



BFF Jumbo Guide

Published 11/8/2023.

TABLE OF CONTENTS

Section 1 - OVERVIEW 4

Section 2 - Borrower Eligibility 6

2.1 - Eligible Borrowers.....6

2.2- Eligible Vesting.....7

2.3- Ineligible Borrowers.....8

2.4-Eligible Occupancy8

2.5-Eligible Transactions9

2.5.1-Purchase Money.....9

2.5.2-Rate/Term Refinance.....9

2.5.3-Cash-out Refinance..... 10

2.5.4-Texas Home Equity Loans 50(a)(6) 11

2.6-Ineligible Transactions11

3.0 Credit..... 12

3.1-Analysis of Credit12

3.1.1-General Requirements 12

3.1.2-Credit Scores..... 12

3.1.3-Tradeline Requirements 13

3.1.4-Credit Reporting Data Included in DTI Ratios..... 13

3.1.5-Credit Reporting Data for Business Debt..... 14

3.1.6-Housing History..... 14

3.1.7-No Housing History or Less Than 12 Months Verified..... 15

3.1.8-Other Credit and Credit Reporting Requirements..... 15

3.1.9-Credit Counseling, Collections, Judgements, Liens 15

3.1.10-Forbearance, Deferred Payments, Modifications..... 16

3.1.11 Significant Adverse Credit.....17

TABLE OF CONTENTS

4.0 Capacity 17

4.1-Income Documentation17

4.1.1-Full Documentation..... 17

4.1.2-Documentation Requirements 17

4.2-Determining Income18

4.2.1-Determining Monthly Salary for Wage Earners 18

4.2.2Unscheduled Income..... 18

4.2.3Declining/Increasing Income 21

4.2.4Determining Income for Self-employed Borrowers..... 21

4.2.5Requirements for Corporate Structures..... 22

4.3Debt to Income (DTI).....24

4.3.1Monthly Debt..... 24

4.3.2Payment Shock..... 25

4.3.3Residual Income..... 25

4.3.4Borrower ATR Certification 25

4.4Subordinate Financing25

4.5Adjustable Rate and Interest-Only Qualifying.....25

4.6Assets.....26

4.6.1Verification of Assets..... 27

4.6.2Other Requirements..... 27

4.6.3Reserves REQUIREMENTS..... 28

4.6.4Seller Concessions..... 28

TABLE OF CONTENTS

5.0 Collateral.....28

5.1-Eligible Property Types28

5.2-Ineligible Property Types29

5.3-Declining Markets.....29

5.4-Flips.....30

5.5-Transferred Appraisals.....30

5.6-Project Review Warrantable31

5.7-Project Review Non-Warrantable31

5.8-Appraisal.....32

5.9-Valuation Overview.....32

5.10-Title Insurance Requirements34

5.10.1-Title Policy Requirements36

5.10.2-Hazard Insurance Requirements/Cond (HO6)37

5.10.3-Miscellaneous.....40

6.0 Appendix.....42

6.1 - Borrower Ability to Repay Attestation42

6.2-Condo Questionnaire (Limited Review)44

6.3-Condo Questionnaire (Full Review)46

6.4-Prepayment Penalty Reference Guide51

SECTION 1 - OVERVIEW

The purpose of these underwriting guidelines is to ensure each mortgage loan meets Broker First Funding (BFF) quality standards. A loan meets BFF quality standards if the legal documents, borrower's credit, income documentation, quality of the collateral (property), and compliance with all applicable laws are consistent with the loan program under the guide.

All loans must be manually underwritten in accordance with this guide.

Credit philosophy is intrinsic to our acquisition platform and includes a practical application of the guidelines when analyzing a loan for approval. Our focus is on aligning the interest of the borrower and limiting layered risk through a combination of:

- verified employment, income, assets, and reserves.
- Borrower credit and housing history
- Value of collateral used to secure the loan.

Exceptions to published guidelines are considered on a case-by-case basis. Loans requiring an exception are reviewed holistically taking into account the risk factors noted above. Regardless of exception type, the loan should demonstrate strong compensating factors to support granting an exception. All exception requests must be submitted by the Broker to Broker First Funding (BFF) by completing the required information on the BFF Exception Request form. Our decision to grant or reject any exception request is based on our role as a potential investor in any related mortgage loan. This decision is not intended to serve as advice regarding any decision to extend credit.

BFFs' decision to approve or not approve any mortgage loan will be based on a full credit, compliance and property review conducted by BFF underwriter. Our decision to approve any mortgage loan will be based on the results of such due diligence review and our own internal policies and procedures.

1.1 - ADDITIONAL REQUIREMENTS:

- Deviations from the underwriting guidelines based on compensating factors need to be documented in the loan file.
- Negative Amortization Feature or Equity Participations are not permitted.
- BFF does not allow loans defined as high-cost mortgages (or equivalent terms) under Federal or state law.
- U.S. Territory loans are not allowed. Properties must be in the United States.

- None of the Mortgaged Properties are secured by manufactured housing or unique property types, including without limitation, timeshares, agricultural properties, log homes or geodesic domes. No Mortgage Loans that finance builder inventory.
 - With respect to each Mortgage Loan, (1) each Mortgagor is a natural person and (2) at the time of origination, the Mortgagor was legally entitled to reside in the United States.
 - Occupancy - the Originator gave due consideration, at the time of origination, to information contained within the Mortgage Loan File, to evaluate whether the occupancy status of the related Mortgaged Property as represented by the Mortgagor was reasonable.
 - No Mortgage Loan underwritten using less than twelve months of income documentation if income documentation is being used to qualify the borrower.
- No Mortgage Loan was underwritten utilizing a borrower-prepared Profit and Loss Statement or a borrower-prepared Expense Letter/Statement for purposes of determining income or expenses.

1.2 - ABILITY TO REPAY (ATR):

The Ability-to-Repay (ATR) Rule is the reasonable and good faith determination that a borrower can repay the loan. Under the rule, the borrower's income, assets, employment, credit history and monthly expenses must be documented, and certain affordability calculations must be performed during the underwriting process. All closed end mortgages secured by a dwelling, regardless of loan purpose, occupancy or lien position are subject to this section.

The underwriters are required to make a reasonable, good-faith determination before a loan is closed that the borrower has a reasonable ability to repay a loan. The lender must consider the following eight (8) underwriting factors and include proper underwriting documentation using reasonably reliable third-party records that these factors were properly considered:

- Current or reasonable expected income or assets
- Current employment status
- Monthly payment on the loan (calculated on the higher of the introductory rate or fully indexed, rate; the maximum payment scheduled during the first five (5) years)
- Monthly payment on any new or existing secondary financing, including any simultaneous loan that the creditor knows or has reason to know, will be made.
- Monthly payment for mortgage-related obligations, such as property taxes and insurance, HOA dues, and ground rent
- Current debt obligations, alimony, and child support
- Monthly debt-to-income ratio or residual income
- Credit history

SECTION 2 - BORROWER ELIGIBILITY

2.1 - ELIGIBLE BORROWERS

All borrowers on loans funded by BFF will be individual, natural persons.

- U.S. Citizens: as defined by USCIS.
- Permanent Resident Aliens: A Permanent Resident Alien is an individual who is not a U.S. Citizen but maintains legal, permanent residency in the United States. A Permanent Resident Alien typically maintains an alien registration card (“green card”).
- Non-Permanent Resident Aliens: A Non-Permanent Resident Alien is an individual who is not a U.S. Citizen but lives in the U.S. under the terms of an applicable Visa. Acceptable Visas for loan purchase are listed below.

Other than U.S. Citizens, all Eligible Borrowers must evidence their residency status by providing applicable USCIS documentation.

Eligible Borrowers	Required Documents	Notes
Permanent Resident Aliens	Alien Registration Card I-151 (“Green Card”) OR Alien Registration Card I-551 with no expiration OR Alien Registration Card I-551 with expiration and accompanied by INS Form I-751 (petition to remove conditions)	Front and Back is required
Non-Permanent Resident Aliens	Unexpired foreign passport with an unexpired stamp (valid for 3 years) ¹ AND Evidence of Employment in the U.S. including an EAD document ² OR Non-immigrant VISA (The following VISAs are acceptable: E-series, G-series, H-series, or O-series ³) OR Deferred Action for Childhood Arrivals (DACA) approval.	See footnotes below for documentation requirement.
<ol style="list-style-type: none"> 1. Stamp must include the following verbiage: “Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence, Valid until MM/DD/YYYY Employment Authorized”. 2. Employment Authorization Document must be issued by the U.S. Citizenship & Immigration Service (USCIS) providing authorization to work in the U.S. without restrictions. 3. An unexpired (at time of closing) Non-immigrant Visa with an Entry Stamp issued by the U.S. Department of State which will evidence legal entry into the U.S. for temporary residence. Visa must not expire for three years following the close date. Please see Fannie Mae Guides for acceptable VISAs. 		

2.2- ELIGIBLE VESTING

Ownership must be fee simple. Acceptable forms of vesting are:

- Individuals
- Joint tenants
- Tenants in Common
- Inter-Vivos Revocable Trust

Vesting is permitted in an Entity for Business Purpose Investment loans with the following requirements:

- Entity must be domiciled in a U.S. state.
- Business structure is limited to a maximum of four (4) owners/ members.
- Personal Guarantees must be provided by all owners/members of the Entity on the loan.
- Each Entity owner / member on the loan must sign the security instruments.
- Each Entity owner / member providing a Personal Guaranty must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of the guarantor. The application of each member/owner providing a Personal Guaranty and their credit score, and creditworthiness will also be used to determine qualification and pricing.

For each business type, the following documentation must be provided:

- Limited Liability Company (LLC)
 - Entity Articles of Organization, Partnership, and Operating Agreements as required
 - Tax Identification Number (Employer Identification Number – EIN)
 - Certificate of Good Standing
 - Certificate of Authorization for the person executing all documents on behalf of the Entity
 - LLC Borrowing Certificate required when all owners/members are not on the loan
- Corporation
 - Filed Certificate/Articles of Incorporation (including all Amendments)
 - By-Laws (including all Amendments)
 - Certificate of Good Standing (issued by the Secretary of State (SOS) where the business is incorporated)
 - Tax Identification Number (EIN)
 - Borrowing Resolution/Corporate Resolution granting authority of signor to enter loan obligation
 - Receipt of current year franchise tax payment or clear search
- Partnership
 - Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
 - Partnership Agreement (and all Amendments)

- Certificate of Good Standing (issued by the Secretary of State (SOS) where the Partnership is registered)
- Tax Identification Number (EIN)
- Limited partner consents (where required by partnership agreement)
- All parties who take title to the subject property must sign the Security Instrument. All parties to the loan do not have to be on title.

