

CLOSED END SECOND MORTGAGE MATRIX								
Min and Max Loan Amount	Total Debt Ratio	Minimum Credit Score	Owner Occupied Max CLTV		Second Home Max CLTV		Non-Owner Occupied Max CLTV	
			Full Doc	Bank Stmt/1099	Full Doc	Bank Stmt/1099	Full Doc	Bank Stmt/1099
\$75,000 to \$350,000	50%	720	90	85	80	75	80	75
		700	90	80	80	70	80	70
		680	85	75	75	65	75	65
		660	80	70	70	60	70	60
\$350,001 to \$450,000	50%	720	85	80	75	70	80	70
		700	85	75	75	65	75	65
		680	80	70	70	60	70	60
		660	75	65	65	55	65	55

TOPIC	HOME EQUITY SECONDS LOAN PROGRAMS MATRIX
BASIC GUIDELINES	This matrix applies to Home Equity Seconds guidelines. This Closed End Second Mortgage (CES) can be stand-alone or combined with a Non-QM or QM first mortgage to avoid Private Mortgage Insurance (PMI). When used in combination with a new first mortgage, the income documentation used for qualifying must be the same for both liens. Information in this matrix is subject to change without notice.
Eligible Products / Terms	<p><u>Fully Amortized Loans are:</u></p> <ul style="list-style-type: none"> • 10-Years • 15-Years • 20-Years • 30-Years <p><u>Balloon Loans are:</u></p> <ul style="list-style-type: none"> • 30/15-Years • 40/15 Years
Ineligible Product Type	<ul style="list-style-type: none"> • ARMs not allowed
Ineligible Senior Liens (1 st TD)	<ul style="list-style-type: none"> • Negative amortization • Reverse mortgages • Balloon loans that the balloon payment comes due during the amortization period of the 2nd lien. • Loans in active forbearance or deferment
Interest Only Senior Liens	<ul style="list-style-type: none"> • Interest only senior liens are acceptable when qualified at a maximum DTI of 45%. The current Interest Only payment on the senior lien is used to calculate DTI.
Maximum Combined Liens	<ul style="list-style-type: none"> • \$2,000,000
Maximum Loan Amount	<ul style="list-style-type: none"> • Refer to Eligibility Grids above
Minimum Loan Amount	<p><u>Fully Amortized Loans:</u></p> <ul style="list-style-type: none"> • \$75,000 <p><u>Balloon Loans:</u></p> <ul style="list-style-type: none"> • \$200,000
Loan Purpose	<ul style="list-style-type: none"> • Purchase • Rate and Term Refinance • Cash Out Refinance

Qualifying Rate	<ul style="list-style-type: none"> Note Rate
Debt-to-Income (DTI)	<ul style="list-style-type: none"> Not to exceed 50% debt-to-income ratio.
Mortgage Insurance Guidelines	<ul style="list-style-type: none"> Not Required
Occupancy	<ul style="list-style-type: none"> Primary residence Second Home Investment
Assets Requirements	<p><u>Purchase or Rate/Term Refinance Requirements:</u></p> <ul style="list-style-type: none"> For purchase or R/T Refinance files, documentation of sufficient funds from acceptable sources for down payment, verification of funds to close, closing costs, prepaid items, debt payoff are required. Refer to Fannie Mae Seller Guides. <p><u>Cash-Out Requirements:</u></p> <ul style="list-style-type: none"> Not Required
Interested Party Contributions (IPC)	<ul style="list-style-type: none"> Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, or their affiliates, 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 and may never be applied to any portion of the down payment. <= 75% LTV: Maximum IPC 6% >75% - 89.99%: Maximum IPC 3%
Borrowers Ineligible	<ul style="list-style-type: none"> Non-occupant Co-Borrowers.
Minimum Borrower Contributions	<ul style="list-style-type: none"> Refer to Fannie Mae Seller Guides.
Appraisal Requirements	<p><u>Owner-Occupied or Second Homes Requirements:</u></p> <ul style="list-style-type: none"> Previous appraisal within 12 months PLUS Residential Appraisal Review. Review value must be equal to or greater than appraisal. OR New Residential Appraisal and AVM supporting value within 10% variance. Lower of two values to be used. Declining markets maximum 75% CLTV on Owner-Occupied or Second Home. <p><u>Non-Owner-Occupied Requirements:</u></p> <ul style="list-style-type: none"> Previous appraisal within 12 months PLUS Residential Appraisal Review. Review value must be equal to or greater than appraisal. OR New 2055 Appraisal and Residential Appraisal Review supporting value within 10% variance. Lower of two to be used. Declining markets maximum 70% CLTV on Non-Owner Occupied.

