

CLOSED END SECOND MORTGAGE MATRIX												
Min and Max Loan Amount	Total Debt Ratio	Minimum Credit Score	Owner Occupied			Second Home			Non-Owner Occupied			
			Max CLTV			Max CLTV			Max CLTV			
			Full Doc	Bank Stmt & 1099	P&L Only	Full Doc	Bk Stmt & 1099	P&L Only	Full Doc	Bk Stmt & 1099	P&L Only	DSCR = >1
\$125,000 to \$350,000	50%	720	90	90	80	80	80	70	80	80	70	80
		700	90	85	75	80	75	65	80	75	65	75
		680	85	80	70	75	70	60	75	70	60	70
		660	80	75	65	70	60	55	70	60	55	NA
\$350,001 to \$500,000	50%	720	90	85	75	80	75	65	80	75	65	75
		700	85	80	70	80	70	60	80	70	60	70
		680	80	75	65	70	65	55	70	65	55	65
		660	75	65	60	65	60	50	65	60	50	NA
\$500,001 to \$750,000	50%	720	80	80	70	75	70	60	75	70	60	70
		700	80	75	65	70	65	55	70	65	55	65
		680	75	65	60	65	55	50	65	55	50	55
		660	70	60	55	60	50	45	60	50	45	NA

TOPIC	HOME EQUITY SECONDS LOAN PROGRAMS MATRIX												
BASIC GUIDELINES	This matrix applies to Home Equity Seconds guidelines. Information in this matrix is subject to change without notice.												
Eligible Products / Terms	<p><u>Fully Amortized Loans are:</u></p> <ul style="list-style-type: none"> <li>• 10-Years</li> <li>• 15-Years</li> <li>• 20-Years</li> <li>• 30-Years</li> </ul> <p><u>Balloon Loans are:</u></p> <ul style="list-style-type: none"> <li>• 30/15-Years</li> <li>• 40/15 Years</li> </ul>												
Ineligible Product Type	<ul style="list-style-type: none"> <li>• ARMs not allowed</li> </ul>												
Ineligible Senior Liens (1 <sup>st</sup> TD)	<ul style="list-style-type: none"> <li>• Negative amortization</li> <li>• Reverse mortgages or Private Party</li> <li>• Balloon loans that the balloon payment comes due during the amortization period of the 2<sup>nd</sup> lien.</li> <li>• Loans in active forbearance or deferment</li> </ul>												
Interest Only Senior Liens	<ul style="list-style-type: none"> <li>• Interest only senior liens are acceptable when qualified at a maximum DTI of 45%. The current Interest Only payment on the senior lien is used to calculate DTI.</li> </ul>												
Senior Lien Payment Calculation (ARM)	<ul style="list-style-type: none"> <li>• 1<sup>st</sup> lien ARMs with &lt; 3years fixed period remaining qualified on fully indexed payment.</li> </ul>												
Maximum Combined Liens	<table border="1"> <thead> <tr> <th>Max Combined Lien Bal</th> <th>\$2,000,000</th> <th>\$3,000,000</th> <th>\$3,500,000</th> <th>\$4,000,000</th> <th>\$5,000,000</th> </tr> </thead> <tbody> <tr> <th>Max CLTV</th> <td>90%</td> <td>85%</td> <td>80%</td> <td>75%</td> <td>60%</td> </tr> </tbody> </table>	Max Combined Lien Bal	\$2,000,000	\$3,000,000	\$3,500,000	\$4,000,000	\$5,000,000	Max CLTV	90%	85%	80%	75%	60%
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Max CLTV	90%	85%	80%	75%	60%								
Maximum Loan Amount	<ul style="list-style-type: none"> <li>• Refer to Eligibility Grids above</li> </ul>												
Minimum Loan Amount	<p><u>Fully Amortized Loans:</u></p> <ul style="list-style-type: none"> <li>• \$125,000</li> </ul>												

	<p><u>Balloon Loans:</u></p> <ul style="list-style-type: none"> <li>• \$200,000</li> </ul>
Qualifying Rate	<ul style="list-style-type: none"> <li>• Note Rate</li> </ul>
Borrowers Ineligible	<ul style="list-style-type: none"> <li>• Non-occupant Co-Borrowers.</li> </ul>
Loan Purpose	<ul style="list-style-type: none"> <li>• Purchase</li> <li>• Rate and Term Refinance</li> <li>• Cash Out Refinance</li> </ul>
Debt-to-Income (DTI)	<ul style="list-style-type: none"> <li>• Not to exceed 50% debt-to-income ratio.</li> </ul>
Occupancy	<ul style="list-style-type: none"> <li>• Primary residence</li> <li>• Second Home</li> <li>• Investment</li> </ul>
Assets Requirements	<p><u>Purchase or Rate/Term Refinance Requirements:</u></p> <ul style="list-style-type: none"> <li>• For purchase or R/T Refinance files, documentation of sufficient funds from acceptable sources for down payment, verification of funds to close, closing costs, prepaid items, debt payoff are required. Refer to Fannie Mae Seller Guides.</li> </ul> <p><u>Cash-Out Requirements:</u></p> <ul style="list-style-type: none"> <li>• Not Required</li> </ul>
Interested Party Contributions (IPC)	<ul style="list-style-type: none"> <li>• Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, or their affiliates, or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses and may never be applied to any portion of the down payment.</li> <li>• &lt;= 75% LTV: Maximum IPC 6%</li> <li>• &gt;75% - 89.99%: Maximum IPC 3%</li> </ul>
Minimum Borrower Contributions	<ul style="list-style-type: none"> <li>• Refer to Fannie Mae Seller Guides.</li> </ul>
Minimum Property Standards	<ul style="list-style-type: none"> <li>• Minimum 600 square feet.</li> <li>• Property constructed for year-round use</li> <li>• Permanently affixed continuous heat source</li> <li>• Maximum deferred maintenance cannot exceed \$2,000</li> <li>• No health or safety issues both internal and external</li> </ul>

