Yosemite Jumbo

AUS

Program
Eligibility Guide

Correspondent Lending

Version
25.3
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Table of Contents

Jumbo AUS Eligibility Matrix

Primary Residence | Purchase, Rate and Term Refinance

Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount
Purchase or Rate and Term Refinance	1	680	90%[2]	$2,000,000
		660	80%	$2,000,000
		720	70%	$2,500,000
		740	70%	$3,000,000
		740	60%	$3,500,000
	2	700	65%	$1,500,000
		720	60%	$2,000,000

Primary Residence | Cash-Out Refinance[1]

Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount	Maximum Cash-Out
Cash-Out Refinance	1	700	75%	$1,000,000	Unlimited
		720	80%	$1,500,000	
		720	65%	$2,000,000	
	2	720	60%	$1, 500,000	Unlimited

Second Home | Purchase, Rate and Term Refinance

Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount
Purchase or Rate and Term Refinance	1	680	90%[2]	$2,000,000
		660	80%	$2,000,000
		720	70%	$2,500,000

Second Home | Cash-Out Refinance

Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount	Maximum Cash-Out
Cash-Out Refinance	1	720	60%	$1,500,000	Unlimited
			50%	$2,000,000	

Investment[3] | Purchase | Rate and Term Refinance | Cash-Out Refinance				
Transaction Type	**Units**	**Minimum FICO**	**Maximum LTV/CLTV/HLCTV**	**Maximum Loan Amount**
Purchase	1-4	740	70%	$2,000,000
Rate and Term Refinance	1-4	740	70%	$2,000,000
Cash-Out Refinance	1-4	740	60%	$2,000,000

[2]The following requirements apply for transactions with LTVs greater than 80%:

- MI not required
- Secondary financing not allowed
- Maximum DTI 38%
- Gift funds not allowed
- Escrow/impound accounts required for LTVs greater than 80% unless prohibited by applicable laws
- No Non-Occupant Co Borrowers
- For First Time Home Buyers see FTHB requirements for 80.01% LTV/CLTV or higher

[3]The following requirements apply for Investment Property: Purchase, Rate and Term Refinance and Cash-Out Refinance Transactions:

- Florida attached condominiums limited to 50% LTV/CLTV/HCLTV
- Gift funds not allowed
- Transaction must be arm's length
- Appraiser to provide rent comparable schedule
- First-Time Homebuyers not allowed
- 20, 25, 30-year fixed rate only

Jumbo AUS Loan Notes:

- Minimum loan amount is $1 over the current conforming loan limits.
- No Exceptions allowed on the Jumbo AUS program

Jumbo AUS Underwriting Guidelines	

Overlays	• Maximum LTV/CLTV based on transaction type, occupancy, and credit score
	• Maximum DTI (Refer to Debt to Income Ratio Section)
	• Reserve Requirements – refer to Reserve Table
	• Follow "Credit Event" Seasoning requirements
	• For FTHB transactions with 80.01% LTV/CLTV or higher, the following requirements must be met:
	    o Maximum loan amount is $1,500,000
	    o 740 minimum FICO
	    o No gift funds allowed
	    o Primary residence only
	    o Reserve requirements met for FTHB as specified in the Asset section
	• Non-Occupant Co-Borrowers:
	    o May or may not have an ownership interest in the subject property as indicated on title.
	    o Maximum LTV/CLTV of 80%
	• ARM transactions are not permitted
	•

<table>
<tr><th colspan="2">Jumbo AUS Underwriting Guidelines</th></tr>
<tr><td>Eligible Products</td><td>Fixed Rate: 20, 25, 30-year term
Subject to overlays, default to AUS Findings and FNMA/FHLMC Selling Guide for any guideline not addressed in this guide.</td></tr>
<tr><td>Product Codes</td><td>
<table>
<tr><th>Product Code</th><th>Product Description</th></tr>
<tr><td>2579</td><td>Yosemite Jumbo AUS 30 Year Fixed</td></tr>
<tr><td>2580</td><td>Yosemite Jumbo AUS 25 Year Fixed</td></tr>
<tr><td>2581</td><td>Yosemite Jumbo AUS 20 Year Fixed</td></tr>
<tr><td>2585</td><td>Yosemite Jumbo AUS 30 Year Fixed A6</td></tr>
<tr><td>2586</td><td>Yosemite Jumbo AUS 25 Year Fixed A6</td></tr>
<tr><td>2587</td><td>Yosemite Jumbo AUS 20 Year Fixed A6</td></tr>
</table>
</td></tr>
<tr><td>Ineligible Products</td><td>

Adjustable-Rate Mortgages (ARMs)
High-Cost Loans (Federal (TILA 1026.32), State, Local)
Higher-Priced Mortgage Loans (HPML) (TILA 1026.35)
Non-Standard to Standard Refinance Transactions (ATR Exempt)
Higher-Priced Covered Transactions (HPCT QM-Rebuttable Presumption) (TILA 1026.43(b)(4))
Balloons
Graduated Payments
Interest Only Products
Temporary Buy Downs
Loans with Prepayment Penalties
Points and Fees exceeding 3% see eligibility supplement section 6.E
Loans with bridge financing by third party, i.e.: Knock, Homelight or Opendoor

</td></tr>
</table>

Underwriting	**Follow FNMA/FHLMC Seller Guide and AUS Findings subject to overlays.** • Delegated Correspondents ONLY • The loan must meet the Price Based QM definition; Safe Harbor = APR less than 1.50% above the applicable APOR • In all cases, the loan file must document the eight (8) ATR rules. • Loans must be fully underwritten to one of the applicable Fannie Mae (chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020) or Freddie Mac (sections 5102 through 5500 of the Freddie Mac Single-Family Seller/Servicer Guide, published June 10, 2020) guidelines (Only one guideline can be applied per loan) • **NewRez aligns with Fannie Mae as the default throughout this guideline, however both Fannie Mae DU and Freddie Mac LP are acceptable AUS programs to use.** • AUS findings with an **Approve/Ineligible -or- Eligible** due to loan amount, must be present in all closed loan files.

Eligible Borrowers	• First-Time Homebuyer (FTHB) is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, first-time homebuyer requirements do not apply.
	• US Citizens
	• Permanent Resident Aliens with evidence of lawful residency
	• Must be employed in the US for the past twenty-four (24) months.
	• Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions:
	  ➢ Primary residence only.
	  ➢ Borrower must have a current twenty-four (24) month employment history in the US.
	  ➢ Unexpired Visas only. Borrowers should have a 24-month credit history based on AUS response.
	  ➢ Maximum LTV/CLTV is 80%
	• Inter Vivos Revocable Trust (see Investor Program Eligibility Supplement for requirements).
	• All borrowers must have a valid Social Security Number.