2.3- INELIGIBLE BORROWERS

- Foreign Nationals, and all Foreign Nationals as defined by the U.S. Citizenship and Immigration Services (USCIS)
- All Persons with Diplomatic Immunity, as defined by the U.S. Citizenship and Immigration Services (USCIS)
- Persons from OFAC sanctioned countries: <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-list-search-tool>.
- Seller Employee Loans
- Irrevocable or Blind Trusts
- ITIN Borrowers residing in the U.S.
- 501(c)(3) Organizations
- Trusts or business entities whose members include other LLCs, Corporations, Partnerships, or Trusts
- Trusts or business entities where a Power of Attorney is used.
- Persons sanctioned by OFAC

2.4 ELIGIBLE OCCUPANCY

Borrower Types	Description
Primary Residence	A Primary Residence is a property that the borrower will occupy or currently occupies as their primary residence. If there are multiple borrowers only one needs the property and takes title. FTHBs are allowed. See Fannie Mae Guides for Primary Residence.
Second Home	A Second Home is a property that is located a reasonable distance from the borrower's primary residence and is occupied by the borrower for some portion of the year. The property must be suitable for year-round occupancy and cannot be used as a rental property. FTHBs are allowed. Second Homes are limited to the following: 1-Unit, Condo, PUD or Townhouse.
Investment Property	An Investment Property is defined as a 1–4-unit residential property that the borrower (nor any relative of the borrower) does not occupy. Requirements: <ul style="list-style-type: none"> ● FTHB(s) are allowed with verified 12-month housing payment history. ● All investment property program requires a signed Business Purpose and Occupancy Affidavit.

2.5 ELIGIBLE TRANSACTIONS

2.5.1 PURCHASE MONEY

Purchase money mortgages are mortgage transactions in which the loan proceeds are used to purchase the subject property. This is evidenced by a Contract Sales or Purchase Agreement that has been executed by the applicant (buyer who is a party to the transaction) and the seller. Additional requirements:

- First-time Home Buyers. Must be Owner Occupied or Second Homes only.
- Non-Arm's Length Transaction. A non-Arm's Length transaction is a transaction between family members, co-workers, friends, or anyone associated with the transaction such as the listing agent, mortgage lender or broker. The following are required if the purchase of the subject property is a non-arm's length transaction:
 - Primary Residence. The property must be the borrower's primary residence.
 - Gift of Equity is eligible. A gift of Equity occurs when equity in a property is gifted from the owner to the borrower when the borrower and owner are related.
 - Examples of Non-Arm's Length Transactions:
 - Relatives: Defined by blood, marriage, adoption, or legal guardianship. The transactions between parents, siblings, grandparents, aunt, uncle, cousin, stepchild or spouse are considered Non-Arm's Length.
 - Employee/Employer
 - Landlord/Tenant
 - Home Builders
 - Real Estate Brokers/Agents
 - Third-Party Service Providers
 - Seller Employees
 - Owner Financed
- Delayed 1031 Exchanges only are allowed for down payment and cash to close only.

2.5.2 RATE/TERM REFINANCE

A Rate/Term Refinance transaction is when the new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaids, or buying out a co-owner pursuant to an agreement. A seasoned non-first lien mortgage is a purchase money mortgage, a closed-end or HELOC mortgage that has been in place for more than 12 months (with no draws greater than \$2,000 in the past 12 months). HELOC withdrawal activity must be documented with a Transaction History from the HELOC account.

- Cash-out Limit. Cash out to the borrower limited to the lesser of 2% of the principal or \$5,000.
- Sale Restriction. Property must be removed from listing for at least one month prior to application and LTV will be based on the lesser of the list price or appraised value when listed within the last six months by months by the current owner.

The new Rate/Term Refinance Loan amount is defined and limited by the following:

Rate / Term Refinance Transaction	
	Current first lien mortgage payoff amount
+	Any seasoned non-first lien mortgage payoff amounts on the subject property
+	Closing costs (must be reasonable and within market standards)
+	Prepayment Fees
+	Court ordered buyout settlement (if applicable)
=	New Loan Amount

2.5.3 CASH-OUT REFINANCE

A Cash-out Refinance Transaction occurs when an existing mortgage lien is paid-off with the proceeds of a new first mortgage and the excess proceeds are distributed to the borrower. A Cash-out Refinance Transaction also occurs when a borrower obtains a mortgage for a property that is currently owned free and clear and the proceeds from the new loan are distributed to the borrower. All excess proceeds eligible for distribution to the borrower are net of customary fees, prepayment fees and other related closing costs. Please review the matrix for cash out limits.

- Cash back as it relates to the maximum limits is defined as “cash in hand” to the borrower.
- Borrower on Title. At least one of the borrowers must be on title.
- A Cash-out Purpose Letter is required.
- Net proceeds from a cash-out transaction may be used to meet reserve requirements.
- **Sale Restriction.** Property must be removed from listing for at least three (3) months prior to application.
- Properties listed for sale or purchased within the last six (6) months (Note to Note), require a 5% reduction in LTV.
- For properties that have been listed by the current owner within the last six (6) months, the LTV will be based on the lesser of the list price or appraised value.
- **LTV/CLTV Limit.** If the subject property is owned for less than six (6) months (Note to Note), then the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value.
 - Proof of improvements is required.
 - Proof of purchase price is required as evidenced by the final Closing Disclosure (CD) of the property purchase.
- No waiting period if the borrower acquired the property through an inheritance or was legally awarded the property through a divorce, separation, or dissolution of a domestic partnership.
- **Delayed Financing.** Borrowers who have purchase a subject property within the last six (6) months preceding the disbursement date of the new mortgage are eligible to receive cash back with the loan being priced and treated as a Cash Out Refinance if the following requirements are met (also see Fannie Mae Guides for additional information):

- **Arm's Length Transaction.** The original purchase was an Arm's Length Transaction.
- **No Existing Mortgage Financing.** The original purchase transaction is documented by the Settlement Statement which confirms that no mortgage financing was used to obtain the subject property.
- **No Existing Liens.** The preliminary title report must confirm that there are no existing liens on the subject property.
- **Loan Amount Limit.** The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing costs, prepaid fees, and points on the new mortgage loan (subject to maximum LTV and CLTV ratios for cash-out transactions based on the current appraised).
- **Source of Funds Paydown.** If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), then all cash-out proceeds are to be used to pay-off or pay-down the loan used to purchase the property.
 - Settlement Statement for the refinance transaction must reflect the above.
 - Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.
 - Funds received as gifts and used to purchase the property may not be reimbursed with proceeds to the new mortgage loan.
- **Source of Funds Documentation.** Source of funds must be documented. Examples of proper documentation include bank statements, personal loan documents, 401(k) withdrawal statements, or evidence of a HELOC on another property.

2.5.4 TEXAS HOME EQUITY LOANS 50(A)(6)

Eligible based on FNMA Guides B5-4.1 must adhere to Article XVI, Section 50(a)(6) statute.

Requirements:

- Primary Residences only.
- Interest Only is prohibited on a Texas Section 50(a)(6) Equity Cash Out loan.
- The loan must be fully amortized.

2.6 INELIGIBLE TRANSACTIONS

- Assumable
- Construction to perm.
- Temporary Buydowns
- Builder Bailout
- Conversion Loans
- Lease Options/Rent-to-Own
- Land Contracts
- Non-Arm's Length Transactions on Second Homes and Investment Properties

- Assignments of the contract to another buyer
- No Graduated Payment Mortgage Loan
- No Ground leases, No Buydown Mortgage Loan, No Pledged Asset Loan
- No Convertible Mortgage Loan - allows an ARM to convert to a Fixed Rate Mortgage
- Periodic Payment - Loans must have periodic payments due and loans can't have more than 3 monthly payments paid in advance from the proceeds of the mortgage loan.

3.0 CREDIT

3.1 ANALYSIS OF CREDIT

Data found in credit reports provide pertinent information about an applicant's credit history and borrowing habits. Applicant information sourced from places such as a Residential Mortgage Credit Report (RMCR) or public records can help to build an applicant's credit profile and to meet BFF eligibility requirements described in this section.

3.1.1 GENERAL REQUIREMENTS

BFF is required to document that the borrower does not qualify for a GSE loan or has chosen a non-GSE loan program.

- Merged In-file Credit Report. This report is required and must include reporting from all three national credit repositories.
- Aging. The Credit Report should be dated within 120 days of the Note and Mortgage.
- Debt Monitoring. An Undisclosed Debt Notification (UDN) is required within 10 days of closing date.
- Evaluation. In general, the underwriter will evaluate an applicant's Credit Report to determine their willingness to pay debts. Among other things, the Credit Report will be reviewed for:
 - Age of accounts.
 - Late payments frequency, severity, aging.
 - Account balance size

3.1.2 CREDIT SCORES

FICO® is a credit score developed by FICO, previously known as Fair Isaac Corporation. FICO scores are derived by a credit-scoring model used to predict the likelihood of a default occurring. FICO scores are among the most important factors in determining the customer's likelihood of debt repayment. The higher the FICO score, the lower the probability of default.

A minimum of 2 credit scores are required to be provided and used to determine the qualifying credit score for loan approval. Methodology of which FICO score to use is as follows:

# of Borrowers	# of Scores per Borrower	Methodology
1	2 or 3	Lower of 2 or the Middle of 3 FICO Scores
2 or more	2 or 3	Primary Wage Earner's Lower of 2 or Middle of 3 FICO Scores

3.1.3 TRADELINE REQUIREMENTS

All borrowers should have an established credit history that is partially based on tradeline history. Only the Primary Wage Earner is required to meet the minimum tradeline requirements below and if the Primary Wage Earner has 3 credit scores reporting on credit, then the minimum credit tradeline requirements are considered met.

Required Tradelines	Active Reporting Period	Min FICO Required	Max DTI Required
3 Tradelines	=> 12 months	N/A	N/A
OR			
2 Tradelines	=> 24 months	N/A	N/A

Borrowers without the above minimum trade lines may qualify if there is a minimum of:

- At least four years of established credit history as follows:
- Eight or more tradelines reported.
- At least one active in the last 12 months. This is defined as the last activity within 12 months of the credit report date.
- At least one of these tradelines must be a mortgage tradeline (can be counted as the active tradeline).

3.1.4 CREDIT REPORTING DATA INCLUDED IN DTI RATIOS

- **Installment Debt.** All installment loans (monthly obligations with fixed payments and terms) must be included in the borrower Debt-to-Income Ratio.
 - **Excluded from DTI:** Payments of 10 months or less (if the payment exceeds 5% of the borrower's qualifying income, then the seller must keep the remaining payments in the DTI)
 - **Excluded from DTI:** Any installment debt that is paid prior to or at closing can be excluded from the DTI. Supporting documentation is required to verify that these debts have been paid.
- **Revolving Debt** is an open-ended debt obligation in which the principal balance may vary each month. The minimum required payment stated on the Credit Report, or the current account statement must be used to calculate DTI. If no payment is stated in the Credit Report, the greater of \$10 or 5% of the current balance should be included in the DTI.

- **Excluded from DTI:** Revolving accounts can be paid off prior to or at closing to exclude the payment from DTI. Supporting documentation such as a credit supplement or verification from creditor is required.
- **Lease Obligations** must be included in the DTI regardless of the time remaining on the lease.
- **Child Support, Alimony or Maintenance Obligations.** Must be current at the time of application and must be included in the DTI. The loan file should contain supporting documentation (such as a final Divorce Decree, Legal Separation Agreement or Court Order) evidencing the obligation. If payments are delinquent, then they must be brought current prior to the loan closing.
- **Contingent Liabilities.** An individual has contingent liabilities when an outstanding debt obligation has been assigned to another party, but the creditor has not released the borrower from the obligation. Contingent Liabilities must be included in the DTI.
 - **Excluded from DTI:** If one borrower was obligated to buy out the other borrower as a result of a divorce, then the loan file should include the Separation Agreement and or the Divorce Decree/Court Order that shows transfer of ownership. In addition, the current obligation on the premise must be current.
 - **Excluded from DTI:** Debts paid by others can be excluded from the DTI ratio if the debt is being paid in a satisfactory manner by another party for the past 6 months. Acceptable documentation would include cancelled checks or bank statements that consistently show another party making at least the past 6 payments.
- Paystub deductions will be reviewed and included in DTI (excluding 401(K) repayments).