<p>Appraisal Requirements</p>	<p><u>HPML</u>: Primary and 2<sup>nd</sup> Homes:</p> <ul style="list-style-type: none"> <li>• Full Appraisal (1004, 1025, 1073)</li> <li>• Declining markets maximum 75% CLTV</li> </ul> <p><u>HPML QM Safe Harbor or Rebuttable Presumption (Full Doc Only)</u>: Primary and 2<sup>nd</sup> Homes:</p> <ul style="list-style-type: none"> <li>• Loan amounts &lt;= \$400K AVM with a 90% Confidence Factor and a Property Condition Inspection from one of the following vendors: <ul style="list-style-type: none"> <li>➤ Clear Capital, Collateral Analytic or CoreLogic.</li> </ul> </li> <li>• Loan Amount &gt; \$400K or AVM has less than 90% Confidence Factor. <ul style="list-style-type: none"> <li>➤ Full Appraisal (1004, 1025, 1073) is required.</li> </ul> </li> <li>• Declining markets maximum 75% CLTV.</li> </ul> <p><u>Non-HPML</u></p> <table border="1" data-bbox="611 704 1940 846"> <tr> <td data-bbox="611 704 821 846">Non-HPML (Primary/2<sup>nd</sup> Homes &amp; NOO)</td> <td data-bbox="821 704 1062 797">Loan Amt &lt;= \$400K</td> <td data-bbox="1062 704 1608 797">AMV with a 90% Confidence Factor <u>AND</u> Property Condition Inspection</td> <td data-bbox="1608 704 1940 797">Clear Capital, Collateral Analytics or CoreLogic.</td> </tr> <tr> <td data-bbox="611 797 821 846"></td> <td data-bbox="821 797 1062 846">Loan Amt &gt; \$400K</td> <td colspan="2" data-bbox="1062 797 1940 846">Full Appraisal required (1004, 1025, 1073)</td> </tr> </table> <ul style="list-style-type: none"> <li>• Declining markets maximum 70% CLTV on investor properties and 75% CLTV on Primary and 2<sup>nd</sup> Homes.</li> </ul>	Non-HPML (Primary/2 <sup>nd</sup> Homes & NOO)	Loan Amt <= \$400K	AMV with a 90% Confidence Factor <u>AND</u> Property Condition Inspection	Clear Capital, Collateral Analytics or CoreLogic.		Loan Amt > \$400K	Full Appraisal required (1004, 1025, 1073)	
Non-HPML (Primary/2 <sup>nd</sup> Homes & NOO)	Loan Amt <= \$400K	AMV with a 90% Confidence Factor <u>AND</u> Property Condition Inspection	Clear Capital, Collateral Analytics or CoreLogic.						
	Loan Amt > \$400K	Full Appraisal required (1004, 1025, 1073)							
<p>Eligible Property Types</p>	<ul style="list-style-type: none"> <li>• SFR, PUD, Townhome, Rowhome, Modular</li> <li>• Warrantable Condos - Max 75% CLTV Owner Occupied – 70% CLTV Non-Owner Occupied</li> <li>• 2-4 Unit - Max 75% CLTV Owner Occupied – 70% CLTV Non-Owner Occupied</li> </ul>								
<p>Ineligible Property Types</p>	<ul style="list-style-type: none"> <li>• Rural properties</li> <li>• Condotels, Co-ops</li> <li>• Non-warrantable Condos</li> <li>• Manufactured or Log Homes</li> <li>• Working Farms and Hobby Farms</li> <li>• Unique Properties</li> <li>• Agricultural or Commercial Zoned Properties</li> <li>• Room and Board Facilities</li> <li>• Adult Assisted Living/Care Facilities</li> </ul>								