Ineligible Borrowers	• Foreign Nationals • DACA Borrowers • ITIN Borrowers • Borrowers with diplomatic status • Life Estates • Non-Revocable Trusts • Guardianships • LLCs, Corporations or Partnerships • Land Trusts, except for Illinois Land Trust • Borrowers with any ownership/employment in a business that is federally illegal, regardless of if the income is not being considered for qualifying. • Illinois Land Trust

Eligible Occupancy Types	• Follow FNMA/FHLMC Seller Guide and AUS Findings subject to overlays.
Documentation	• Documentation waivers based on AUS recommendations permitted subject to overlays. No Property Inspection or Drive-By Appraisal Waivers allowed. • Income calculation worksheet or 1008 with income calculation. Current Fannie Mae Form 1084, Freddie Mac Form 91 or equivalent is required for self-employment income analysis. Full income and asset verification is required. • All credit documents, including title commitment, must be no older than 120 days from the Note date. • All loans must meet the Price-Based QM Safe Harbor definition. Safe Harbor =APR less than 1.50% above the applicable APOR. • QM Designation must be provided in the loan file: ➢ QM designation is QM Safe Harbor- APOR (or similar name i.e., Price Based) • Loan file must document the eight (8) Ability to Repay (ATR) rules identified in Part 1026-Truth-in-Lending (Regulation Z). • If the subject transaction is paying off a HELOC that is not included in the CLTV/ HCLTV calculation, the loan file must contain evidence the HELOC has been closed. • If the 1003, title commitment or credit documents indicate the borrower is a party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower's ability to repay, assets or collateral.
Debt-to-Income Ratio (DTI)	• Primary Residence and Second Home: 49.99% for LTVs ≤ 80%, 38% for LTVs > 80% • Primary Residence and Second Home: DTI > 45% ≤ 49.99% requires residual income calc • 47% Investment Property

<table>
<tr><td>LTV/CLTV/HCLTV Calculation for Refinances</td><td>Follow FNMA/FHLMC Seller Guide and AUS Findings subject to overlays.</td></tr>
<tr><td rowspan="3">Refinance Transactions</td><td>Rate and Term Refinance & Cash-Out Refinance Requirements:
Follow FNMA/FHLMC Seller Guide and AUS Findings subject to overlays.</td></tr>
<tr><td>Delayed Purchase Refinancing
Follow FNMA/FHLMC Seller Guide and AUS Findings.
LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance except for primary residence transactions in Texas.</td></tr>
<tr><td>Continuity of Obligation:
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:
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:
Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months, or
It is related to the borrower on the mortgage being refinanced.
The borrower on the new refinance transaction was added to the title twenty- four (24) months or more prior to the disbursement date of the new refinance transaction.
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.
The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC, or partnership. The following requirements apply:
The borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer.
The transferring entity and/or borrower has had consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan.
NOTE: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.</td></tr>
</table>

Secondary Financing	• Institutional Financing only. Seller subordinate financing is not allowed. • Subordinate liens must be recorded and clearly subordinate to the first mortgage lien. • If there is or will be an outstanding balance at the time of closing, the monthly payment for the subordinate financing must be included in the calculation of the borrower's debt-to-income ratio. • Full disclosure must be made of the existence of subordinate financing and subordinate financing repayment terms. The following are acceptable subordinate financing types: ➢ Mortgage terms with interest at market rate. ➢ Mortgage with regular payments that cover at least the interest due, resulting in no negative amortization. • Employer subordinate financing is allowed with the following requirements: ➢ Employer must have an Employee Financing Assistance Program in place. ➢ Employer may require full repayment of the debt if the borrower's employment ceases before the maturity date. ➢ Financing may be structured in any of the following ways: ○ Fully amortizing level monthly payments ○ Deferred payments for some period before changing to fully amortizing payments ○ Deferred payments over the entire term. ○ Forgiveness of debt over time ○ Balloon payment of no less than five (5) years, or the borrower must have sufficient liquidity to pay off the subordinate lien. • LTV/CLTV/HCLTV guidelines must be met for loans with subordinate financing. • **Secondary financing not allowed on LTVs > 80% on Jumbo AUS.**
Texas 50 (a) (6) & Texas 50 (f) (2) Refinances	Texas 50 (a) (6) and 50 (f) (2) refinance transactions (Texas Equity Loans) are permitted on 20-, 25-, 30-year fixed rate terms, and in accordance with Fannie Mae underwriting guidelines. TX 50(a)(6) Restrictions: • Max LTV 80% • Primary Residence • 1 Unit Properties
Construction-To-Permanent Financing	• Follow FNMA/FHLMC Seller Guide and AUS Findings. • One-Time-Close Transactions are not permitted.
Credit	**Tradeline Requirements:** Follow FNMA/FHLMC Seller Guide and AUS Findings • Authorized user accounts are not allowed as an acceptable tradeline. • Non-traditional credit is not allowed as an acceptable tradeline.

Credit (Cont'd)	**Disputed Tradelines:** • Follow FNMA/FHLMC Seller Guide and AUS Findings **Rental History Requirements:** • If the borrower(s) is a First Time Homebuyer and has a rental history in the most recent twelve (12) months, a VOR must be obtained reflecting 0X30 in the last twelve (12) months. Applies to all borrowers on loan. • First-Time Homebuyer is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, first-time homebuyer requirements do not apply. • 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. **Derogatory Credit:** • 0x30 for mortgage in the past 24 months. Follow FNMA/FHLMC Seller Guide and AUS Findings. **Follow FNMA/FHLMC Selling Guide and AUS findings for additional credit guidelines.** • **Bankruptcy:** Chapter 7, 11 or 13: Seven year waiting period from the discharge or dismissal date. • **Foreclosure:** Seven year waiting period measured from the completion date of the foreclosure reported on the credit report or other foreclosure documents. • **Deed-In-Lieu, Short Sale, Pre-foreclosure, and Charge-Off of a Mortgage Account:** Seven-year waiting period is required from the completion date as reported on the credit report or other documents. **Multiple Credit Events:** Not Allowed, however credit events more than 10 years seasoned do not need to be considered. **Past Mortgage Forbearances:** • Due to Covid, allowable six months after the end of the forbearance period, and only if the borrower made all the monthly payments during forbearance and did not utilize the forbearance terms to skip any payments. Payoff statements and mortgage statements must not reflect any deferred principal balances or any indication of current forbearance. **Outstanding Judgments/Tax Liens/Charge-offs/Past-Due Accounts:** • Follow FNMA/FHLMC Seller Guide and AUS Findings **Credit Inquiries:** • If the credit report indicates inquiries within the most recent 90 days of the credit report, the seller must confirm the borrower did not obtain additional credit that is not reflected in the credit report or mortgage application. In these instances, the borrower must explain the reason for the credit inquiry. • If additional credit was obtained, a verification of that debt must be provided, and the borrower must be qualified with the monthly payment. • Confirmation of no new debt may be in the form of a new credit report, pre-close credit report or gap credit report. **Credit Reports-Frozen Bureaus:** • Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required.