3.1.5 CREDIT REPORTING DATA FOR BUSINESS DEBT

Business debt is typically a financial obligation of a business. However, business owners can sometimes be personally responsible for that debt as well. If business debt is reflected on a personal Credit Report. If the business debt facility is less than 6 months old, then the payments must be included in the debt-to-income ratio. If the business debt is greater than or equal to 6-months old, the debt may be omitted from the debt-to-income ratio if the borrower provides documentation that the borrower's business is making the payments on these debts. Permissible documentation can be the following:

- Canceled Checks. Most recent 6 months of canceled checks drawn from the business account.
- Tax Returns. Returns must reflect debt payments as business expense deductions.

3.1.6 HOUSING HISTORY

Verification of Mortgage / Verification of Rent (VOM/VOR): Applications must be supported by the most recent 12 to 24 months mortgage or rent pay history. A VOM should be obtained for all outstanding mortgages, the borrowers have or are evidenced by their credit report including private mortgages. The VOM/VOR is reviewed for delinquencies with the greatest weight focused on the last 12 to 24 months. Acceptable methods of a verification are:

- Computer Pay History printout directly from Mortgage Lender.
- 12 to 24 months of Bank Statements showing timely payment of rent or mortgage.
- Credit Bureau Report reflecting a pay history over the last 12 to 24 months.
- Cancelled Checks front and back or 12 to 24 months bank statements showing payment withdrawals and a year-end mortgage statement.
- If renting from a private party canceled checks are required.
- If no VOR is obtained a copy of the lease and 12 to 24 months canceled checks are acceptable.
- For private mortgages, provide a VOM together with 12 to 24 months bank statements or cancelled checks showing prompt payment of mortgage.

3.1.7 NO HOUSING HISTORY OR LESS THAN 12 MONTHS VERIFIED

Borrowers who do not have a complete 12-month housing history are subject to the following restrictions:

- Primary residence only,
- Minimum 6 months reserves after closing,
- 10% minimum borrower contribution,
- Payment Shock is not considered,
- VOR/VOM must be obtained for all month's available reflecting paid as agreed, and
- Properties owned free and clear are considered 0x30 for grading purposes.

Borrowers who own their primary residence free and clear for a minimum of 12 months are acceptable. Borrowers living rent free with a spouse are acceptable with rent-free letter from spouse and evidence of spouse's mortgage.

3.1.8 OTHER CREDIT AND CREDIT REPORTING REQUIREMENTS

- **Authorized Users of Credit.** Credit report tradelines in which the applicants are "authorized users" may not be considered in the underwriting decision except in certain circumstances such as those listed here:
 - Another borrower in the mortgage transaction is the owner of the tradeline.
 - The borrower is an authorized user on a spouse's credit report tradeline.
 - The borrower can provide written documentation that he or she has made at least 50% of the payments of the monthly payment on the account for at least 12 months preceding the date of the application.
- **Student Loan payments and deferment** will be reviewed in accordance with FNMA guides.

3.1.9 CREDIT COUNSELING, COLLECTIONS, JUDGEMENTS, LIENS

- **Judgements, Garnishments and Liens:** The borrower is required to pay-off all open judgements, garnishments, and liens (including mechanics liens or material men's liens) prior to the loan closing.

- **Credit Counseling Borrower enrollment** in CCCS is allowed when a minimum of 12 months have elapsed on the plan and evidence of timely payments for the most recent 12 months is provided. The CCCS administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.
 - If accounts included in CCCS plan reflect as charge-off or collection accounts on the credit report, then exclude these balances from the charge-off and collection limits listed below. The monthly CCCS plan payment must be included in the DTI calculation.
 - If a completion date is not shown on the credit report, the borrower is required to submit verification from the counseling agency establishing the date of completion.
- **Collection Accounts and Charge-offs** do not have to be paid in full if the following applies:
 - Collections and charge-offs < 24 months old with a maximum cumulative balance of \$2,000
 - Collections and charge-offs ≥ 24 months old with a maximum of \$2,500 per occurrence
 - Collections and charge-offs that have passed beyond the statute of limitation for that state (supporting documentation required)
 - All medical collections
 - Exception: IRS repayment plans with 3 months history of payments may remain unpaid.
- Past Due Accounts must be brought current.

3.1.10 FORBEARANCE, DEFERRED PAYMENTS, MODIFICATIONS

- COVID Forbearance to follow Fannie Mae Guides.
- Non-COVID deferred payments are unacceptable credit events and disqualify borrower(s) from financing.
- Mortgage Loan Modifications are acceptable with 36 months seasoning, min 720 FICO and no additional credit events after modification. Examples of mortgage loan modifications are:
 - Forgiveness of a portion of principal and/or interest on either the first or second mortgage
 - Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness.
 - Conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage
 - Conversion of any portion of the original mortgage debt from secured to unsecured.

3.1.11 SIGNIFICANT ADVERSE CREDIT

Bankruptcy, Short Sale, Deed-in-Lieu, Charge-off Mortgage and or Foreclosure must be seasoned at least 36 months from time of application.

4.0 CAPACITY

4.1 INCOME DOCUMENTATION

4.1.1 FULL DOCUMENTATION

The following Wage Earner types. All Wage Earner loans require an executed 4506-C and income will be calculated in accordance with the most recent Fannie Mae Guides.

- 24 Month Wage Earner
- 24 Month Self Employed borrower.
- 12 Month Wage Earner
- 12 Month Self Employed borrower.

4.1.2 DOCUMENTATION REQUIREMENTS

The following table summarized required documentation for our Full Doc types:

Wage/ Self-Employed Income Requirements				
Required Documentation	24 Month Full Doc Wage Earner	12 Month Full Doc Wage Earner	24 Month Full Doc Self-employed	12 Month Full Doc Self-Employed
Paystubs	2 most recent paystubs dated within 30 days of application date.		N/A	
W-2 Forms	Most recent 2 years	Most recent 1 year		
WVOE	10 business days prior to note date and 48 hours prior funding.		20 business days prior to note date.	
3rd Party Ver. of Bus	N/A		Ver. Business has been established min of 2yrs.	
Personal Tax Returns	Most recent 2 years when qualifying using rental income or self-employed.	Most recent 1 year when qualifying using rental income or self-employed.	Most recent 2 years PLUS YTD Profit & Loss.	Most recent 1 year PLUS YTD Profit & Loss.
Partnership Returns	N/A			
K-1s (if applicable)				
Corporate Tax Returns (if applicable)				
Note: If tax returns are on extension, then the borrower will need to supply their most recent filed tax return and signed Profit and Loss statement thru the most recent quarter (if applicable) and a Profit and Loss from previous year.				

4.2 DETERMINING INCOME

4.2.1 DETERMINING MONTHLY SALARY FOR WAGE EARNERS

Wage Period	Pay Amount	Function	Annual True-up	Function	Monthly Income
Weekly	Weekly gross pay	x	52 weeks	÷	12 months
Bi-Weekly	Bi-Weekly gross pay	x	26 pay periods	÷	12 months
Twice Monthly	Twice monthly gross pay	x	24 pay periods	÷	12 months
Monthly ^{(1) & (2)}	Monthly gross pay	N/A			
Hourly / Variable hourly	Hourly gross pay rate x Avg # of hours per week	x	52 weeks	÷	12 months
(1) Position/job must be verified as a 12-month position. (2) Income must be consistent with reported annual income.					

These guidelines are to assist with the evaluation and determination of the borrower's income and should be consistently applied. The applicant's monthly income will be determined by documentation provided. Calculated figures will be used to determine the borrower's debt-to-income ratio.

Borrowers can receive income from many different sources and different pay structures. The following table describes methods used in determining a borrower's average monthly income based on these income source variations. Follow the calculations below to arrive at a borrower's monthly base income.

4.2.2 UNSCHEDULED INCOME

Applicants with unscheduled income are eligible borrowers according to the following guidelines and requirements:

- Bonus Income
 - Two years of Bonus Income. The borrower must evidence of a two-year history of bonus income. For borrowers in the same line of work with different employers, they will be considered on a case-by- case basis.
 - Written VOE (WVOE). Lender must submit a WVOE verifying probable continuance of bonus income. Or if not commented on, a 2-year history will suffice for probability of continuance.
 - 24-Month History. Bonus income is calculated based on a 24-month history. A history of greater than 24 months may be required if there is a significant increase or decrease in bonus income.
- Overtime Income
 - Verification. Overtime Income must be verified as historical and average YTD earnings.
 - Continuance. When reviewing the 24-month history of OT it should be verified that the income is consistent over the past 2 years and will have a high likelihood of continuance.

- Seasonal Employment/Unemployment
 - Consistency. Borrower has worked for the same employer for the past 24-months. Please note if they are in a union (construction, electrical, plumbing) and are placed on different jobs over a period that is considered acceptable.
 - WVOE. WVOE required stating a reasonable expectation of returning the next season.
 - Unemployment Compensation for time-off has been consistent for the past 24 months and coincides with the seasonal job.
 - Annualized Income. Income to be annualized over a 12-month period for qualifying purposes unless income is declining.
- Commission Income
 - Two-year History. The borrower must have at least a two-year consecutive history of commission earnings. Borrowers with less than two years with their current employer yet in the same line of work for two years will be considered on a case-by-case basis.
 - WVOE is required.
 - Paystub Verification. Paystubs must reflect commission income on YTD earnings.
 - Declining Commissions. A Letter of Explanation (LOE) from the borrower, expanded history and further support will be required if commission income is declining.
- Rental Income – All properties except departing residence.
 - Existing rental income required documentation: Recent personal tax return at least one- year **and** copy of current unexpired, executed lease (if lease is not current, evidence need to be provided showing lease converted to month to month) **and** at least 3 months proof of current rental income being received (i.e., canceled checks and/or deposits). Rental income must be derived solely from the ownership of rental properties as declared on Schedule E.
 - Rental income from new lease required documentation: Copy of executed lease **and** verification of security deposit **and** first-month's rent deposited to borrower's account. May not be leased to a family member. Property must have been purchased within the last tax year.
 - Rental income from short leases, Airbnb, VRBO, Homestay or other vacation rentals (i.e., short-term rentals) will be allowed with a two-year history of receipt as reported on the borrower's income tax returns for the subject property investment property and refinances only. Evidence that the property is currently being offered for rent in the same manner is required. Market Rents cannot be used for short-term rental income. A two-year history is required and proof of current receipt of rental income being received is required.
 - Landlord history is not required to use rental income under Full Doc.
 - FNMA Form 1007 is required for all non-owner-occupied transactions.
- Rental Income - Departing Residence
 - Copy of executed lease **and** verification of security deposit **and** first-month's rent deposited to borrower's account.
 - May not be leased to a family member.
 - The lease agreement must be for a minimum 12-month term.

