

Closed End Second Standalone Home Equity Loan Underwriting

| Eligibility Matrix | | | | | |
|--------------------|-------------------|-------------|--------------|------|-----|
| Units | Occupancy | Loan Amount | Credit Score | CLTV | DTI |
| 1 Unit | Primary Residence | \$300,000 | 760 | 90% | 45% |
| | | \$350,000 | 720 | 85% | |
| | | \$400,000 | 760 | 80% | |
| | | \$300,000 | 700 | | |
| | | \$250,000 | 680 | 75% | |
| | | \$100,000 | 660 | | |
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| Topic | Guideline | |
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| 1. Overview | <p>A closed-end second mortgage is a loan where the funds are disbursed in full when the loan closes and is subordinate to the first mortgage lien.</p> <p>Client must be approved to originate this product.</p> | |
| 2. Loan Terms | <p>20 year and 30-year terms only</p> <p>P&I: Mortgage Interest must be calculated monthly.</p> <p>Any other method such as Daily Simple Interest (DSI) to calculate P&I is ineligible.</p> | |
| 3. Program Codes | Product | Description |
| | 2564 | Closed End Second Standalone 20 Year |
| | 2563 | Closed End Second Standalone 30 Year |
| 4. Eligible First Lien | <ul style="list-style-type: none"> The first lien must be seasoned a minimum of 6 months, measured from the Note date of the existing first lien to the Note date of the new closed end second loan. | |
| 5. Ineligible First Liens | <ul style="list-style-type: none"> Loans in active forbearance or deferment HELOC Interest Only features Loans with negative amortization feature Reverse Mortgages Outstanding terms greater than 30 years Balloon loans with a maturity date before the maturity date of the second subject lien Private first liens | |
| 6. Property Financing | <p>No more than two mortgage liens on a single property (i.e., the first lien and the new second lien). Financing that is subordinate to the second lien is not permitted</p> | |

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| 7. Subordinate Lien | <ul style="list-style-type: none"> Pay off other existing junior liens on the property required, for example, municipal, other property liens, solar panel liens. <p>Note: If the solar panels are leased (no lien on subject), follow standard Fannie Mae requirements.</p> |
| 8. HPML | <p>Permitted with the following requirements:</p> <ul style="list-style-type: none"> A full interior/exterior appraisal (Form 1004/1073) <p>Refer to section 8A.2 for the underwriting guidelines for additional information</p> |
| 9. Rebuttable Presumption | <p>Permitted with the following requirements:</p> <ul style="list-style-type: none"> All federal and state HPML loan requirements are met |
| 10. Underwriting | <ul style="list-style-type: none"> Delegated Correspondents ONLY All loans must be manually underwritten Any guidelines not stated in this Guide must comply with Fannie Mae Selling Guide A maximum four (4) borrowers permitted A comprehensive fraud report is required – ie. Drive, Corelogic |
| 11. Income | <p>Tax Transcripts</p> <ul style="list-style-type: none"> Tax transcripts for personal tax returns for the most recent 2 years are required when tax returns are used to document borrower's income, or any loss and must match the documentation in the loan file Borrower(s) obtained tax transcripts are not permitted <p>Refer to underwriting guidelines for additional information.</p> |
| 12. Assets and Reserves | <p>No asset verification is required unless assets are required for:</p> <ul style="list-style-type: none"> Cash to Close; or Payoff of Debt; or Utilizing assets as an income source (i.e., Capital Gains or Dividends and Interest) <p>When assets are required, the most recent two (2) months statements are required.</p> <p>Reserves are not required.</p> |

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| 13. Documentation | <ul style="list-style-type: none"> • Full documentation • Required Documents <ul style="list-style-type: none"> ○ 1008 ○ Mortgage Statement for Subject Property 1st lien to confirm mortgage is not an ineligible 1st lien (see section 5 for list of ineligible 1st liens) ○ If unable to confirm eligible 1st lien, obtain original 1st mortgage note • Condominiums – warranty form and all supporting documentation • Ability to Repay Attestation • Closing Documents- must follow all federal and state document requirements and any required documents for 2nd lien loans |
| 14. Qualifying Rate | Note rate |
| 15. Occupancy | <ul style="list-style-type: none"> • Primary residence |
| 16. Minimum Loan Amount | <ul style="list-style-type: none"> • Minimum loan amount \$50,000 • Maximum loan amount \$400,000 <ul style="list-style-type: none"> ○ Maximum combined loan amount (total amount of 1st and 2nd liens combined) \$3,000,000 ○ Use the current balance of the first lien and the loan amount for the subject transaction to calculate the combined loan amount |
| 17. Properties Listed for Sale | Properties listed for sale within six months of the application date are ineligible |
| 18. Eligible Borrowers | <ul style="list-style-type: none"> • U.S. Citizen • Permanent resident alien • Inter Vivos revocable living trust |
| 19. Ineligible Borrowers | <ul style="list-style-type: none"> • Non-occupant co-borrowers • Non-permanent resident aliens <p>See underwriting guidelines for additional details</p> |
| 20. Power of Attorney | Not permitted |

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| 21. Eligible Property Types | <ul style="list-style-type: none"> • 1-unit • Condo: Fannie Mae warrantable-see Condominium Guidelines <ul style="list-style-type: none"> ○ Condos -minimum 400 square feet • PUD • Maximum 10 acres • Minimum 750 square feet |
| 22. Payment History | <ul style="list-style-type: none"> • Inclusive of all liens regardless of position • Applies to all mortgages on all financed properties • At least one of the borrowers must have a minimum 12-month payment history with 0x30x12 <p>When the existing lien is not seasoned for 12 months, the prior mortgage or rent history is required to complete the full 12-month payment history.</p> <p>When no borrower on the application has a 12-month housing history, the application is ineligible.</p> |
| 23. Number of Financed Properties | Maximum four financed properties, including the subject property |
| 24. Geographic Restrictions | Not eligible in TN, and TX |

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| 25. Appraisal | <p>Primary Valuation Requirements:</p> <ul style="list-style-type: none"> • Loan amount ≤ \$250,000 <ul style="list-style-type: none"> ○ AVM with exterior property inspection <ul style="list-style-type: none"> ▪ AVM must be dated within 60 days of the Note Date ▪ Exterior property inspection must be dated within 120 days of the Note Date <ul style="list-style-type: none"> • Refer to section 8A.2 for requirements of the exterior property inspection report. ▪ Approved Newrez AVM providers require a Forecast Standard Deviation (FSD) score <ul style="list-style-type: none"> • Clear Capital - ≤ 0.13 • ICE CA (formerly Collateral Analytics) - ≤ 0.10 • Homegenius Real Estate - ≤ 10 • House Canary - ≤ 0.10 • CoreLogic - < 0.13 • VeroValue - ≤ 0.10 ○ Exterior-only appraisal (Form 2055), or ○ Full interior/exterior appraisal (Form 1004/1073) • Loan amount > \$250,000 <ul style="list-style-type: none"> ○ Full interior/exterior appraisal (Form 1004/1073) • HPML Non QM – regardless of loan amount <ul style="list-style-type: none"> ○ Full interior/exterior appraisal (Form 1004/1073) |
| 27. Declining Market | Properties located within a declining market are not permitted |
| 28. Mortgage Insurance | NA |

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| 29. Ineligible Loan Features | <p>The following are not eligible:</p> <ul style="list-style-type: none">• Amortization recast• Assumptions• Prepayment penalty• Temporary buydown• Escrow Holdbacks |
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