Liabilities	**Liability Requirements:** Follow FNMA/FHLMC Seller Guide and AUS Findings **Contingent Liabilities:** Follow FNMA/FHLMC Seller Guide and AUS Findings. **Departure Residence Pending Sale:** Follow FNMA/FHLMC Seller Guide and AUS Findings **Departure Residence Subject to Guaranteed Buy-out with Corporation Relocation:** Follow FNMA/FHLMC Seller Guide and AUS Findings
Assets	**Asset Requirements: Follow FNMA/FHLMC Seller Guide and AUS Findings** Beyond the minimum reserve requirements based on overlays and to fully document the borrowers' ability to meet their obligations, borrowers should disclose all liquid assets. • Eligible assets must be held in a US account. • Large deposits inconsistent with monthly income or deposits must be verified if used for down payment, reserves or closing costs. • The Lender is responsible for verifying large deposits did not result in any new undisclosed debt. • Asset verification by a Fannie Mae approved asset validation provider is allowed. • **Asset documentation is based on AUS requirements.**

Reserve Requirements (of Months of PITIA) **

Occupancy	Loan Amount	# of Months
Primary Residence	≤ $1,000,000	6
	≤ $1,000,000 with LTV > 80%	12
	$1,000,001-$2,000,000 with LTV > 80%	15
	$1,000,001 - $2,000,000	12
	$2,000,001 - $3,500,000	18
Second Homes	≤ $1,000,000	6
	≤ $1,000,000 with LTV > 80%	15
	$1,000,001-$2,000,000 with LTV > 80%	18
	> $1,000,000	12
Investment Properties	≤ $2,000,000	18
First-Time Home Buyer	≤ $1,000,000 with LTV > 80%	15
	$1,000,001 - $1,500,000 with LTV > 80%	18

	Non-Retirement Asset Reserves Required for LTV/CLTVs 85.01%-90%	Primary Residence and Second Homes	3
	Additional 1-4 Unit Financed REO	• Additional three (3) **-OR-** six (6) months reserves PITIA for each property is required based on the PITIA of the additional REO. • If eligible to be excluded from the count of multiple financed properties, reserves are not required. ***See Multiple Financed Properties section for full reserves and requirements***	
	****Borrowed funds (secured or unsecured) are not allowed for reserves.**		
Financing Concessions	• Follow FNMA/FHLMC Seller Guide and AUS Findings		
Seller Concessions	• Follow FNMA/FHLMC Seller Guide and AUS Findings		
Personal Property	• Follow FNMA/FHLMC Seller Guide and AUS Findings		

Income / Employment

Stable monthly income must meet the following requirements to be considered for qualifying:

- Stable - two (2) year history of receiving the income
- Verifiable
- High probability of continuing for at least three (3) years

When the borrower has less than a two (2) year history of receiving income, the lender must provide a written analysis to justify the determination that the income used to qualify the borrower is stable.

Declining Income: When the borrower has a declining income, the most recent twelve (12) months should be used.

In certain cases, an average income for a longer period may be used when the decline is related to one-time capital expenditure and proper documentation is provided.

In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay. The employer or the borrower should provide an explanation for the decline and the underwriter should provide a written justification for including the declining income in qualifying.

Residual Income Requirement - DTI > 45% ≤ 49.99% and all loans 85.01%-90% LTV

- Residual Income Calculation required for DTI exceeding 45% and not to exceed 49.99% as well as LTVs exceeding 85%.
  All loans must meet the residual income requirements below. Residual income equals Gross Qualifying Income Less Monthly Debt (as included in the debt-to-income ratio)

# in Household	1	2	3	4	5
Required Residual	$1550	$2600	$3150	$3550	$3700

Add $150 for additional family members

Income / Employment (Cont'd)	**Gaps in Employment:** Refer to AUS findings.
	
	General Documentation Requirements:
	• 4506-C / Form 8821 must be signed and completed for all borrowers. IRS will require the latest form completed in full.
	• Taxpayer consent form signed by all borrowers.
	• Income calculation worksheet or 1008 with income calculation. The Fannie Mae 1084, or Freddie Mac Form 91 or equivalent is required for self-employment analysis. The most recent Form 1084 or Form 91 should be used based on application date. Instructions per Form 1084 or Form 91 must be followed.
	  ➢ Copy of liquidity analysis must be included in the loan file if the income analysis includes income from boxes 1, 2 or 3 on the K-1 that is greater than distributions indicated on the K-1.
	  ➢ If a liquidity analysis is required and the borrower is using business funds for down payment or closing costs, the liquidity analysis must consider the reduction of those assets.
	• Paystubs must meet the following requirements:
	  ➢ Clearly identify the employee/borrower and the employer.
	  ➢ Reflect the current pay period and year-to-date earnings.
	  ➢ Computer generated.
	  ➢ Paystubs issued electronically via email or internet, must show the URL address, date, and time printed and identifying information.
	  ➢ Year-to-date pay with the most recent pay period at the time of application and no earlier than 120 days prior to the Note date.
	• W-2 forms
	• Verification of Employment Requirements:
	Requirements below apply when the income is positive and included in qualifying income:
	  ➢ Verbal Verification of Employment (VVOE) must be performed no more than ten (10) business days prior to the Note date.
	  ➢ The Verbal VOE should include the following information for the borrower:
	    o Date of contact
	    o Name and title of person contacting the employer
	    o Name of employer
	    o Start date of employment
	    o Employment status and job title
	    o Name, phone #, and title of contact person at employer
	    o Independent source used to obtain employer phone number
	  ➢ Fannie Mae Verification of Employment alternatives allowed for non-self-employed borrowers.
	  ➢ Verification of the existence of borrower's self-employment must be verified through a third-party source and no more than 120 calendar days prior to the Note date.
	    o Third party verification can be from a CPA, regulatory agency, or applicable licensing bureau. A borrower's website is not an acceptable third-party source.
	    o Listing and address of the borrower's business

Income / Employment	- Name and title of the person completing the verification and date of verification. ➢ Written Verification of Employment may be required for a borrower's income sourced from commissions, overtime and or other income when the income detail is not clearly documented on W-2 forms or paystubs. **Tax Returns must meet the following requirements when used for qualifying:** • Personal income tax returns (if applicable) must be complete with all schedules (W-2 forms, K-1s etc.) and must be signed and dated. In lieu of a signature, personal tax transcripts for the corresponding year may be provided. • Business income tax returns (if applicable) must be complete with all schedules and must be signed and dated. In lieu of a signature, business transcripts for the corresponding year may be provided on or before the closing date. • For unfiled tax returns for the prior year's tax return, please see the **Investor Program Eligibility Supplement.** **Unacceptable Sources of Income:** • Any unverified source • Deferred compensation • Temporary or one-time occurrence income • Rental income from primary residence – One (1) unit property or one (1) unit property with accessory unit • Rental income from a second home • 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 is **not allowed** for qualifying: ➢ Foreign shell banks. ➢ Medical marijuana dispensaries. ➢ Any business or activity related to recreational marijuana use, growing, selling, or supplying of marijuana, even if legally permitted under state or local law. ➢ Businesses engaged in any type of internet gambling.
	Specific Income Documentation Requirements
	Non-Self Employment Documentation Requirements:
	Follow FNMA/FHLMC Seller Guide and DU/LP Findings for the following income types:

Income / Employment

- Alimony/Child Support/Separate Maintenance
- Asset Depletion
- Capital Gains
- Commission Income
- Disability Income – Long Term (Private policy or employer-sponsored policy)
- Dividends and Interest Income
- Foreign Income
- K-1 Income/Loss on Schedule E
- Non-Taxable Income (Child support, military rations / quarters, disability, foster care, etc.)
- Note Income
- Overtime and Bonus Income
- Part-Time Income
- Projected Income
- Rental Income
- Rental Income - Departing Primary Residence
- Retirement Income (Pension, Annuity, 401(k), IRA Distributions)
- Salaried/Hourly Income
- Social Security Income
- Temporary Leave Income

Restricted Stock and Stock Options

- Allowed. **Follow FNMA/FHLMC Seller Guide and DU/LP Findings**

Borrowers Employed by Family

- YTD paystub
- Two (2) years W-2s and
- Two (2) years personal tax returns with two (2) years tax transcripts.
- VVOE
- Borrower's potential ownership in the business must be addressed.