- Housing and Automobile:
 - Please refer to Fannie Mae Guides.
- RSU Income - Restricted Stock

Restricted stock refers to stock of a company that is not fully transferable until certain conditions have been met. Upon satisfaction of those conditions, the stock becomes transferable to the person holding the grant. Restricted stock should not be confused with stock options. Restricted stock must be vested as well as received on a regular, recurring basis.

 - The following documentation is required:
 - Issuance agreement or equivalent (part of the benefits package), and
 - Schedule of distribution of units (shares), and
 - Vesting schedule, and
 - Evidence that stock is publicly traded, and
 - Evidence of payout of the restricted stock (e.g., YTD pay stub and 2 years W2s)
 - Calculation of income:
 - To determine the restricted stock price, use the lower of:
 - Current stock price, or
 - The two-year stock price average.
 - Qualifying income will be calculated using an average of the restricted stock income for the past two years, and year to date stock earnings. The average stock price should be applied to the number of stock units vested each year.
 - Future vesting must support qualifying income.
- Interest and Dividend Income
 - IRS Form 1040 Schedule B. Borrower must submit the proper tax filing schedule reflecting income amounts (tax exempt interest also eligible under the same conditions).
 - Two-year History. Interest and dividends will only be considered stable income with at least a two-year history.
 - Ineligible Interest and Dividends. Income from interest-bearing or dividend-producing assets being used for the down payment or closing costs are not eligible.
 - Ineligible Interest and Dividends. Any taxable interest or dividend income that is not recurring must be deducted from the borrower's cash flow.
- Capital Gains/Losses, Royalties, Notes Receivable, Trust, Lottery Winnings, Employee Contracts, Alimony and Child Support.
 - 3-year Continuance of Income. Verification that these sources of income will continue for a minimum of 3-years is required.
 - 12-month history of receipt is required.
 - 2 years of tax returns are required (for capital gains income only)
- Non-taxable Income.

Gross-up. As DTI calculations are based on gross income; non-taxable income can be grossed-up by 125% or by borrower's income tax bracket, **whichever is less**.

NOTE: At certain levels Non-Taxable Income could be subject to taxation and some income types may contain both taxable and non-taxable income. Federal Tax Returns may be required to accurately determine the non-taxable portion. Defer to FNMA Guides.

4.2.3 DECLINING/INCREASING INCOME

If income is declining year-over-year, then the lowest income year will be used to qualify the borrower. A letter of explanation detailing the reason for the decline and the possibility of further income deterioration is required.

If a borrower's income has grown at a pace greater than 20% per annum, then an average of the last two years' income will be used. The lender is responsible for ensuring that the borrower has the capacity to repay the loan and meets ATR requirements.

4.2.4 DETERMINING INCOME FOR SELF-EMPLOYED BORROWERS

4.2.4.1 - BUSINESS VERIFICATION

- A Third-Party Verification of the existence of the borrower's business is required within 20 business days of the Note date.
- Acceptable Verifiers. Verification must be from a third-party, such as a CPA or a Third-party Licensed Tax Preparer, a Regulatory Agency or an applicable Business License Verification of the business to include a phone listing and address using an independent third-party, i.e., Internet Search.

4.2.4.2 - GENERAL REQUIREMENTS FOR SELF EMPLOYED INCOME (FULL DOC)

- Minimum Ownership. Applicants must own at least 25% of a business to be considered self-employed.
- Two-year History. Applicants must have been successfully self-employed for a minimum of two full years. If the business is stable and shows an upward trend, then the income used for the applicant is averaged over the 2 most recent years' Form1040s. Case-by- case determinations will be made if the business shows a decreasing/downward trend.
- Borrowers should be self-employed for at least 2 years. However, a borrower may qualify with less than 2-years but more than 1-year if the borrower can document at least two years of documented previous successful employment in the same line of work in which the person is self-employed or related occupation or 1-year of employment and formal education or training in the same line of work.
- Business Licenses- Copies of all required business licenses are required.
- YTD P&L required.

4.2.4.3 - CASH FLOW ANALYSIS FOR FULL DOC

- When determining the appropriate qualifying income for a self-employed borrower, it is important to note that business income (specifically from a partnership or S corporation) reported on an individual IRS Form 1040 may not necessarily represent income that has been distributed to the borrower. The fundamental exercise, when conducting a self-employment income cash flow analysis, is to determine the amount of income that can be relied on by the borrower in qualifying for their personal mortgage obligation. When underwriting these borrowers, it is important to review business income distributions that have been made or could be made to these borrowers while maintaining the viability of the underlying business. This analysis includes assessing the stability of business income and the ability of the business to continue to generate enough income to enable these borrowers to meet their financial obligations.
- If Schedule K-1 provides confirmation that the business has adequate liquidity to support the withdrawal of earnings, no further documentation of business liquidity is required.
- If the Schedule K-1 does not support adequate liquidity, the most appropriate business liquidity formula based on how the business operates should be used to determine liquidity:
 - Quick Ratio (also known as the Acid Test Ratio) is appropriate for businesses that rely heavily on inventory to generate income. This test excludes inventory from current assets in calculating the proportion of current assets available to meet current liabilities.
 - Quick Ratio = $(\text{current assets} - \text{inventory}) \div \text{current liabilities}$
 - Current Ratio (also known as the Working Capital Ratio) may be more appropriate for businesses not relying on inventory to generate income.
 - Current Ratio = $\text{current assets} \div \text{current liabilities}$.

4.2.5 REQUIREMENTS FOR CORPORATE STRUCTURES

The legal structure of a business determines how income/loss is reported to the IRS, how its taxes are paid and how it accumulates capital. Legal structures also determine the extent of each owner's liability. The five principal business structures are:

4.2.5.1 - SOLE PROPRIETORSHIP

Business income, expenses and taxable profits are reported on Schedule C of the Individual Tax Return.

Required documentation for a Sole Proprietorship include:

- Federal Individual Income Tax Return Form 1040 for the most recent 2-years. Must be signed by the borrower with all applicable schedules.
- YTD P&L and Balance Sheet prepared by borrower or CPA.

4.2.5.2 - A PARTNERSHIP (GENERAL OR LIMITED)

Is when two or more owners are joined by contract to conduct business and will share profits and losses according to the partnership agreement. Income taxes are paid by the individuals since the partnership itself is not required to pay taxes. Partnership documentation required:

- Federal Business & Personal Tax Returns for the most recent 2 years. Must be signed by the borrower with all applicable schedules.
- Schedule K-1 (Partners share of Income) for the most recent 2 years.
- Corporate Resolution
- YTD P&L and Balance Sheet prepared by a CPA or borrower.

4.2.5.3 - LIMITED LIABILITY COMPANY (LLC)

An LLC is a business structure that blends the tax efficiencies of a partnership and the limited liability of a corporation. LLCs report profit/loss on IRS form 1065 and each member-owner's share of that profit/loss is reported on Schedule K-1. An LLC pays no tax on its income. Each member-owner uses the information on the K-1 to report their share of the LLC's net profit/loss on their individual IRS Form 1040 (regardless of whether the member-owner receives a cash distribution from the LLC). LLC documentation required:

- Federal Business & Personal Income Tax Returns for the most recent 2 years. Must be signed by the borrower with all applicable schedules.
- Schedule K-1 (Partner's Share of Income) for the most recent 2- years.
- Corporate Resolution
- YTD P&L and Balance Sheet prepared by a CPA or borrower.

4.2.5.4 - S CORPORATION

An S Corp is a legal entity that has a limited number of stockholders that elect not to be taxed as a regular corporation. Business gains and losses are divided among and passed through to stockholders. The stockholders are taxed at their individual tax rate for their proportionate share of ordinary income, capital gains and other taxable items. An S Corp provides many of the benefits of partnership taxation and at the same time provides the owners with limited liability protection.

The ordinary income from an S Corporation's business is reported on IRS Form 1120S with each shareholder's share of income reported on Form 1120S's Schedule K-1. Cash distributions from an S Corp to a borrower will be reviewed and considered when evaluating the cash flow of the S Corp. S Corp documentation required:

- Federal Individual Income Tax Return Form 1040 for the most recent 2-years. Must be signed by the borrower with all applicable schedules.
- Schedule K-1, Shareholder's share of income, deductions, credits etc., for the most recent 2- years.

- Corporate Resolutions.
- IRS Form 1120S Income Tax Return for the S Corp's most recent two years (if the ownership is greater than or equal to 25%.)
- YTD P&L and Balance Sheet prepared by a CPA or borrower.

4.2.5.5 - C CORPORATION

A C Corporation is a legal tax paying entity with its own rights, privileges and liabilities separate from those of its owners. A C Corporation can sue, be sued, hold, convey, or receive property, enter contracts under its own name and doesn't dissolve when ownership changes. C Corp documentation required:

- Federal Individual Income Tax Return Form 1040 for the most recent 2-years. Must be signed by the borrower with all applicable schedules.
- Corporate Resolutions
- IRS Form 1120 Income Tax Return for the C Corp's most recent two years
- YTD P&L with Balance Sheet prepared by a CPA or borrower.

NOTE: YTD financials from other entities (whose income is not needed to qualify) are not required if the previous two years' tax returns show positive income.

4.3 DEBT TO INCOME (DTI)

See Credit Matrix for specific program requirements.

DTI = Total Monthly Debt ÷ Total Monthly Gross Income.

4.3.1 MONTHLY DEBT

Monthly debt service used to calculate DTI must include the following:

- Total monthly housing expenses.
- Monthly mortgage principal and interest, hazard and flood insurance, real estate taxes, special assessments, association dues and any subordinate financing payments on mortgages secured by the subject property (PITIA).
- Recurring installment debts.
- Revolving and open-ended account payments, regardless of the balance.
- Child support or separate maintenance payments and alimony.
- Other continuing obligations.

Please refer to Jumbo Credit Matrix for maximum allowable DTI.

4.3.2 PAYMENT SHOCK

- Payment shock is limited to 300% for a FTHB unless the DTI equals to or less than 36%. Payment shock will be reviewed on all other loans to ensure capacity has been met but there is no specific maximum that must be met.
- Payment Shock Calculation = $((\text{Proposed Housing Payment} / \text{Present Housing payment}) \times 100) - 100$

4.3.3 RESIDUAL INCOME

\$1,500 Residual Income is required.

4.3.4 BORROWER ATR CERTIFICATION

Loans subject to Reg Z Ability to Repay must include a Borrower(s) Certification attesting to the following:

- Borrower(s) have disclosed their financial obligations.
- Borrower(s) have reviewed and understand the loan terms; and
- Borrower(s) have the ability to repay the loan.

(See Appendix Section 9 for a sample Borrower Attestation Document)

4.4 SUBORDINATE FINANCING

BFF allows subordinate financing provided the following conditions are met:

- The subordinate financing doesn't have a negative amortization or interest only feature.
- Subordinates with prepayment penalties are not allowed.
- All subordinate financing must be from a financial institution.
- Subordinate financing payment must be included in the DTI calculation.
- Max LTV/CLTV cannot exceed Max LTV in Credit Matrix.
- Required Documentation for subordinate financing:
 - Copy of the Note
 - Copy of the Subordination Agreement

4.5 ADJUSTABLE RATE AND INTEREST-ONLY QUALIFYING

For all ARM loan transactions, the greater of the Note rate or the fully indexed rate is used to determine the qualifying PITIA. The fully indexed rate is calculated by adding the margin to the index.

