



# Non-QM Summary of Changes

**September 20, 2024**

**Subject: Non-QM Summary of Changes**

**To: All**

**Effective Date: September 30, 2024**

We've made some exciting changes to our Non-QM products for applications submitted and locked effective on or after **September 30, 2024**.

Change Date	Section #	Description of Change
09/02/2024	1.5.2	Flood Insurance requirements: <ul style="list-style-type: none"> <li>Escrow accounts for flood insurance premiums is required for all loans secured by residential improved real estate except for business purpose loans.</li> </ul>
09/02/2024	1.6.2	Effective Date of Coverage: <ul style="list-style-type: none"> <li>Update the gap coverage to include 2021 ALTA policies.</li> </ul>
09/02/2024	2.2	Interest Only and Loan Amount: <ul style="list-style-type: none"> <li>Increased DSCR IO minimum FICO to 680.</li> <li>Decreased DSCR IO to 75%</li> <li>DSCR Loan amount decreased to \$100k.</li> <li>FN loan amount decreased to \$150k</li> </ul>
09/02/2024	2.3	Solar Panels – included steps to take when property includes Solar.
09/02/2024	4.1.3 & 4.1.4	Non-Permanent Resident Alien and ITIN Borrowers <ul style="list-style-type: none"> <li>edited and added additional acceptable VISA types.</li> <li>Increased LTV for Primary</li> <li>Added ITIN borrower section</li> </ul>
09/02/2024	4.1.5 thru 4.1.9	Foreign National <ul style="list-style-type: none"> <li>Excluded DSCR 5-8 or 2-8 mixed use from eligibility</li> </ul>
09/02/2024	4.3	First-Time Home Buyers <ul style="list-style-type: none"> <li>Update to include displaced homemaker</li> </ul>
09/02/2024	4.5.1	Inter vivos revocable trust – updated trust eligibility
09/02/2024	4.5.2	Vesting for Business Purpose Loan – changed format for Guarantor & LLC documentation for clarity
09/02/2024	5.1.1	Purchase – include FSBO transactions allowed
09/02/2024	5.1.2 & 5.1.3	Rate/Term Refi and Cash Out <ul style="list-style-type: none"> <li>Updated R/T other consideration</li> <li>Added Property Value Determination</li> <li>Added Cash Out Seasoning</li> </ul>

Change Date	Section #	Description of Change
09/02/2024	5.1.4	Listing Seasoning – added min. 3yr PPP if less than 6 months of listing for investment properties.
09/02/2024	5.3.2	Eligible Non-ARM's Length Transactions – added requirements for Purchase between family members
09/02/2024	5.5	Escrows - Impound Accounts – added Flood insurance escrow account
09/02/2024	6.3.1 – 6.3.2A	Fraud Report Requirements – Updated and expanded format to include OFAC and Individual search
09/02/2024	6.5	Housing History – required for all non-subject REO analysis to included if the income from non-subject REO is being used.
09/02/2024	6.5.1B	Mortgage not reporting on credit report - expanded requirements for VOM and Private mortgages
09/02/2024	6.5.3	Living rent-free or less than 12 months verified <ul style="list-style-type: none"> <li>• Added DTI and LTV restrictions.</li> <li>• Expanded on rent free letter requirements</li> </ul>
09/02/2024	6.3.4	Ballon notes with maturity default – added section
09/02/2024	6.6.5	Consumer Credit - Revolving Debt
09/02/2024	6.6.6	Consumer Credit – Solar Panels – added section to include solar debt
09/02/2024	6.12.1	Standard Tradelines – added FN requirements
09/02/2024	7.1-7.2	Asset Requirement <ul style="list-style-type: none"> <li>• The source of large deposits updated to increase to 100%.</li> <li>• Expanded to include guidance for business assets, foreign accounts and assets held in a trust</li> </ul>
09/02/2024	7.4	Gift Funds <ul style="list-style-type: none"> <li>• Expanded to allow for LTV &gt;80%</li> <li>• Included Guidance for DSCR, 5+ units and Foreign National</li> </ul>
09/02/2024	8.2	Debt-to-income – differentiate qualifying monthly mortgage payment between Fixed and ARM rate.
09/02/2024	8.8 & Matrix	Expanded Doc – P&L <ul style="list-style-type: none"> <li>• Increased LTV up 85% with restrictions</li> <li>• Decreased FICO eligibility to 660</li> </ul>
9/2/2024	8.9	Expanded Doc – IRS Form 1099 – clarified requirements
9/2/2024	8.11.1	Expanded Asset Utilization – added restrictions
09/02/2024	8.12.2	DSCR First Time Investor – expanded ownership history documentation
09/02/2024	8.13.2	DSCR Long Term Rental <ul style="list-style-type: none"> <li>• 2 months proof of receipt if lease has converted month to month.</li> <li>• Clarified guidance for vacant properties</li> </ul>
09/02/2024	8.13.3	DSCR Short Term Rental – updated AIRDNA qualifications
09/02/2024	8.13.4	DSCR – added calculation of real estate tax payment for subject
09/02/2024	8.13.5	DSCR Housing History <ul style="list-style-type: none"> <li>• allowing FT HB living with a spouse that owns primary</li> </ul>

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09/02/2024	8.13.6	DSCR Restrictions <ul style="list-style-type: none"> <li>• The minimum loan amount decreased to \$100k.</li> <li>• Minimum FICO increased to 640.</li> <li>• Loan amount &lt;\$150k must have minimum DSCR of 1.25</li> </ul>
09/02/2024	8.14.1	5-8 Residential and 2-8 Mixed Use
09/02/2024	9.1.2A- 9.1.2b	Appraisal – added section for Supervisory Appraiser and Appraisal Trainee
09/02/2024	9.1.6A	Appraisal Age Requirement for 5-8 Units and 2-8 Mixed Use added
09/02/2024	9.1.7A – 9.1.7A.1	Appraisal Review – added AVMs as an additional review with approved vendors
09/02/2024	9.8.1	Appraisal Completed Prior to Disaster – added 1004D requirement
09/02/2024	9.9	Condo – updated subject unit minimum requirements
09/02/2024	9.9.1	Condo Limited Review – added requirement to be certified as eligible through FNMA’s Condo Project Manager (CPM)
09/02/2024	9.9.5	Condo Ineligible Projects – added restriction for projects identified as “unavailable” by FNMA CPM
09/02/2024	9.9.8	Condo Insurance – to meet all FNMA insurance requirements
09/02/2024	9.9.8A	Condo Master Insurance – added section with requirements

Please refer to the attached updated for more details and pay attention to the yellow highlighted sections.

If you have any questions, please contact your manager.

Thank you,  
BFF Credit Team