Trust Income

- Follow FNMA/FHLMC Seller Guide and AUS Findings
- Copy of trust agreement or trustee statement showing:
  - Total amount of borrower designated trust funds.
  - Terms of payment.
  - Duration of trust.
  - Evidence the trust is irrevocable.

Self-Employment

Follow FNMA/FHLMC Seller Guide and AUS Findings

- Self-Employed borrowers are defined as having 25% or greater ownership or receiving 1099 statement to document income.

The requirements below apply for Self-Employed borrowers.

- Income calculations should be based on the Fannie Mae Form 1084 or Freddie Mac Form 91 or equivalent income calculation form.
- Year-to-date financials (profit and loss statement) is not required if the income reporting is

Income / Employment	positive, not declining and not counted in qualifying income. **Two-year history is generally required.** • 12-24 months self-employment history may be considered as long as the borrowers' most recent tax returns reflect income at the same or greater level in a field that provides the same products or services as the current business or in an occupation in which he or she had similar responsibilities to those in connection with the current business. • 1-2 years signed 1040s and K-1's depending on AUS findings. • Signature requirement may be waived if tax transcripts are obtained to support the 2 years of 1040s. • If one year is required per AUS findings the following requirements apply: ➢ Signed 1040s and Business Tax Returns for the most recent year. ➢ Confirm the tax returns reflect at least 12 months of self-employment income. • Verification of Self-Employment Income: ➢ Verify the existence of the client's business within 120 calendar days prior to the note date. • **Year-To-Date Profit & Loss Statement:** ➢ Year-to-Date Profit & Loss is only required if self-employment income is the primary source used to qualify. ➢ Profit and Loss is not required for Secondary Self Employment. ➢ Year-to-date is defined as the period ending as of the most recent tax return through the most recent quarter ending one (1) month prior to the Note date. ➢ For tax returns on extension the entire unfiled year is also required ➢ If the Year-to-Date profit & loss statements reflects a downward income trend, the lower income reporting on the YTD Profit & Loss must be used for qualification. ➢ May be either audited or unaudited. CPA prepared, or borrower prepared is acceptable. ➢ YTD P&L is required for the current year to date if the Note date is on or after April 30th. • **YTD P&L may be omitted if the following criteria are met:** ➢ Two (2) years tax returns are provided, and no decline in income is present. ➢ If the Note date is after April 15th, P&L may only be omitted if the most recent tax year return is filed. If an extension is filed, then YTD P&L for the prior year is required and depending on the Note date, current YTD P&L may also be required. • **Secondary Self-Employment Income:** ➢ Follow FNMA/FHLMC Seller Guide and AUS Findings • **Income from Self-Employed Co-Borrower:** ➢ Follow FNMA/FHLMC Seller Guide and AUS Findings
	Follow FNMA/FHLMC Seller Guide and AUS Findings for the following Self-Employment income types:
	• Corporation • Partnership/S-Corporation • Sole Proprietorship (Includes Schedule C and Schedule F)

<table>
<tr><td>Multiple Financed Properties

Multiple Financed Properties</td><td>

The borrower(s) may own a total of ten (10) financed, 1–4-unit residential properties including the subject property and regardless of the occupancy type of the subject property.

If the borrower owns up to four (4) financed properties:
Max financing for the subject transaction is allowed
Additional financed 1–4-unit residential properties require three (3) months reserves for each property
If the borrower owns between five (5) and ten (10) financed properties:
The subject transaction is limited to a maximum of 80% LTV/CLTV/HCLTV or program maximum (lower of the two)
Subject property requires the greater of six (6) months reserves or required reserves per guidelines as indicated in the Asset Section of this guide
Additional financed 1–4-unit residential properties require six (6) months reserves for each property

The borrower may own an unlimited number of financed 1–4-unit residential properties when the subject transaction is a primary residence with the following requirements met:
The subject transaction is limited to a maximum of 80% LTV/CLTV/HCLTV or program maximum (lower of the two).
Additional financed 1–4-unit residential properties require six (6) months reserves for each property.
1–4-unit 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.
Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation.
</td></tr>
<tr><td>Properties Listed For Sale</td><td>Properties currently listed for sale (at the time of application) are not eligible</td></tr>
<tr><td>Eligible Properties</td><td>

1-2 Unit Owner Occupied Properties
1 Unit Second Homes
Condominiums – Attached – Warrantable- Follow AUS/Agency requirements.
Limited review allowed for attached units in established condominium projects:
Eligible transactions as per AUS/Agency requirements.
Projects located in Florida are not eligible for limited review.
CPM or PERS allowed
Full Review allowed. Warranty to AUS/Agency full review guidelines.
Projects with 2-4 units – Follow AUS/Agency requirements.
Condominium documents to support condominium eligibility review must be no older than 120 days from Note date.
Condominiums – Detached (including site condominiums)
Follow AUS/Agency requirements.
Modular homes
Planned Unit Developments (PUDs)
Properties with ≤40 acres
Properties >10 acres ≤40 acres must meet the following:
</td></tr>
</table>

	○ No commercial use allowed ○ No income producing attributes **Miscellaneous:** Properties with leased solar panels must meet Fannie Mae requirements. **Acceptable Forms of Ownership:** • Fee Simple with title vesting as: ➢ Individual ➢ Joint Tenants ➢ Tenants in Common • Deed/Resale Restrictions must meet Fannie Mae requirements.

Ineligible Properties	• 2–4-unit second home properties • 3–4-unit owner occupied properties • Condotels / Condo Hotels • Manufactured Homes/Mobile Homes • Mixed-Use Properties • Model Home Leasebacks • Non-Warrantable Condominiums • Properties with condition rating of C5/C6 • Properties with construction rating of Q6 • Properties located in Hawaii in lava zones 1 & 2 • Properties located in areas where a valid security interest in the property cannot be obtained • Properties >40 acres • Leasehold properties • Solar panels that will include formal Deed Restriction tied to borrower access to equipment. • Co-Ops • Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant • Tenants-in-Common projects (TICs) • Unique properties • Working farms, ranches, or orchards
Non-Arm's Length Transactions	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: • Family sales or transfers • Property seller acting as their own real estate agent • Relative of the property seller acting as the seller's real estate agent • Borrower acting as their own real estate agent • Relative of the borrower acting as the borrower's real estate agent • 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. • Originator is related to the borrower • Originator is a current subsidiary of the builder • Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord). Gifts from relatives that are interested parties to the transaction are not allowed unless it is a gift of equity. Real estate agents may apply their commission towards closing costs and/or prepaids if the amounts are within the interested party contribution limitations.
Disaster Policy	See Program Eligibility Supplement for requirements.