Interest-only loans are qualified using the greater of the Note rate or the fully indexed rate using the fully amortized payment over the fully amortized term of the loan.

All ARM Notes and Riders should contain ARCC fallback language consistent with Fannie Mae.

ADJUSTABLE-RATE CRITERIA SOFR	
MARGIN	See rate sheet
CAPS	5 YEAR ARM = 2/1/5
	7 YEAR ARM = 5/1/5
INDEX	30 Day Average SOFR
RESET PERIOD	6 months
FLOOR	Margin

30 Day average SOFR index as published by the New York Federal Reserve

4.6 ASSETS

Measuring liquid assets is a good way to determine if a borrower has sufficient funds to pay for a down payment, closing costs and required reserves. The following is a list of established assets that is permitted to determine a borrower's liquidity. Next to each asset is the value that BFF assigns based on its liquidity.

- Checking and Savings (100%)
- Certificates of Deposit (100%)
- U.S. Savings Bonds (100% if fully matured, otherwise 80%)
- Marketable Securities (75% net of margin debt). Marketable Securities are defined as legitimate stocks, bonds or mutual funds that are publicly traded.
- Restricted Stock Units (RSU). Refer to FNMA Guides.
- IRA, Keogh, and 401(K) Retirement Accounts (60 % of vested balance excluding outstanding loans secured against it) including ROTH. Account statements should be updated with a transaction history dated within 30 days of the note date due to market volatility.
- Pension Plans (60%). Only amounts accessible within a 30-day window are permitted. Account statements should be updated with a transaction history dated within 30 days of Note date due to market volatility.
- Annuities (60%). Only amounts accessible within a 30-day timeframe are permitted.
- Trust Accounts (100%). Must review a copy of the full Trust Agreement.
- The use of business assets for self-employed borrowers for down payment, reserves and closing costs are allowed. The borrowers on the loan must have 50% ownership of the business and must be the owners of the account. Access letters from the remaining owners of the business must be obtained as well. A letter from a CPA or borrower must be obtained verifying that the withdrawal of funds for the transaction will not have a negative impact on the business. If a CPA letter is not provided, a Cash Flow Analysis of the business assets and liabilities (Balance Sheet) must be completed by the client to determine if the withdrawal of funds from the business is acceptable.
- Spousal accounts - Accounts held solely in the name of a non-borrowing spouse may be used for down payment and closing costs only and are subject to the requirements outlined in 6.7.1 Verification of

Assets. Accounts held solely in the name of a non-borrowing spouse may not be used to meet reserve requirements.

- Crypto Currencies, Bitcoin and Ethereum, are an eligible source of funds for down payment and closing costs and reserves. For down payment and closing cost, the assets must be liquidated and deposited into an established US bank account. For reserves, documentation to prove ownership of the crypto holdings must be provided together with verification of current valuation from the Coinbase Exchange within 30 days of Note date at 60% of the current valuation.
- Delayed 1031 Exchange funds for “like—kind exchange” are eligible for EMD, down payment and closing costs. 1031 Exchange funds are not eligible for reserves.

4.6.1 VERIFICATION OF ASSETS

You may use any of the following types of documentation for verification.

- Verification of Deposit (VOD) Form. The information must be requested directly from the depository institution. The completed, signed, and dated document must be sent directly from the depository institution.
- Bank statements and investment portfolio statements.
- Complete copies of bank statements or investment portfolio statements from the most recent 30 days prior to the application date. The statements must cover account activity for the most recent 30 days. A summary statement will not be accepted.
- The statements may be computer generated forms, but must include or state the following:
 - Clearly identify the borrower as the account holder, the account numbers, the time the statements cover. Include all deposits and withdrawal transactions. The statements must include the previous close balance, the current balance, and the ending account balance.
 - Retirement account statements must be from the most recent period and identify the borrower’s vested amount and terms.

4.6.2 OTHER REQUIREMENTS

- Assets must be seasoned for 30 days, and any large deposits are required to be sourced.
- Second Homes and Investment Properties. The borrower must demonstrate they have 10% of their own funds for the down payment.
- Gift Funds.
 - 100% of gift funds are allowed on owner-occupied transactions.
 - The borrower must contribute a minimum of 10% of their own funds on second home and investment property transactions.
 - Gifts must be from a family member. Gifts can be used to pay off debt.
 - Gift funds cannot be counted towards reserves.
 - Purchase transactions only.

- Unsecured loans, sweat equity, and gifts that require repayment are not eligible as sources of down payment.

4.6.3 RESERVES REQUIREMENTS

Loan Amount	**Months
< \$1MM	3 months
>\$1MM - \$1.5MM	6 months
>\$1.5MM	9 months
R/T Refinances with <= 65% LTV/CLTV	No minimum reserves required.

**Reserves are not stacked.

4.6.4 SELLER CONCESSIONS

Occupancy	LTV/CLTV	Maximum Percentage
Primary and 2 nd Homes	<=75%	9%
Primary and 2 nd Homes	>75%	6%
Investment	All	3%

Seller concessions include:

- Financing concessions in excess of the max financing concession limitations; or
- Contributions such as cash, furniture, automobiles, decorator allowances, moving costs, and other giveaways granted by any interested party to the transaction (contributions with a combined value under \$1,000 should be excluded)
- The value of sales concessions must be deducted from the sales price when calculating LTV for underwriting and eligibility purposes. The LTV is then calculated using the lower of the reduced purchase price or the appraised value.

5.0 COLLATERAL

5.1 ELIGIBLE PROPERTY TYPES

- Single Family Dwelling
- Multi Family Dwelling
- Planned Unit Development (PUDs)
- Condominium
- Co-Ops
- Modular homes
- Leaseholds (in areas where leaseholds are common)

5.2 INELIGIBLE PROPERTY TYPES

- Manufactured housing or Manufactured Homes
- Working Farms
- Time-shares
- Boarding houses
- Rural properties greater than 20 acres
- Commercial properties
- Vacant lots
- Log Homes
- Mixed Use
- Assisted Living
- Properties Under Construction
- C5 or C6 property condition grades
- Unique Properties
- Work escrows are not allowed.
- Agricultural properties
- Geodesic domes
- Tenancy in Common properties
- Properties with less than 500 square feet of living space.
- Mortgage Loans financing builder inventory
- Properties with values in excess of the predominant value of the subject’s market area may be ineligible.

5.3 DECLINING MARKETS

Properties with appraisals that show the “Neighborhood – Housing Trends” marked as Declining may be subject to a reduction in LTV/CLTV. The distinction of a Declining market is determined by the Appraiser. Appraisers are required to pull median house price data over the last 12 months and analyze it to determine the market trends for that area and property type.

Required to be applied for LTVs >65%			
Property Value	Demand	Market Time	Reduction to LTV
Declining	Shortage or In Balance	Under 3 months	5%
	Shortage	3-6 months	5%
	In Balance	3-6 months or Over 6 months	10%
	Over Supply	Over 6 months	10%

5.4 FLIPS

When the subject property is being resold within 365 days of its acquisition by the seller and the sales price has increased more than 10%, the transaction is considered a “flip”. To determine the 365-day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) are required to be used.

Flip transactions are subject to the following requirements:

- All transactions must be arm’s length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction.
- No pattern of previous flipping activity may exist in the last 12 months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan.
- The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing.
- No assignments of the contract to another buyer
- If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower must be obtained.
- Flip transactions must comply with the HPML appraisal rules in Regulation Z. A second appraisal is required in the following circumstances:
 - Greater than 10% increase in sales price if seller acquired the property in the past 90 days.
 - Greater than 20% increase in sales price if seller acquired the property in the past 91- 180 days.

5.5 TRANSFERRED APPRAISALS

Appraisal transfers are allowed when an appraisal was completed prior to the loan being closed. Appraisal transfers are subject to the following requirements:

- The appraisal must be less than 60-days old (less than 120-days at closing) and ordered through an Appraisal Management Company.
- A letter must be obtained from the original lender on company letterhead stating they are transferring the appraisal to BFF. The letter must transfer the ownership and rights for the specific transaction.
- The underwriter must certify they have complied with Federal, State and Fannie Mae Appraisal Independence requirements.
- An appraisal delivery form must be provided to the borrower to confirm the borrower’s receipt of the appraisal within three (3) business days of the report’s completion.

If the original Lender will not transfer the appraisal or provide the transfer letter, then a new appraisal is required.

NOTE: Subject to FIRREA requirements, if corrections are required, it is the Brokers responsibility to work with the previous lender to obtain them and BFF will not review.

5.6 PROJECT REVIEW WARRANTABLE

Fannie Mae eligible projects are allowed.

Site Condos meeting the Fannie Mae definition are eligible for single-family dwelling LTV/CLTV. Maximum project exposure shall be \$2,000,000 or 15% of project whichever is lower.

5.7 PROJECT REVIEW NON-WARRANTABLE

Non-warrantable condominiums are eligible based on the following characteristics. See Jumbo Matrix for LTV restrictions.

Characteristic	Exception Considerations
Commercial Space	Subject unit 100% residential. Commercial space in building/project < 50%. Any commercial must be “typical to the marketplace and have not negative impact on marketability. Commercial % determined by appraiser. Commercial entity cannot control HOA.
Completion Status	The project, or the subject’s legal phase along with other phases must be complete. All common elements in the project or legal phase must be 100% completed. At least 50% must be sold or under a bona-fide contract.
Delinquent HOA Dues	No more than 20% of the total units in the project, maybe 60 days or more past due on the payment of condominium/association fees.
Investor Concentration	Investor concentration in project up to 60%. Higher percentages may be considered under the Investment Property Program when an established history of a high percentage of rental units in the condo project can be demonstrated.
HOA Control	The developer may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period.
HOA Reserves	The HOA Budget must include a dedicated line-item allocation to replacement reserves of at least 8% of the budget.
Litigation	Pending litigation may be accepted on a case-by-case basis. Litigation that involves structural issues, health and safety issues or items that will impact the marketability of the project will not be accepted.
New Projects	The project or the subject’s legal phase along with other phases must be complete. All common areas in the project must be 100% complete. A minimum of 50% of units must be sold or under contract.
Single Entity Ownership	Single entity ownership in project up to 25%.

5.8 APPRAISAL

A full appraisal involves a complete inspection of the home, including the interior and exterior of the subject property. Acceptable appraisal report forms must follow FNMA and FHLMC standards which include Uniform Appraisal Data Set (UAD) Specifications and the Field Specific Standardization Requirements. Additional requirements:

- Properties must be appraised within the 12 months that precede the date of the mortgage. When the appraisal report is more than 120 days old, the appraiser must perform an update per FNMA 1004 D or FHLMC Form 442 which includes inspection of the exterior of the property and review of current market data to determine whether the property has declined in values since the date of the original appraisal.
- Uniform Residential Appraisal Report (URAR)
- FNMA Form 1004 / FHLMC Form 70 for use on one-unit properties including individual units in Planned Unit Development (PUD) projects.

See FNMA or FHLMC for required appraisal forms to be used on specific properties.

- See Jumbo Matrix for additional appraisal requirements.

