the ALTA short form. Other state forms may be used in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not been adopted. If alternative forms are used, the lender must ensure that those amendments provide the same coverage.

- The title policy should include all applicable endorsements issued by a title insurer qualified to do business in the jurisdiction in which the mortgage insured property is located, including the endorsements for Condominiums, PUDs, and ARM loan types.
- The title insurance coverage must include an environmental protection lien endorsement (ALTA 8.1-06 or equivalent state form).
- The title insurance policy must insure the mortgagee and its successors and assigns as to the first priority lien of the loan amount at least equal to the outstanding principal balance of the loan.
- A statement by the title insurance company or closing attorney on such binder or commitment that the priority of the lien of the related Mortgage during the period between the date of the funding of the related Mortgage Loan and the date of the related title policy (which title policy shall be dated the date of recording of the related Mortgage) is insured.
- Any existing tax or mechanic's liens must be paid in full through escrow.

Appendix A - Summary of Program Overlays to DU/LPA

Please reference guidelines for complete requirements.

- Section 7.0 - A borrower signed statement of business purpose indicating the loan purpose is for the acquisition, improvement or maintenance of a rental property is required. Cash out loan proceeds used for any personal use are noteligible.
- Section 7.1 (Purchases) - Seller must have taken title to the subject property a minimum of ninety (90) days prior to the date of sales contract.
- Section 3.2 and 8.2 – (Credit Score)
 - Minimum credit score as per program matrix.
 - A minimum of two credit scores is required for each borrower.
- Section 8.7 (Credit Events) - At least seven (7) years must have elapsed since bankruptcy discharge or dismissal, foreclosure, notice of default (NOD), shortsale or deed-in-lieu measured from the date of completion to the date of application.
- Section 10.1 (Debt-to-Income Ratio) – Maximum 43%.
- Section 10.2 (Income Documentation Requirements - self-employed borrower) -All loans must have a minimum of one year of tax returns.
- Section 10.2 Verbal Verification of Employment (VVOE) must be performed for both salaried and self-employed borrowers within 5 business days prior to the loan closing with the borrower.
- Section 11.2 (Cash Reserves) – Follow the greater of the AUS reserve requirements or 12 months PITI reserves.
- Section 12.0 (Property) – Refer to section for overlays for the following;
 - Eligible properties
 - Ineligible properties
 - Appraisal requirements (PIW not allowed)
 - Third-party appraisal review process.
 - Properties located in FEMA declared disaster areas.
- Section 12.1 (Eligible Property Types) – Condos in litigation are ineligible.
- Section 13.0 (Additional Loan Attributes and Policies) – Refer to section.
- FraudGuard report or similar must be included in each file submission.