Escrow Holdbacks	Not allowed.

Appraisal Requirements	• Transferred appraisals are not allowed.
	• Appraisal Waivers also known as a PIW or Drive-By appraisals are not allowed.
	• Appraisals must be completed for the subject transaction. Use of a prior appraisal, regardless of the date of the prior appraisal, is not allowed.
	• Appraisal Update (Form 1004D) is allowed for appraisals that are over 120 days aged but less than 180 days aged from Note.
	  ➢ The appraiser must inspect the exterior of the property and provide a photo.
	• Appraiser must review current market data to determine whether the property as declined in value since the date of original appraisal. If the value has declined since original appraisal, a new full appraisal is required.
	• The appraisal Update (1004D) must be dated within 120 days of the Note date.
	• Investment Properties must contain a rent comparable schedule.
	• **Collateral Underwriter (CU) or Loan Collateral Advisor (LCA) score in lieu of a CDA or CCA**.
	  ➢ The use of the Collateral Underwriter (CU) score in lieu of a CDA is allowed with the following requirements:
	    ○ UCDP SSR included in loan file with a Fannie CU score of 2.5/or Loan Collateral Advisor (LCA) with a score of 2.5 -or- less
	Note: *(CU/LCA) score cannot be used if a CDA or CCA has been pulled and value is not supported within 10% tolerance, further value support is required by either a Value Reconciliation from Clear Capital, Field Review, or 2nd full appraisal*
	• Cannot interchange CU/LCA scores: Fannie Mae loans require CU score; Freddie Mac loans require LCA score.
	• Collateral Desktop Analysis (CDA) ordered from Clear Capital or a Consolidated Collateral Analysis (CCA) from Consolidated Analytics is required to support the value of the appraisal if the CU score is not being applied. The Seller is responsible for ordering the CDA or CCA.
	• If the CDA or CCA returns a value that is “Indeterminate” or if the CDA or CCA indicates a lower value than the appraised value that exceeds a 10% tolerance, then one (1) of the following requirements must be met:
	  ➢ A Clear Capital BPO or Consolidated Analytics BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation or a Consolidated Analytics Value Reconciliation of three reports is required.
	  ➢ The Value Reconciliation will be used for the appraised value of the property. The Seller is responsible for ordering the BPO and Value Reconciliation through Clear Capital or Consolidated Analytics.
	  ➢ 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. The Seller is responsible for providing the field review or 2nd full appraisal.

Appraisal Requirements	• If two (2) full appraisals are provided, a CDA is not required.
	• For properties purchased by the seller of the property within ninety (90) days of the fully executed purchase contract the following requirements apply:
	  ➢ Second full appraisal is required.
	  ➢ The property seller on the purchase contract is the owner of record.

- Increases in value should be documented with commentary from the appraiser and recent paired sales.

The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in lieu.

Appraisal requirements based on loan amount:

First Lien Amount	Appraisal Requirements
Purchase Transactions	
≤$2,000,000	1 Full Appraisal
>$2,000,000	2 Full Appraisals
Refinance Transactions	
≤$1,500,000	1 Full Appraisal
>$1,500,000	2 Full Appraisals

- When two (2) appraisals are required, the following applies:
  - Appraisals must be completed by two (2) independent companies.
  - The LTV will be determined by the lower of the two (2) appraised values if the lower appraisal supports the value conclusion.
  - Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled.
  - If the two (2) appraisals are done “subject to” and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon.

Eligibility Program Supplement

1. GENERAL INFORMATION

This document outlines program eligibility and underwriting guidelines for the Investor. In addition to program eligibility and prudent underwriting, Investor requires that all loans meet the Ability to Repay (ATR) rule established by the Consumer Financial Protection Bureau (CFPB).

The ATR rules require that the originator make a reasonable, good-faith determination before or when the loan is consummated, and that the consumer has a reasonable ability to repay the loan. The originating lender must consider the eight (8) underwriting factors established by the CFPB and the loan file must be documented accordingly.

1. The borrower's current or reasonably expected income or assets.
2. The borrower's current employment status.
3. The borrower's monthly payment on the covered transaction.
4. The borrower's monthly payment on any simultaneous loan.
5. The borrower's monthly payment for mortgage-related obligations.
6. The borrower's current debt obligations, alimony, and child support.
7. The borrower's monthly debt-to-income ratio or residual income and
8. The borrower's credit history.

2. GENERAL BORROWER REQUIREMENTS

Investor will only purchase loans made to applicants (borrowers). An applicant is defined as one who applies for a loan secured by real property with the obligation of repaying the loan in full with interest. To be eligible, applicants must conform to certain eligibility requirements.

Loans with title or interest held in various forms/legal entities such as Life Estates, Non-Revocable Trusts, Guardianships, are not eligible. Investor.

A. ELIGIBLE BORROWERS

1. Borrower

The borrower is the individual obligated to repay the loan secured by the mortgaged premises. The borrower should be of legal age per local/state jurisdiction. He/she should be able to enter into a binding contract.

2. Co-Borrower

The co-borrower, or joint applicant, who has applied with the borrower for joint credit. The co-borrower will take title to the mortgaged premises and will sign the Note and security instrument.

3. Non-Occupant Co-Borrower

The non-occupant co-borrower applies with the borrower for joint credit and will take title to the mortgage premises but will not occupy the property. The non-occupant co- borrower will be required to sign the Note and security instrument. Please refer to specific program guidelines for requirements for borrowers qualifying with non-occupant co-borrowers.

4. Non-Borrowing Spouse

When a married borrower applies in their name alone, the spouse is referred to as the non-borrowing spouse. A non-borrowing spouse may have rights as a co-owner of the mortgage premises or due to state community property or marital rights. Non-borrowing spouse must sign the security instrument and if applicable, Right to Cancel. See Section 6(C)(4)(c) for TRID requirements relative to a non-borrowing spouse. See Section 2(D)(5) for additional information relative to Texas 50(a)(6) refinances.

5. Co-Signers

Borrowers applying for a loan that will not take title are considered guarantors or co- signers. Guarantors or co-signers are eligible borrowers.

6. Inter Vivos Revocable Trust

An inter vivos revocable trust is a trust that an individual creates during their lifetime, becomes effective during their lifetime, and can be changed or canceled at any time for any reason, during their lifetime.

Investor will accept inter vivos revocable trusts as an eligible borrower for 1-2 unit owner-occupied primary residences, 1-unit second homes and 1-4 unit investment properties. The subject property can be a single-family residence, condominium, PUD, or co-op if documentation and eligibility requirements are met. Title insurance must provide full title insurance coverage without exceptions for the trust or trustees for the inter vivos revocable trust in that state.