5.9 VALUATION OVERVIEW

BFF uses Fannie Mae Guidelines as our minimum appraisal standards for all written appraisal reports. Reports must include/have, at a minimum, the following:

- Uniform Appraisal Standards
- Appraiser Independence
- Appraiser Competency
- Fair Lending Requirements
- Vendor Selection Process
- Acceptable Appraiser Practice Standards
- Compliance with the Uniform Standards Professional Appraisal Practice (USPAP), as established by the Appraisal Standards Board of the Appraisal Foundation
- See complete Fannie Mae Guides at www.efanniemae.com
- See complete USPAP Guides at www.uspap.org

5.9.1 - APPRAISER INDEPENDENCE

BFF expects to receive honest, unbiased professional opinions of value.

- Appraisers must have no direct or indirect interest, financial or otherwise in the subject property or with the involved parties.
- BFF prohibits associates from asking appraisers to report a predetermined value or withhold disclosure of adverse features.
- All appraisals must be ordered through an Appraisal Management Company (AMC)
- Any appraisal from an appraiser who works for the lender, borrower or any parties affiliated with the transaction will not be accepted.

All appraisals will be following the Appraiser Independence Requirements pursuant to the Dodd-Frank Wall Street Reform and the Consumer Protection Bureau Act of 2010. Compliance with the Appraiser- Independence Requirements will be reviewed by an independent third-party.

A LICENSED OR CERTIFIED APPRAISER MUST SIGN ANY REPORT PREPARED FOR BFF IN ORDER FOR THIS LOAN TO BE ELIGIBLE.

5.9.2 - APPRAISAL REVIEWS

Appraisal reviews are required for all loan amounts. Any loan amount over \$2,000,000.00 will require 2 full appraisals. The lesser of the two is to be used for valuation for the loan file. When 2 full appraisals are provided an additional valuation report is not required. However, when only 1 appraisal is provided the follow secondary report is required.

Collateral Desktop Analysis (CDA) from Clear Capital Appraisal Management or an independent vendor required; or Appraisal Risk Review (ARR) from Pro Teck is required when the CU Score is greater than 2.5.

- If a valuation from either of these companies is less than 90% of the appraised value, then the LTV will be calculated using the lower of the CDA or the ARR value.
- If CDA or APR are not available, then another appraisal is required.
- All mortgage transactions, whether it is a purchase or a refinance, will require a Disaster Inspection Report. The practice of obtaining a Disaster Inspection Report should continue for a minimum of 90 days from the date of the disaster and display a completion date that doesn't exceed 15 days prior to the loan closing.
- On all Purchase Money Transactions, closing instructions should indicate that no credits for property condition are allowed and there should be no seller concessions due to damage to the property that was caused by the declared federal disaster.

5.10 TITLE INSURANCE REQUIREMENTS

The purpose of title insurance is to provide evidence of ownership and the lawful possession of a property. It protects the owners (in the case of an owner's policy) and lenders (in the case of a mortgage loan policy) against loss if the chain of property is imperfect or against unknown encumbrance against the property.

BFF requires coverage provided by American Land Title Association (ALTA) or an equivalent association. Either a Standard or Short Form Policy is acceptable. Short Form Policies are provided due to a shorter turnaround time, allowing a faster delivery to the secondary market.

Eligible title insurance must reflect the following:

- The effective date of the commitment should be dated within 120 days of the signing of the Note and the Mortgage. If the date exceeds 120 days, the title company must update the commitment with either gap coverage or an updated commitment. Please note that Texas loans must be within 90 days.
- Title insurance is required, the amount of the policy must be the same as the amount of the loan.
- All title vesting must be reviewed to insure it is as it appears on the application. All title holders are required to authorize the mortgage transaction which is accomplished by requiring all non-applicant title holders to sign certain closing documents.
- When title insurance is required on a property that is held in trust, the Trust Agreement must be reviewed and approved by the title company and Seller's underwriters. BFF will not allow loans that are held in an Irrevocable Trust.
- The definition of the estate should be Fee Simple.
- For a purchase loan, the vesting will state the seller's name(s) and should match the purchase contract. A deed transferring title will be required at closing.
- The Legal Description for the property should appear as it does on the appraisal and the application. The title report must contain the entire legal description and may be identified by lot and block or metes and bounds description.
- The original title commitment should be countersigned by an authorized person from the title company.
- Title report should show the appropriate lien position. It will also show if there are any exceptions listed on the commitment.
- Outstanding mortgages on the subject property are also listed on the preliminary title report. Any additional mortgages must be addressed, paid-off and released at or prior to closing the loan. If any liens are to remain open, they must meet BFF's subordination guides.
- Liens and Judgments. Any liens (i.e., Federal Tax Liens, Mechanic's Liens) or judgments must be paid-off at or prior to closing. Judgments that belong to another person or of a similar name may appear on the preliminary title report. In these instances, the applicant must sign an affidavit at closing, to satisfy the title company, which states they are not the person(s) named in the judgement(s). These judgments should not be on the final title policy. Solar liens are to be subordinated or paid off. HERO liens must be paid.

- Real estate taxes and assessments are liens against the property that take precedence over all other liens. If the property owner fails to pay their taxes or assessments, then the county or city can sell the taxes to obtain the monies owed to them. Even if a lender has interest in the property the taxes can be sold.
- If taxes on the subject property are due and payable within 30 days but the county or city will not accept payment yet, then an escrow account is required to be set up by the title company to avoid any exceptions on the final title policy.
- If a title company requires an escrow account when the due date is beyond 30 days (i.e., 45 days) then all parties must adhere to the title company's requirements.
- All borrowers must sign the title company's prepared escrow agreements at closing.
- Easements are rights that a person has on the property/land of another person. Examples of easements are public utility easements, mineral rights, beach rights and riparian rights. These will not affect our lien position and can remain as exceptions on the title policy.
- Encroachment is construction on the property of another, i.e., wall, fence, or a driveway. Encroachments listed on the preliminary title report can remain as an exception on the final title policy if the title company will insure against loss or damage caused by the enforced removal of the real property that is encroaching onto the easement. However, if the title company will not provide insurance, then the encroachment must be reviewed by the underwriter to determine if this will materially affect the value of the property/improvements or our security interest.
- Surveys. All survey exceptions must be cleared on all loan products. BFF will defer to the title company to advise on what is necessary to remove the survey exception.
- Homeowners Association Dues. HOA dues must be current or paid current at time of closing. A letter from the association is required stating that the applicant's dues are up to date, that there are no liens currently and that no liens have been placed on the subject property due to non- payment of dues.
- Lis Pendens. A legal notice that is recorded to show any pending litigation relating to the property. Anyone that is acquiring an interest in the property subsequent to the date of the notice may be bound by the outcome. All Lis Pendens are to be removed or the application will be denied.
- Rebuild in Coastal Areas. The application will be denied if the subject property is in a coastal area and cannot be rebuilt.
- Oil and Gas Leases and Mineral Rights. BFF will require affirmative language if they remain as exceptions on the final title policy. We must confirm that these leases do not provide for any surface rights. If lease does provide for surface rights this property will be ineligible.
- Agreements such as private well and septic, private roads and shared driveways also require affirmative language and can remain as an exception on the title unless they relate to a public utility. Private well agreements need to be reviewed to determine whether the well is on the subject property or the rights to the well will be transferred with the title to the property. If this is not the case, the subject property may be considered ineligible.
- Unacceptable Title Defects can be, but are not limited to, the following:
 - Open liens, judgements, taxes, or tax liens
 - Non-clearance of a probated property

- Foreclosure
- Properties with unexpired redemption periods.

5.10.1 TITLE POLICY REQUIREMENTS

Only accredited title companies with an acceptable rating can provide title insurance and ownership reports.

5.10.1A - ENDORSEMENTS

BFF requires all applicable endorsements to be present in a Title Insurance Policy. Endorsements are available for title insurance policies only and they provide affirmative language and or protection to the lender for the specific exceptions being left on the title that typically occur due to property type. The following is a list of required endorsements:

- Comprehensive Endorsement Survey (ALTA Form 100 or ALTA 9)
- EPA Endorsement (ALTA 8.1)
- Condominium Endorsement (ALTA 4)
- PUD Endorsement (ALTA 5)
- Adjustable/Variable Rate Endorsement (ALTA 6)

5.10.1B - SPOUSAL PROPERTY RIGHTS

Marital property law affects the ownership, control, and disposition of property during a marriage, upon divorce and upon the death of a spouse. Common law, community property and homestead rights all have an impact on how certain real property may be conveyed, encumbered, or transferred to a creditor to satisfy debt in case of a foreclosure. The initial and final CD to be signed and dated by non-spouse (refi's only)

Certain states require marital signatures on all transactions. Spouses that are not applicants are not required to sign the Promissory Note. There will be times that we may require a spouse to sign necessary documents per state requirements for homestead rights.

5.10.1C - SURVEY REQUIREMENTS - EACH LOAN WILL HAVE:

- A survey of the property securing the loan; or
- A Survey Affidavit, acceptable in all respects to the title insurance company insuring the loan, such that the title insurance policy insuring the first mortgage encumbering the loan is without exception regarding any matter related to a survey including:
 - Location of improvements on the subject property
 - Location of easements on the subject property
 - Location of encroachments affecting the subject property, or the subject property's metes and bounds
- If a survey is included, the survey must have been certified, dated, and signed by a licensed Civil Engineer or Registered Surveyor performing the survey. Unimproved land surveys are not acceptable.

- Surveys must be reviewed by the lender for easements, encroachments, flood zone impacts and possible boundary violations.

5.10.2 HAZARD INSURANCE REQUIREMENTS/COND (HO6)

Hazard insurance must protect against the loss or damage of the property from fire and other hazards covered by the standard extended coverage endorsement. BFF requires hazard insurance protection on all loans. A Declaration Page is required prior to closing for all loans as proof of insurance. On all refinance transactions, if the coverage termination date is within 30 days of the closing, BFF will require evidence of continuing coverage. A Loss Payable Endorsement is required for all loan transactions.

The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum:

- Wind
- Civil commotion (including riots)
- Smoke
- Hail
- Damages caused by aircraft vehicles or explosions.

Hazard insurance policies that limit or exclude from coverage, in whole or in part, windstorm, hurricane, hail damages, or any other perils that would normally be included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain hazard insurance policies that include such exclusions or limitations unless that have obtained a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril.

The HOI Policy must be effective for at least 60 days after the date of funding. Evidence of Insurance can be provided in one of the following forms:

- Policy
- Certificate of Insurance
- Insurance Binder

5.10.2A - OTHER REQUIREMENTS:

- BFF requires Hazard Insurance protection on all loans. A Declaration Page is required prior to closing for all loans as proof of insurance.
- BFF will require evidence of continuing coverage on all refinance transactions where the coverage termination date is within 30 days of the closing,
- A Loss Payable Endorsement is required on all loan transactions.

5.10.2B - DISASTER POLICIES:

BFF will allow loans that are secured by properties that are located within a declared disaster area or in an undeclared disaster area, either man-made or natural, subject to the following conditions:

- BFF reserves the right to require a written certification from the appraiser, a Disaster Inspection Report, which indicated that the value of the property has not been affected by any damage arising out of the disaster and that the subject property is in marketable condition and that there are no major repairs needed or detrimental conditions to the subject property.
- Borrowers are required to complete a Borrower Certification at the time of closing on the physical condition of the property. See Doc Magic Doc Prep for a copy of this document.