Minimum Property Standards	<ul style="list-style-type: none"> • Minimum 600 square feet. • Property constructed for year-round use • Permanently affixed continuous heat source • Maximum deferred maintenance cannot exceed \$2,000 • No health or safety issues both internal and external.
Eligible Property Types	<ul style="list-style-type: none"> • SFR, PUD, Townhome • Rowhome • Modular • Warrantable Condos
Ineligible Property Types	<ul style="list-style-type: none"> • Rural • Condotel • Non-warrantable Condos • Manufactured • Multi-Unit • Log Homes • Working Farms and Hobby Farms • Unique Properties • Agricultural or Commercial Zoned Properties • Co-ops • Room and Board Facilities • Adult Assisted Living/Care Facilities
Property Listing	<ul style="list-style-type: none"> • Properties that have been on the market within 12 months of the application date are ineligible.
Seasoning	<ul style="list-style-type: none"> • Properties owned less than six (6) months ineligible. Seasoning is not required for properties that are inherited or legally acquired through a divorce, separation, or dissolution of a domestic partnership.
Acreage Limitations	<ul style="list-style-type: none"> • Maximum ten (10) acres
Credit Scores	<ul style="list-style-type: none"> • Lowest of two (2) scores, middle of three (3) scores. Qualifying score is lowest of all borrowers.
Tradeline Requirement	<p>The credit report(s) must meet one the following tradeline requirement:</p> <ul style="list-style-type: none"> • Three (3) tradelines reporting for 12+ months or • Two (2) tradeline reporting for 24+ months all with activity in the last 12 months.

Mortgage/Rent History Requirements	<p>If the borrower(s) has a mortgage or rental history in the most recent twelve (12) months, a VOM or VOR must be obtained reflecting 0x30 in the last twelve (12) months from the date of application. Applies to all borrowers on the loan.</p> <ul style="list-style-type: none"> • If the landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory rent history is required; otherwise, if not related or a party to the transaction a satisfactory VOR can be provided. • A verification of mortgage is not required if the credit report reflects the payment history is reporting current as of the date of the application. • For all transactions with applications on or after October 1, 2022, in addition to reviewing the credit report, a verification of mortgage from the Lender/Servicer is required to document a history of 0x30 day late or missed payments in the last 12 months of the Note date for all financed.
Non-Traditional Credit	<ul style="list-style-type: none"> • Not Permitted
Consumer Credit History	<ul style="list-style-type: none"> • Borrowers with current credit delinquencies are ineligible.
Charge-Offs and Collections	<ul style="list-style-type: none"> • No charge-offs or collection accounts in the last 48 months.
Consumer Credit Counseling Services	<ul style="list-style-type: none"> • Borrowers enrolled in credit counseling are ineligible.
Open Judgement or Liens	<ul style="list-style-type: none"> • Open judgements or liens are ineligible.
Income Tax Lien	<ul style="list-style-type: none"> • All income tax liens (federal, state, local) must be paid off prior to or at loan closing.
Derogatory Credit	<ul style="list-style-type: none"> • Foreclosures, Short-sale, Deed-in-Lieu, Bankruptcies require 4-year seasoning from the discharge or dismissal date. • No multiple credit/housing events (Foreclosures, Bankruptcy, Short-sale, or Deed-in-Lieu) in the last 7-year.
Income	<p><u>Full Doc:</u></p> <p><u>Self-Employed Borrowers:</u></p> <ul style="list-style-type: none"> ○ 2 years tax returns (business and personal) including all schedules. ○ Tax transcripts will be required. ○ YTD P&L (prepared by tax professional) and ○ Verify existence of business within 30-days of the note date with <u>one</u> of the following: <ul style="list-style-type: none"> ▪ Letter from business tax professional. ▪ On-line verification from regulatory agency or licensing bureau. ▪ Certifications verify business existence through direct contact or internet search. <p><u>W-2 Borrowers:</u></p> <ul style="list-style-type: none"> ○ W-2 for most recent year.

- Most recent 30-day paystub, which includes year-to-date earnings. Additionally, the pay stub must include sufficient information to calculate income.
- W-2 transcripts will be required.

Expanded 12- or 24-months Bank Statement (personal and/or business) Requirements:

Excessive NSF's on the bank statements may cause the loan to be ineligible.

The bank statements should show a trend of ending balance that are stable over the 12-or 24- month period.

- Large deposit inconsistent with history must be documented as business income.
- Net deposits must not reflect any other income sources already taken into consideration (i.e. deduct SS payments, W-2 wage earnings, etc., that have already been used for income calculation).