For inter vivos revocable trust signature requirements, please refer to section 4E.

To determine whether the trust meets all the criteria required by State and investor standards, one (1) of the following will be required:

- A copy of the trust agreement
- An attorney's opinion stating the trust meets all Secondary Marketing requirements as set forth by Freddie Mac (FHLMC) or Fannie Mae (FNMA), as applicable, and any applicable State requirements
- Certification from a title company evidencing compliance with all Secondary

Marketing requirements as set forth by FHLMC/FNMA and any applicable State requirements

- Certification from an individual trustee evidencing compliance with all Secondary Marketing requirements as set forth by FHLMC/FNMA, and any applicable State requirements. Additionally, the following requirements must be met:
  - Certifications completed by an individual trustee must be notarized.

NOTE: Trust certifications must confirm the following:

- The existence and date of the trust.
- The Settlors and the current trustees.
- The powers of the trustees.
- Whether the trust is revocable; and, if revocable, who holds the right to revoke.
- The names and number of the trustees required to sign on behalf of the trust.
- The trust identification number, whether that is a Social Security number, or an IRS issued Tax Identification Number.
- How title to the trust assets should be taken.
- A statement that the trust has not been revoked, modified or amended in any manner.

- The trust agreement must state the following:
  - The trustee is authorized to borrow money for the purpose of purchase or refinance.
  - The beneficiary does not need to grant written consent for the trust to borrow money. If consent is required, consent has been granted in writing for purposes of the mortgage.
  - There is no unusual risk or impairment to the lenders' rights.
  - Holding title in the trust does not diminish the lenders' rights as a creditor.

7. Permanent Resident Alien (Immigrant)

A Permanent Resident Alien is a non-US citizen who is legally eligible to maintain permanent residency in the US and holds a Permanent Resident card. Document legal residency with one (1) of the following:

- A valid and current Permanent Resident Alien card (form I-551) also known as a green card.
- A passport stamped "processed for I-551, Temporary evidence of lawful admission for permanent residence. Valid until ___________________." Employment authorized. This evidences the holder has been approved for, but not issued, a Permanent Resident Alien card.

8. Non-Permanent Resident Alien (Non-Immigrant)

A Non-Permanent Resident Alien is a non-US citizen who lawfully enters the US for a specific time period under the terms of a Visa. A Non-Permanent Resident Alien status may or may not permit employment.

Verification of a valid and eligible visa that allows the Non-Permanent Resident Alien the right to work and live in the US issued by the USCIS is required.

G Series Visas must not allow for diplomatic immunity*. Unexpired VISAs only.*

B. OCCUPANCY

1. Primary Residence

A primary residence is where the borrower lives the majority of the year. It is in a location relatively convenient to the principal place of employment; and it is the address of record for items such as voter registration, federal income tax reporting, licensing and similar functions.

Purchase - The borrower must occupy the subject within sixty (60) days of closing. If there are multiple borrowers, at least one (1) must occupy and take title to the property.

Refinance – The borrower must occupy the subject property at the time of the transaction for existing properties. For construction-to-permanent transactions, the borrower must occupy within sixty (60) days of closing.

2. Second Home

A second home is a 1-unit property, including condominiums, co-ops, and PUDs, that the borrower will occupy for a portion of the year.

The property generally is in a vacation or resort area, but not always, and must be suitable for year-round use. A second home should not be in the same local market as the borrower's primary residence. There can be exceptions such as properties that are in a metropolitan area that are used to minimize the commute to work.

There are no specific mileage requirements regarding the distance between a second home and primary residence, but it should make sense that the subject is a second home. Additionally, 2–4-unit properties are not eligible. The borrower should retain exclusive control over the property and not give the management company control.

3. Investment Property

An investment property is an income-producing property that the borrower does not occupy. The subject can be a 1–4-unit property, condominium or PUD. Co-ops are not eligible.

C. TRANSACTION TYPES

1. Purchase

A purchase transaction allows the borrower to use the proceeds of the loan to finance the purchase of a property. The borrower should not be on title to the property prior to the loan closing. The transaction must follow minimum down payment and interested party contribution requirements.

2. Refinance

- The applicant must have taken title to the subject property more than 180 days prior to the Note date for any cash-out refinance transactions.
- Refer to Seller's Guide for refinance transactions in which the existing loan was sold to Investor.
- Increased values as a result of improvements to the subject property by the current owner may be acceptable with adequate documentation regarding the improvements.
- A new appraisal will be required for all transactions regardless of the date of the original appraisal.
- Evidence of required seasoning must be submitted in the underwriting file. Underwriters must verify borrower is the owner of record.

3. Construction-to-Permanent Financing

The conversion of Construction-to-Permanent financing involves the granting of a long- term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence. The borrower must hold title to the lot, which may have been previously acquired or purchased as part of this transaction.

D. TEXAS – OWNER OCCUPIED HOMESTEAD PROPERTY

General Overview Refinance Loans

The three types of refinances in the state of Texas include standard refinance, loans covered under Section 50 (a)(6), and loans covered under Section 50 (f)(2). Refinance loans subject to Section 50 are subject to additional restrictions. Investor follows Fannie Mae requirements related to Section 50 (a)(6) loans and 50 (f)(2) loans. Failure to follow these requirements will result in the loan being ineligible for purchase. A transaction may be considered rate and term under Texas regulatory law but may be considered a cash out refinance under Investor program guidelines.

1. Standard Refinance Loan

If the existing loan was a purchase money first or a rate and term refinance not subject to Section 50, the new loan will be considered a standard refinance loan.

a) New loan is less than or equal to the existing UPB.
b) New loan equals UPB plus prepaids and closing costs.
c) New loan pays down or pays off a purchase money second.
d) New loan pays down or pays off an existing Secured Home improvement Loan

(mechanics lien)*.

e) New loan provides funds necessary to satisfy a court ordered divorce equity buyout.

*A transaction may be considered rate and term under Texas regulatory law but may be considered a cash out refinance under Investor program guidelines. Please consult program guidelines.

2. General Restrictions and Requirements for Section 50 (a)(6) (Texas Equity Loans)

The following outlines the restrictions and requirements applicable to Texas Equity Loans. Failure to originate these loans within these guidelines can potentially invalidate the loan and lien.

a) Eligible Programs – 20, 25 and 30-Year Fixed Rate Only

b) Maximum LTV/CLTV – 80% or Investor program maximum (lesser of)

c) Eligible Property Type - Single-unit principal residence designated as the borrower's homestead under Texas law. Eligible property types are limited to an attached or detached dwelling, a unit in a PUD project, or a unit in a condominium project. Owner occupied primary residences only. Documented proof of Homestead Designation is required.

d) If the new refinance loan is classified under Texas law as a Texas 50 (a) (6), the loan must be locked with as a Cash-Out Refinance.