5.10.2C - DEDUCTIBLES:

- Family Residences. The maximum allowable deductible, to include any separate wind-loss or other separate deductibles that apply to a specific property element, is 5% of the face amount of the policy.
- Condos, Co-ops, and PUDs. The maximum deductible amount for policies covering the common elements must be no greater than 5% of the face amount of the policy.
- For losses related to an individual unit in a co-op or PUD that is covered by a blanket policy; the maximum deductible is no greater than 5% of the replacement cost.
 - If there is a wind-loss deductible, then the deductible must be no greater than 5% of the face amount of the policy.
- For Condos with blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit.

5.10.2D - EVIDENCE OF INSURANCE:

- Names of the borrowers to reflect same name as on the note/security instrument.
- Property address matches the note/security instrument.
- Mailing address is the same as property address.
- Policy number
- Loan number
- Name of insurance company
- Insurance agent information
- Effective and expiration dates of coverage
- Premium amount
- Coverage amounts and deductible.
- Loss payee clause as applicable
- Signed and dated by the agent.

5.10.2E - AMOUNT OF COVERAGE REQUIRED:

Hazard Insurance coverage must comply with state, federal laws and should be in the amount of the lesser of:

- 100% of the insurable value of improvements, as established by the property insurer; or
- The unpaid principal balance of the mortgage, if it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage of loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained.

5.10.2F - DETERMINING THE AMOUNT OF REQUIRED HAZARD COVERAGE:

The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damage caused by aircraft vehicle or explosions.

Hazard insurance policies that limit or exclude from coverage, in whole or in part, windstorm, hurricane, hail damages, or any other perils that would normally be included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain hazard insurance policies that include such exclusions or limitations unless they have obtained a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril.

5.10.2G - HAZARD INSURANCE COVERAGE SHOULD BE IN THE AMOUNT OF THE LESSER OF:

- 100% of the insurable value of improvements, as established by the property insurer; or
- The unpaid principal balance of the mortgage if it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage of loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained.

Provided below is a formula for determining the required amount of hazard insurance coverage that is generally required for first mortgage liens.

Step 1: Compare the insurable value of the improvements (established by the property insurer) to the unpaid principal balance of the mortgage.

- A. If the insurable value of the improvements is less than the unpaid principal balance, then the insurable value will be the amount of coverage required.
- B. If the unpaid principal balance of the mortgage is less than the insurable value of the improvements, then continue to step 2.

Step 2: Calculate 80% of the insurable value of the improvements.

- A. If the result of this calculation is less than or equal to the unpaid principal balance of the mortgage, then the unpaid principal balance will be the amount of coverage required.
- B. If the result of this calculation is greater than the unpaid principal balance of the mortgage, then this calculated figure will be the amount of coverage required.

EXAMPLES:

	Property A	Property B	Property C
Insurable Value	\$90,000	\$100,000	\$100,000
Unpaid Balance	\$95,000	\$90,000	\$75,000
80% Insurable Value	-	\$80,000	\$80,000
Required Coverage	\$90,000	\$90,000	\$80,000
Calculation Method	Step 1A	Step 2A	Step 2B

5.10.3 MISCELLANEOUS

5.10.3A - FRAUD REVIEWS:

Data integrity is crucial to having a quality loan file delivery and mitigation of fraud risk. All loans must be submitted to an automated fraud and data check tool (i.e. Fraud Guard, DataVerify, etc.). A copy of the findings report must be provided in the loan file along with any documentation resolving any deficiencies or red flags noted.

5.10.3B - CLOSING DOCUMENTATION:

All closing documentation (i.e., Notes, Deeds of Trust, etc.) must conform to and be Fannie Mae approved. The use of any non-Fannie Mae documentation not allowed.

5.10.3C - AGE OF DOCUMENTS:

Credit documents must be no more than 120 days old from the date the Note is signed and 120 days for appraisal(s). The Note date is utilized for document expiration for all funding types including escrow and non- escrow funding.

5.10.3D - ESCROWS:

- Escrows for taxes and insurance will be required for all HPMLs (High Price Mortgage Loans) that are primary residences.
- Escrows for taxes and insurance will be required on Debt Consolidation Refinances.
- Escrows are required for LTV's greater than 80%
- Flood Insurance must be escrowed.

5.10.3E - MAXIMUM FINANCED PROPERTIES:

- BFF's exposure may not exceed \$5MM or 10 loans aggregate to any one borrower.
- A borrower may own up to 20 financed properties when the subject property is a primary or secondary home. This total includes the subject property.
- There is no limitation to the total number of financed properties allowed to any one borrower when the subject property is an investment property.

6.0 APPENDIX

- Borrower Attestation Document
- Condo Questionnaire (Limited Review)
- Condo Questionnaire (Full Review)
- Investor Prepayment Penalty Reference Guide

6.1 - BORROWER ABILITY TO REPAY ATTESTATION

Disclosure Date	
Loan Number	
Lender	
Borrower Name(s)	
Property Address	

Before approval of your mortgage loan, we must ensure that we are making a loan that you can afford. In order to determine whether you could repay the mortgage loan, we will collect, verify, and analyze specific financial information regarding your current income, assets and debt obligations.

At a minimum, we will consider the following eight factors to determine your ability to repay:

- Your current income or assets
- Your current employment status
- Your credit history
- The monthly payment for the mortgage
- Your monthly payments on other mortgage loans you get at the same time on the same property.
- Your monthly payments for other mortgage-related expenses (such as property taxes)
- Your other debts
- Your monthly debt payments, including the mortgage, compared to your monthly income (“debt- to- income ratio”)

In addition, we will also assess how much money you have remaining each month after paying your debts. We recommend that you also consider these same factors when determining how much you can afford to repay based on your income, expenses, and savings priorities to stay within your budget.

By signing below, I/we certify the following about the information and documentation provided with my/our request for a mortgage loan, including information about the purpose of the loan, the amount and source of the down payment, employment and income information, and assets and liabilities.

- All information and documentation provided is true and correct to the best of my knowledge; I have not made any omissions or misrepresentations.
- I am not aware of any omissions, misstatements of fact, or misrepresentations made by persons assisting me through the loan process; and
- I understand my obligation to amend and/or supplement the information provided if any of the facts that I have provided should change prior to closing of the mortgage loan.

Borrower Name	
Borrower Signature	
Date	

6.2 CONDO QUESTIONNAIRE (LIMITED REVIEW)

Date: _____ Loan No. _____ Borrower(s) Name: _____
 Project Name (Exact) _____ Phase Number: _____
 Project Address: _____ County: _____
 City: _____ State: _____ Zip: _____
 Subject Property Address/Unit #: _____

**A mortgage loan is being processed on the subject property listed above.
 The following information is required to complete the process. Your timely response is appreciated.**

Use this form when the following three conditions apply:

- 1) All units, common elements/amenities including Master Association, phases, and annexation/add-ons are 100% complete.
- 2) 90% sold and closed.
- 3) HOA control has been turned over to the unit owners.

Number of total units in project: _____ Unit is: Attached Detached

- | | Yes | No | |
|-----|--------------------------|--------------------------|--|
| 1. | <input type="checkbox"/> | <input type="checkbox"/> | If the subject unit is a detached unit, is the unit 100% complete? |
| 2. | <input type="checkbox"/> | <input type="checkbox"/> | Is the project a timeshare or condo hotel, or is it managed or operated as a hotel, motel, or vacation resort, even though the units are individually owned? |
| 3. | <input type="checkbox"/> | <input type="checkbox"/> | Are unit owners required to pay mandatory upfront and/or periodic membership fees for use of recreational amenities not owned by the HOA (i.e. owned by an outside party including developer/builder)? |
| 4. | <input type="checkbox"/> | <input type="checkbox"/> | Are units in the project subject to private transfer fees other than those paid directly to the HOA or property manager? (Defined as transfer fee to be paid to an identified third party – such as the developer or its trustee – upon each resale of the property.) |
| 5. | <input type="checkbox"/> | <input type="checkbox"/> | If a unit is taken over in foreclosure or deed-in-lieu of foreclosure, is the lender liable for more than 6 months of delinquent HOA Fees? |
| 6. | <input type="checkbox"/> | <input type="checkbox"/> | Is more than 25% of the total square footage of the project used for nonresidential purposes (commercial space)? |
| 7. | <input type="checkbox"/> | <input type="checkbox"/> | Does the project consist of live-work units? Is it a live work project?
If yes, is it mostly residential in character and are the unit owners operates of the business? <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 8. | <input type="checkbox"/> | <input type="checkbox"/> | Are multi-dwelling units allowed (owner owns more than 1-unit secured by a single deed and single mortgage) |
| 9. | <input type="checkbox"/> | <input type="checkbox"/> | Is the project subject to zoning restrictions that would prohibit the project from being re-built to current density? |
| 10. | <input type="checkbox"/> | <input type="checkbox"/> | Does any single entity (individual, investor group, partnership, corporation, or government housing authority) own more than the following number of units in the project? (see below)
If yes, check the appropriate project size and state how many they own: <ul style="list-style-type: none"> ▪ Projects with 2-4 units: > 1 unit: # owned? _____ ▪ Projects with 5-20 units: > 2 units: # owned? _____ ▪ Projects with > 20 units: > 10% of the total units: # owned? _____ |
| 11. | <input type="checkbox"/> | <input type="checkbox"/> | Is the Homeowners' Association currently involved in any litigation other than as the Plaintiff in a lawsuit against unit owners to collect unpaid common expense assessments, or as a "Necessary Defendant" in a mortgage foreclosure action against unit owners? |
| | <input type="checkbox"/> | <input type="checkbox"/> | |



CONTACT AND SIGNATURE (TO BE COMPLETED BY HOA, MANAGING AGENT OR DEVELOPER)

Date: _____

Contact Name/Title: _____

HOA/Company Name: _____ HOA Tax ID: _____

Phone Number: _____ Fax Number: _____

By signing below I certify that, to the best of my knowledge, the information provided is true and correct. The undersigned further represents they are authorized by the Homeowners' Association Board of Directors and/or the Managing Agent to provide this information on behalf of the Association.

Signature

6.3 CONDO QUESTIONNAIRE (FULL REVIEW)

Date: _____ Loan No. _____ Borrower(s) Name: _____
 Project Name (Exact) _____ Phase Number: _____
 Project Address: _____ County: _____
 City: _____ State: _____ Zip: _____
 Subject Property Address/Unit #: _____

A mortgage loan is being processed on the subject property listed above.

The following information is required to complete the process. Your timely response is appreciated.

PROJECT PROFILE (TO BE COMPLETED BY HOA, MANAGING AGENT OR DEVELOPER)

1. Unit Sales The project consists of _____ total units Units are: Attached Detached Both

Subject Phase	#	If Project Completed	#	If Project Incomplete	#
# of Units		# of Phases		# of Planned Phases	
# of Units Completed		# of Units		# of Planned Units	
# of Units for Sale		# of Units for Sale		# of Units for Sale	
# of Units Sold		# of Units Sold		# of Units Sold	
# of Units Rented		# of Units Rented		# of Units Rented	
# of Owner Occupied Units		# of Owner Occupied Units		# of Owner Occupied Units	
# of 2 nd Homes		# of 2 nd Homes		# of 2 nd Homes	

Yes No

Is project (including all common areas) complete? If No, expected date of completion: _____ (mm/dd/yyyy)

Is the project subject to further expansion? If Yes, # of additional units to be built: _____

Has control of the HOA been turned over to the homeowners? If Yes, date: _____ (mm/dd/yyyy)

2. Is project a conversion from a prior use (e.g. warehouse, rental apartments, office, etc.)

If a conversion, is it a gut rehab (refers to the renovation of a property down to the shell of the structure, including the replacement of all HVAC and electrical components.