When the borrower is an inter vivos trust, personal bank statements in name of the trust and a copy of the trust are allowed for qualification for all bank statement programs.

4506-C, tax transcripts and/or tax returns are not required for all bank statement programs.

Self-Employed Borrowers – Personal and Business bank statement Combined:

- If personal and business bank activity are combined in one bank account, borrower is to provide the most recent 24- or 12-months consecutive bank statements from the same account.
- Standard expense factor applies; 50% expense factor.
- If the type of business operates more efficiently or typically has a materially different expense factor (lower than standard expense factor), then the expense factor per either a CPA/CTEC/EA letter or P&L may be applied.
- The underwriter may use an expense factor higher than the standard 50% when the analysis of the bank statements reflects higher expenses.
- The minimum expense factor with CPA letter or P&L is 20%.
 - When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income (subject to the minimum expense factors). Provide either of the following:
 - A CPA/CTEC/EA produced written statement/letter specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns. Such statement shall not include unacceptable disclaimer or exculpatory language regarding its preparation; or,
 - A CPA/CTEC/EA produced P&L statement that has been reviewed by the CPA/CTEC/EA, the CPA/CTEC/EA states they have reviewed the P&L in writing, and the P&L and accompanying statement do not have unacceptable disclaimer or exculpatory language regarding its preparation.
 - The expense factor per the P&L or CPA/CTEC/EA produced statement must be reasonable. The annual deposits on the bank statements must be at least 75% of the gross receipts per the P&L.

Self-Employed Borrowers – Personal and Business bank statement Separated:

- If the borrower maintains separate bank accounts for personal and business, only personal bank statements are used for qualifying.
- The borrower is to provide the most recent 24 or 12 months consecutive personal bank statements and 2 months business bank statements (to support the borrower does maintain separate accounts, and to show business cash flows in order to utilize 100% of business-related deposits in personal account).
- The deposits are analyzed and averaged to determine monthly income.
 - No expense factors
 - Deposits to a personal account from sources other than self-employment is not to be included.

Business Bank Statement Only:

- Business bank statements must be operating account(s) reflecting normal business expenses.
- If only using business bank statements, borrower is to provide the most recent 12- or 24-months consecutive business bank statements.
- Standard expense factor applies; 50% expense factor.
- If the type of business operates more efficiently or typically has a materially different expense factor (lower than 50%), then the expense factor per either a CPA/CTEC/EA letter or P&L may be applied.
- The underwriter may use an expense factor higher than the standard 50% when the analysis of the bank statements reflects higher expenses.
- The minimum expense factor with CPA letter or P&L is 20%.
 - When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income. Provide either of the following:
 - A CPA/CTEC/EA produced written statement specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns. Such statement shall not include unacceptable disclaimer or exculpatory language regarding its preparation; or,
 - A CPA/CTEC/EA produced P&L statement that has been reviewed by the CPA/CTEC/EA, the CPA/CTEC/EA states they have reviewed the P&L in writing, and the P&L and accompanying statement do not have unacceptable disclaimer or exculpatory language regarding its preparation.
 - The expense factor per the P&L or CPA/CTEC/EA produced statement must be reasonable. The annual deposits on the bank statements must be at least 75% of the gross receipts per the P&L.

1099 Contractor:

- A borrower who is a "1099 contractor" may be considered self-employed for this program with confirmation from a CPA that the borrower is a 1099 contractor and files Schedule C or Schedule E with the IRS (personal tax returns). Borrowers cannot have ownership of 1099 Payor's business.
- Signed 4506-C and tax transcripts are required.

Appraisal Transfers	<ul style="list-style-type: none"> Appraisal transfers are not permitted
Escrow Holdbacks	<ul style="list-style-type: none"> Not Permitted
Compliance	<ul style="list-style-type: none"> No Section 32 or state High Cost Loan must comply with all applicable federal and state regulations Fully documented Ability to Repay (ATR) including Borrower Attestation Higher-Price Mortgage Loan (HPML) and Higher-Priced Covered Transaction (HPCT) are permitted subject to complying with all applicable regulatory requirements.
Age of Documents	<ul style="list-style-type: none"> Credit Report must be dated within 90 days of the note date Income and Asset documents must be dated within 60 days of the note date Appraisal must be dated within 120 days and with Re-Certification of value cannot exceed 180 days total. Preliminary title policies must be no more than 120 days old on the date the note is signed.
Title Report	<ul style="list-style-type: none"> ALTA Short Form