3. 2-4-unit properties not allowed.

a) Non-borrowing spouse - The owner of the homestead and their spouse must consent to the extension of credit by executing the Deed of Trust. A non-borrowing spouse, regardless of their ownership interest in the homestead property, has the right to cancel. Investor will accept either the appropriate federal "Notice of Right to Cancel" or a Texas specific "Notice of Right to Cancel."

b) Property Valuation - To determine current value lenders must obtain a new full appraisal on either a Uniform Residential Appraisal Report, or Individual Condominium Unit Appraisal Report. The appraisal for the property and the acknowledgment of fair market value must not include any property other than the homestead.

c) Survey (or other acceptable evidence) is required and must demonstrate that:

I. Homestead property and any adjacent land are separate parcels, and
II. Homestead property is a separately platted and subdivided lot for which full ingress and egress is available.

d) Additional Restrictions and Requirements

I. Fees and charges to make the loan may not exceed 2% of the loan amount. The following fees and charges can be excluded from the testing:

a. Bona Fide Discounts to lower the rate selected
b. Appraisal Fee
c. Survey Fee
d. Lender's Title Policy
e. The borrower's first payment must be due no later than two (2) months after closing.
f. The lender must provide the title company with a detailed closing instruction letter and require acknowledgement of its receipt.
g. If this loan is being used to pay off a previous Texas Equity Loan, the loan may not close before twelve (12) months have passed from the closing date of the Texas Equity Loan being paid off. (See Section D.3 for additional information)
h. If the new loan is a Texas Equity Loan originated to cure a failure in the original mortgage to comply with Section 50(a)(6), then the Texas law requirement that at least twelve (12) months have passed since any previous Texas Home Equity loan secured by a homestead property was closed does not apply.
i. The loan may not close before twelve (12) days after the loan application was taken by the lender or the borrower receives the "NOTICE CONCERNING EXTENSIONS OF CREDIT DEFINED BY SECTION 50(a)(6), ARTICLE XVI, TEXAS CONSTITUTION" disclosure, whichever date is later AND may not close, without the borrower's consent, one (1) business day after the date on which the borrower receives a copy of the loan application, if not previously provided, and a final itemized disclosure of the actual fees, points, interest, costs and charges that will be charged at closing.
j. The loan may only close at the office of the lender, title company or an attorney at law.
k. Power of Attorney may not be used on a Texas Equity Loan.
l. The use of FNMA approved Texas Equity legal documents (Note, Deed, Riders, etc.) is required.

E. Tax Return and 4506-C / Form 8821 Requirements

1. Taxpayer Identification Theft

If the 4506-C transcripts do not match the borrower's income and the borrower is a victim of taxpayer identification theft, the following conditions must be met to validate the borrower's income:

- Proof of identification theft, as evidenced by one (1) of the following:
  - Proof ID theft was reported to and received by the IRS (IRS form 14039).
  - Copy of notification from the IRS alerting the taxpayer to possible identification theft.
- In addition to one (1) of the documents above, all applicable documents below must be provided:
  - Tax Transcript showing fraudulent information.
  - Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower's 1040s. Validation of prior tax year's income (income for current year must be in line with prior years).

2. IRS Rejection of 4506-C

If the IRS rejects a 4506-C request, and the reason for the rejection is either "Unable to Process" or "Limitation," the following conditions must be met to validate the borrower's income:

- Copy of the IRS rejection with a code of "Unable to Process" or "Limitation".
- Record of Account for two (2) years obtained by the borrower from the IRS. Adjusted Gross Income and Taxable Income on the Record of Account should match the borrower's 1040s.
- --OR—
- Tax return transcripts for two (2) years obtained by the borrower via mail from the IRS.

3. Tax Transcripts / 4506-C

- A completed, signed, and dated IRS form 4506-C or a Form 8821 must be completed for all borrowers at closing whose income is used to qualify for the mortgage. IRS will require the latest form completed in full.
- A 4506-C or a Form 8821 must be processed and tax transcripts for personal income tax returns obtained (for each year requested) to validate all income used for qualifying.
- Transcripts must match documentation in the file.
- In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found." In these cases, an additional prior year's tax transcripts should be obtained and provided along with evidence of filing for most recent tax year and proof taxes have been paid if applicable. Where program guides require transcripts for income, qualifying income must be based on tax returns. Large increases in income that cannot be validated with a transcript will be considered on a case-by-case basis only.
- Transcripts that are pulled by the borrower from the IRS are acceptable to Investor.

4. Tax Returns and Extensions

The following standards apply when using Income Tax Returns to verify income:

- Personal Income Tax Returns
  - Must be complete with all schedules (W-2 forms, 1099 forms, K-1 schedules, etc.).
  - Tax returns must be signed and dated. In lieu of a signature, personal tax transcripts for the corresponding year may be provided. (See Program guidelines for specific requirements)
  - Business Income Tax Returns Must be complete with all schedules (K-1 schedules, Form 1065, etc.).
  - Tax returns must be signed. In lieu of a signature, business transcripts for the corresponding year may be provided. (See Program guidelines for specific requirements)
- Unfiled Tax Returns

The following guidelines apply for the prior year's tax return:

- For loans closed between Jan 1 and the tax filing date (typically April 15), borrowers must provide:
  - IRS form 1099 and W-2 forms from the previous year.
  - Loan 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.
- Personal 1040 tax returns - For loans closed between the tax filing due date (typically April 15), and the extension expiration date (typically October 15), borrowers must provide (as applicable):
  - Copy of the filed extension.
  - W-2 forms.
  - Form 1099, when applicable.
  - Year-end profit and loss for prior year, if self-employed.
- Partnership (1065) or S-Corporation (1120S) tax returns – For loans closed between the tax filing due date (typically March 15) and the extension expiration date (typically September 15), borrowers must provide (as applicable):
  - Copy of the filed extension.
  - Year-end profit and loss for prior year.
- Corporation (1120) tax returns (assuming calendar year) – For loans closed between the tax filing due date (typically April 15) and the extension expiration date (typically October 15), borrowers must provide (as applicable):
  - Copy of the filed extension.
  - Year-end profit and loss for prior year.
- **After the extension expiration date, loan is not eligible without prior year tax returns.**

F. UNDERWRITING DOCUMENTATION

All loans must be manually underwritten and fully documented. No documentation waivers based on Agency AUS recommendations are permitted. Relevant to programs other than the Sequoia AUS, the more restrictive of either the Fannie Mae Selling Guide or Investors Program Eligibility Guides should be followed. In some cases, exceptions to program guidelines or product eligibility may be acceptable when strong compensating factors exist to directly address the issue and offset the risk.

The application package must contain acceptable documentation to support the underwriting

decision. When standard documentation does not provide sufficient information to support the decision, additional explanatory statements or documentation must be provided.
Full income and asset verification is required. In an effort to fully document the borrower's ability to meet their obligations, borrowers should disclose and verify all liquid assets (in addition to minimums required as specified by the program).

1. Direct Written Verifications

Written verifications for employment, deposit accounts and/or mortgage/rental history (VOE/VOD/VOM) must pass directly between the lender and employer, financial institution, mortgagor/landlord, as applicable, without being handled by any third party.

Documentation must not contain any alterations, erasures, and correction fluid or correction tape.

Certain Sequoia loans require paystubs, W-2s or tax returns; standalone VOEs are not allowed but can be provided for additional information.