If Yes, provide the date the legal documents were recorded: _____ (mm/dd/yyyy)

Is all rehabilitation work for the conversion complete?

If No, and the project was legally created during the past 3 years, provide the architect's or engineer's report (or functional equivalent) that was originally obtained for the conversion

If No, what is incomplete? _____

3. How are the land and units owned? Fee Simple Leasehold

If leased, the expiration of the leasehold agreement is: _____ (mm/dd/yyyy)

If leased, provide recorded leasehold agreement:

CONDOMINIUM ELIGIBILITY

- | | Yes | No | |
|-----|--------------------------|--------------------------|---|
| 4. | <input type="checkbox"/> | <input type="checkbox"/> | Does any single entity (individual, investor group, partnership, corporation, or government housing authority) own more than the following number of units in the Project?
If Yes, select the appropriate project size and state how many they own:
<input type="checkbox"/> Projects with 2-4 units: > 1 unit: # owned? _____
<input type="checkbox"/> Projects with 5-20 units: > 2 units: # owned? _____
<input type="checkbox"/> Projects with > 20 units: > 10% of the total units: # owned? _____ |
| 5. | <input type="checkbox"/> | <input type="checkbox"/> | Are there any adverse environmental factors affecting the project as a whole or as individual unit? |
| 6. | <input type="checkbox"/> | <input type="checkbox"/> | Can units be rented on a daily basis? |
| 7. | <input type="checkbox"/> | <input type="checkbox"/> | Is the project a timeshare or condo hotel, or is it managed or operated as a hotel, motel, or vacation resort, even though the units are individually owned?
Check boxes below if any of the project characteristics indicate the project is operating as a hotel or motel:
<input type="checkbox"/> Central telephone system
<input type="checkbox"/> Room service is offered
<input type="checkbox"/> Units that do not contain full-sized kitchen appliances
<input type="checkbox"/> Daily cleaning service is offered
<input type="checkbox"/> Advertising of rental rates
<input type="checkbox"/> Registration service
<input type="checkbox"/> Restrictions on interior decorating
<input type="checkbox"/> Offers franchise agreements
<input type="checkbox"/> Central key systems
<input type="checkbox"/> Located in a resort area (specific resort area)
<input type="checkbox"/> Project includes the word hotel or motel in its name
<input type="checkbox"/> Units are typically sold unfurnished
<input type="checkbox"/> Units can be leased on a daily or weekly basis
<input type="checkbox"/> Owner-occupancy density – the project may have few or even no owner-occupants
<input type="checkbox"/> Project is a conversion of a hotel or motel or other similar transient properties
<input type="checkbox"/> Units that are less than 400 square feet
<input type="checkbox"/> Interior doors that adjoin other units |
| 8. | <input type="checkbox"/> | <input type="checkbox"/> | Is project subject to time-share ownership or mandatory rental pools or is an individual property owner's ability to utilize the property curtailed in any way? |
| 9. | <input type="checkbox"/> | <input type="checkbox"/> | Is the project owned or operated as a continuing care facility? |
| 10. | <input type="checkbox"/> | <input type="checkbox"/> | Does the project contain manufactured homes? |
| 11. | <input type="checkbox"/> | <input type="checkbox"/> | Is the project an investment security? |
| 12. | <input type="checkbox"/> | <input type="checkbox"/> | Does the project consist of property that is not real estate (e.g. houseboat, boat slip, etc.)? |
| 13. | <input type="checkbox"/> | <input type="checkbox"/> | Do the CCRs or legal documents split ownership or curtail the borrower's ability to utilize the property? |
| 14. | <input type="checkbox"/> | <input type="checkbox"/> | Does the project now contain, or does the HOA's legal documents allow "multi-dwelling units?" (Defined as a project that allows an owner to hold title to a single, legally established unit that has been subdivided into additional residential dwellings within that single legal unit.) |
| 15. | <input type="checkbox"/> | <input type="checkbox"/> | Is the project subject to zoning restrictions that would prohibit the project from being re-built to current density? |

16. Is the project a common interest apartment or a Co-op? (Defined as a project or building governed by several owners as tenants-in-common, or by an HOA in which individuals have an undivided interest in a residential apartment building and land, and have the right to exclusive occupancy of a specific apartment within that building.)
17. Is more than 25% of the total square footage of the project or the building used for non-residential purposes (commercial space)?
18. Does the project consist of live-work units?
19. Is it a live work project?
- If Yes, is it mostly residential in character and are the unit owners operates of the business? Yes No
20. Is the HOA currently involved in any litigation other than as the Plaintiff in a lawsuit against unit owners to collect unpaid common expense assessments, or as a "Necessary Defendant" in a mortgage foreclosure action against unit owners?
- If Yes, provide the following information: The HOA is the : Plaintiff Defendant
 - If Plaintiff, is the litigation related to construction defects? Yes No
 - If No, what is the lawsuit about? _____
 - If Defendant, has the HOA's insurance company agreed to provide the defense?
 - Is the amount claimed covered by the HOA's insurance?
 - What is the dollar amount of damages claimed?
- The contact information for the attorney or law firm representing the HOA is:
 Name: _____
 Phone: _____
 Email: _____
21. Is the HOA subject to a Master or Umbrella association? If yes: Name: _____
22. Are any units in the project subject to resale restrictions (e.g. age, income, or rent stabilization)?
 If Yes, identify the restriction(s): _____
 If Yes, list the unit numbers: _____
 If Yes, provide a copy of the restrictive agreement (ie. Affordable Housing or Rent Stabilization Agreement, etc.)
23. Are there recreational facilities owned by the HOA?

FINANCIAL

- | | Yes | No | |
|-----|--------------------------|--------------------------|---|
| 24. | <input type="checkbox"/> | <input type="checkbox"/> | Are there any units 60 days or more delinquent? If Yes, provide the number of units: _____ |
| 25. | <input type="checkbox"/> | <input type="checkbox"/> | Are there any pending special assessments? If Yes, please explain: _____ |
| 26. | <input type="checkbox"/> | <input type="checkbox"/> | Does the HOA have a reserve fund separate from the operating account?
If Yes, is it adequate to prevent deferred maintenance? Current amount in fund: \$ _____
Total income budgeted for the year: \$ _____ Total reserves budgeted for the year: \$ _____ |
| 27. | <input type="checkbox"/> | <input type="checkbox"/> | Is the lender liable for delinquent common charges? If Yes, how many months? _____ |
| 28. | <input type="checkbox"/> | <input type="checkbox"/> | Does the project have any non-incidental business operation owned or operated by the HOA? If yes, what percentage of the projects budgeted income comes from non-incidental business operations? _____% |
| 29. | <input type="checkbox"/> | <input type="checkbox"/> | Does the HOA own or operate any non-incidental business operations (e.g. a restaurant, health club, spa, golf course, tennis club, etc.)?
If yes, describe the type of business: _____ |
| 30. | <input type="checkbox"/> | <input type="checkbox"/> | Are unit owners required to pay mandatory upfront and/or periodic membership fees for use of recreational amenities not owned by the HOA (i.e. owned by an outside party including developer/builder)? |
| 31. | <input type="checkbox"/> | <input type="checkbox"/> | Are units in the project subject to private transfer fees other than those paid directly to the HOA or property manager? (Defined as transfer fee to be paid to an identified third party – such as the developer or its trustee – upon each resale of the property.) |

32. Does the HOA and its management company adhere to one or more of the following financial safeguards?
 If Yes, check all that apply:
- Separate bank accounts are maintained for the Operating Account and Reserve Account.
 - Monthly bank statements are sent directly to the HOA.
 - At least two board members are required to sign checks written on the Reserve Account.
 - If a management company handles the HOA's finances, does it maintain separate records and bank accounts for each HOA that uses its services?
 - If a management company handles the HOA's finances, does it have authority to draw checks on, or transfer funds from, the HOA's Reserve Account?

INSURANCE

33. Who is named insured on HOA's master insurance policy? _____
 Yes No
34. Are common elements/limited common elements insured to 100% replacement cost?
 Coverage: \$ _____ Deductible: \$ _____ Expiration Date: _____
35. Are units or common improvements located in a flood zone?
36. If yes to question 35, is flood insurance in force? If no, skip to question 38.
37. Does the flood insurance cover 100% replacement OR Is the coverage the maximum available per federal flood program?
38. Is the HOA insured for general liability? If Yes, amount of coverage \$ _____
39. Is the HOA insured for Fidelity/Crime insurance? If Yes, amount \$ _____
40. Is the HOA additionally insuring the property manager under their Fidelity/Crime insurance ? Y/N
41. Minimum number of days required for written notification to be given to HOA or insurance trustee before any substantial changes to project coverage can be made or before project coverage can be cancelled: _____ days
42. Does the property insurance contain or include a co-insurance clause.
 If Yes, percentage of co-insurance is _____ %
43. Is project professionally managed? If yes: Managing Agent: _____
 Phone: _____ Contact: _____
 Insurance Agent: _____ Phone: _____

CONTACT AND SIGNATURE (TO BE COMPLETED BY HOA, MANAGING AGENT OR DEVELOPER)

Date: _____

Contact Name/Title: _____

HOA/Company Name: _____ HOA Tax ID: _____

Phone Number: _____ Fax Number: _____

By signing below I certify that, to the best of my knowledge, the information provided is true and correct. The undersigned further represents they are authorized by the Homeowners' Association Board of Directors and/or the Managing Agent to provide this information on behalf of the Association.

 Signature

PHASING ADDENDUM FOR NEW CONSTRUCTION PROJECTS & NEW CONVERSIONS

Project Name: _____
 Project Address: _____
 City: _____ State: _____ Zip: _____

Phase #	# of Units					Phase Complete
	In the Phase	Conveyed	Under Contract	Owner Occupied	Non-Owner Occupied	
#1						
#2						
#3						
#4						
#5						
#6						
#7						
#8						
#9						
#10						
#11						
#12						
#13						
#14						
#15						
#16						
#17						
#18						
#19						
#20						
TOTALS						

By signing below I certify that, to the best of my knowledge, the information provided is true and correct. The undersigned further represents they are authorized by the Homeowners' Association Board of Directors and/or the Managing Agent to provide this information on behalf of the Association.

Contact Name: _____ Date: _____

Signature: _____ Title: _____

6.4 PREPAYMENT PENALTY REFERENCE GUIDE

6.4.1 - STATE SPECIFIC ACQUISITION GUIDANCE

All loans with a prepayment penalty must be in compliance with state law.

Oregon – requires state specific disclosure besides the Note and SI rider.

6.4.2 - ALLOWABLE TYPES OF PREPAYMENT STRUCTURE

BFF will allow the following 1-to-5 year prepayment types as permitted by applicable laws and regulations on closed-end 1-to-4 unit business purpose investment properties. Prepayment penalty must be contracted for in an appropriate Note and Security Instrument Rider.

Six (6) months interest on amount of prepayment above 20% of the original loan amount in any 12-month period.