Certain Sequoia loans require two (2) month bank statements or statements to cover sixty (60) days; standalone VODs are not allowed but can be provided for additional information.

The Sequoia AUS and Aspire Expanded product will allow for AUS recommendations as permitted subject to Investor Overlays.

2. Additional Documentation

Letters of explanation regarding financial circumstances must specifically address the financial or credit concern presented and must contain a complete explanation in the applicant's own words and be signed and dated by the applicant.

G. ALTERNATIVE DOCUMENTATION

1. Fax Copies

Fax copies in lieu of original documents or certified copies are acceptable subject to the following:

- Verification transmitted directly from the lender to an employer, depository institution, mortgagee or landlord. The employer, depository institution, mortgagee or landlord must transmit the verification directly back to the lender.

2. Internet Documentation

Internet documents/downloads of credit reports as well as income, employment and asset verification are acceptable. This allowance for Internet documents does not change the required content or level of documentation needed. The information must be easy to read, understandable, and have no evidence of alterations, erasures or white-outs, and must make sense based on the borrower profile and transaction terms. The following source validation criteria apply to all documents obtained via the Internet:

- Identify the borrower as the employee or owner of the applicable account.
- Identify the credit reporting agency, employer, or depository/investment firm's name and source of information.
- Headers, footers, and the banner portion of the printout of the downloaded web page(s) must reflect the appropriate firm.
- Display the Internet Uniform Resource Locator *(URL)* address and the date and time printed.
- If faxing an Internet download, make sure fax header does not cover URL information.

3. Re-verification Authorization

A borrower's consent must be evidenced by their signature on the appropriate form in order to allow subsequent re-verification as may be required. In lieu of borrower's signature directly on the re-verification form, a general consent form with signatures by all borrowers is acceptable.

4. Bank Statement Non-Sufficient Funds Policy:

Bank statements reflecting Non-Sufficient Funds (NSF) checks and overdraft protection transfers may indicate cash flow problems and each event or occurrence must be considered. In all cases, their financial strength of the self-employed borrower's business must be satisfactory. *(Investor Aspire Expanded Bank Statement)*

- NSFs should be covered with deposits shortly after they are incurred.
- NSFs require and acceptable letter of explanation from the borrower to evaluate that they are not due to financial mishandling and/or indicative of insufficient income.
- The following tolerance for NSFs and overdrafts is allowed:
  - No occurrences in the most recent three (3) months
  - Each NSF is considered an occurrence (i.e. there may be multiple NSFs in each month that must be counted toward the cumulative total)

The NSF occurrences may only be excluded from the tolerances above if one of the following is met:

- Overdraft protection from another depository account (a personal account must be used when using personal bank statements and a business account must be used when using business bank statements) when the statements for the linked account confirm all of the following:
  - The account balance at the time of the transfer exceeded the amount of the overdraft transfer.
  - The accounts balance did not report as zero or negative at any point during the statement period of transfer.
  - The account did not itself receive overdraft protection proceeds during the statement period of the transfer.
- Overdraft protection from a business line of credit (a personal line of credit cannot be used for overdraft protection) when the statements for the linked account confirm that the lines credit limit was not exceeded during the statement period of transfer.

H. CREDIT

1. Credit History

An individual's credit history is one of the strongest indicators of future credit performance. People who have maintained a long history of excellent credit can and do manage personal finances properly. Likewise, a borrower who has a history of slow payments or has defaulted in the repayment of debt generally does not change their credit habits.

Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required.

Investor will allow for Credit Score refreshes; however, the closed loan file must include all documentation to support the change in score and still meet sufficient assets as required by the program guidelines.

2. Credit Score Requirements

The three (3) major Credit Repositories ("Agencies") offer a product that scores each consumer's credit history using the Fair Isaac model. Trademark names include the Experian "Fair Isaac Credit Score" (FICO), Trans Union "Empirica Score" and Equifax "Beacon Score". All are acceptable and are referred to as the "Credit Score

3. Credit Score Selection

The following criteria should be used to determine each individual borrower's credit score:

- If there are three (3) valid credit scores for a borrower, the middle score of the three (3) scores is used.
- If two (2) of three (3) scores are the same, choose the middle of the three (3) scores.

  Examples:
  - 700, **680**, 680 = 680
  - 700, **700**, 680 = 700

- If there are two (2) valid scores for a borrower, the lower of the two (2) scores is used.
- A minimum of two (2) credit scores for each borrower is required.
- The representative score for the loan transaction will be based on the lowest representative score for any borrower.

I. QUALIFYING RATIOS

Debt ratios are calculations used to determine whether the borrower will be able to meet expenses involved in home ownership. There are two (2) ratios to assess the borrower's eligibility: housing-to-income ratio and debt-to-income ratio.

1. Housing-To-Income Ratio

The monthly housing expense includes the following:

- Principal and interest for the mortgage that is secured by the borrower's principal residence.
- Monthly amounts for:
  - Subordinate financing on the subject.
  - Hazard Insurance.
  - Real Estate taxes.
  - Mortgage Insurance Premiums (MIP).
- When applicable:
  - Homeowners Association Dues.
  - Optional credit insurance.
  - Monthly cooperative fees.
  - Leasehold payments.
  - Special assessments.
  - Flood insurance fees.
  - Tax abatements.

2. Debt-To-Income Ratio

Monthly debt-to-income ratio is the sum of the monthly housing-to-income ratio plus the following:

- Payments on revolving debt. Installment debt with ten (10) or more months remaining.
- Lease payments, regardless of the number of payments remaining.
- Monthly PITIA for any additional properties owned by the borrower including second homes and investment properties with negative cash flow.
- Current real estate taxes and insurance on properties owned free and clear.
- Child support, alimony, and separate maintenances with ten (10) or more months remaining.
  - Alimony payments may be deducted from income rather than included as a liability in the debt-to-income ratio—please see liability section of program guidelines to determine if alimony may be deducted from income.

Version History

<table>
<tr><th>Version Number</th><th>Date</th><th>Description of Change</th></tr>
<tr><td rowspan="2">25.3</td><td rowspan="2">06.09.2025</td><td>Added Texas Cash-outs eligibility:
Texas 50 (a) (6) and 50 (f) (2) refinance transactions (Texas Equity Loans) are permitted on 20-, 25-, 30-year fixed rate terms, and in accordance with Fannie Mae underwriting guidelines.
<table><tr><th>Product Code</th><th>Product Description</th></tr><tr><td>2585</td><td>Yosemite Jumbo AUS 30 Year Fixed A6</td></tr><tr><td>2586</td><td>Yosemite Jumbo AUS 25 Year Fixed A6</td></tr><tr><td>2587</td><td>Yosemite Jumbo AUS 20 Year Fixed A6</td></tr></table></td></tr>
<tr><td>Added the Jumbo Supplement to Summary to include TX 50a6 guidelines.</td></tr>
<tr><td>25.2</td><td>05.29.2025</td><td>Added:
Underwriting:
Delegated Correspondents ONLY</td></tr>
<tr><td>25.1</td><td>05.27.2025</td><td>New Product</td></tr>
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