Property Listing	<ul style="list-style-type: none"> <li>Properties listed for sale in the last six (6) months of the application date are ineligible.</li> </ul>
Seasoning	<ul style="list-style-type: none"> <li>No restriction if the properties owned greater than six (6) months.</li> <li>Properties owned less than six (6) months ineligible. Seasoning is not required for properties that are inherited or legally acquired through a divorce, separation, or dissolution of a domestic partnership.</li> <li>Any previous refinance transaction, either the 1<sup>st</sup> or a 2<sup>nd</sup> lien, within the prior six (6) months limits the maximum CLTV to 80%.</li> </ul>
Acreage Limitations	<ul style="list-style-type: none"> <li>Maximum ten (10) acres</li> </ul>
Credit Scores	<ul style="list-style-type: none"> <li>Lowest of two (2) scores or middle of three (3) scores from the primary income earner.</li> <li>DSCR loans qualify using the lowest middle score of all borrowers</li> </ul>
Tradeline Requirement	<p>The credit report(s) must meet one the following tradeline requirement:</p> <ul style="list-style-type: none"> <li>Three (3) tradelines reporting for 12+ months or</li> <li>Two (2) tradeline reporting for 24+ months all with activity in the last 12 months.</li> <li>Does not meet tradeline requirements, Primary only ok with 0x30x12 mortgage reported on credit (No private party mortgages).</li> <li>Piggy-Back – Default to AUS Approval (If applicable), no minimum tradelines required.</li> </ul>
Mortgage/Rent History Requirements	<p>If the borrower(s) has a mortgage or rental history in the most recent twelve (12) months, a VOM or VOR must be obtained reflecting 0x30 in the last twelve (12) months from the date of application. Applies to all borrowers on the loan.</p> <ul style="list-style-type: none"> <li>If the landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory rent history is required; otherwise, if not related or a party to the transaction a satisfactory VOR can be provided.</li> <li>A verification of mortgage is not required if the credit report reflects the payment history is reporting current as of the date of the application.</li> <li>For all transactions with applications on or after <b>October 1, 2022</b>, in addition to reviewing the credit report, a verification of mortgage from the Lender/Service is required to document a history of 0x30 day late or missed payments in the last 12 months of the Note date for all financed.</li> </ul>
Non-Traditional Credit	<ul style="list-style-type: none"> <li>Not Permitted</li> </ul>
Charge-Offs and Collections	<ul style="list-style-type: none"> <li>Open charge-offs or collections &lt;= \$1,000 per occurrence are acceptable.</li> <li>Open medical collections &lt;= \$1,000 per occurrent are acceptable.</li> </ul>

Consumer Credit Counseling Services	<ul style="list-style-type: none"> <li>Borrowers enrolled in credit counseling are ineligible.</li> </ul>
Judgement or Liens	<ul style="list-style-type: none"> <li>All judgements, garnishment and all outstanding liens must be paid off prior to or at loan closing.</li> </ul>
Income Tax Lien	<ul style="list-style-type: none"> <li>All income tax liens (federal, state, local) must be paid off prior to or at loan closing.</li> </ul>
Derogatory Credit	<ul style="list-style-type: none"> <li>Foreclosures, Short-sale, Deed-in-Lieu, Bankruptcies require 4-year seasoning from the discharge or dismissal date.</li> <li>No multiple credit/housing events (Foreclosures, Bankruptcy, Short-sale, or Deed-in-Lieu) in the last 7-year.</li> </ul>
Income	<p><b>Full Doc:</b></p> <p><u>Self-Employed Borrowers:</u></p> <ul style="list-style-type: none"> <li>2 years tax returns (business and personal) including all schedules.</li> <li>Tax transcripts will be required.</li> <li>YTD P&amp;L (prepared by tax professional) <b>and</b></li> <li>Verify existence of business within 30-days of the note date with <u>one</u> of the following: <ul style="list-style-type: none"> <li>Letter from business tax professional.</li> <li>Online verification from regulatory agency or licensing bureau.</li> <li>Certifications verify business existence through direct contact or internet search.</li> </ul> </li> </ul> <p><u>W-2 Borrowers:</u></p> <ul style="list-style-type: none"> <li>W-2 for the most recent year.</li> <li>Most recent 30-day paystub, which includes year-to-date earnings. Additionally, the pay stub must include sufficient information to calculate income.</li> <li>W-2 transcripts will be required.</li> </ul> <p><b><u>Expanded 12- or 24-months Bank Statement (personal and/or business) Requirements:</u></b></p> <p>Excessive NSF's on the bank statements may cause the loan to be ineligible.</p> <p>The bank statements should show a trend of ending balance that are stable over the 12-or 24- month period.</p> <ul style="list-style-type: none"> <li>➤ Large deposits inconsistent with history must be documented as business income.</li> <li>➤ Net deposits must not reflect any other income sources already taken into consideration (i.e. deduct SS payments, W-2 wage earnings, etc., that have already been used for income calculation).</li> </ul> <p>When the borrower is an inter vivos trust, personal bank statements in name of the trust and a copy of the trust are allowed for qualification for all bank statement programs.</p> <p>4506-C, tax transcripts and/or tax returns are not required for all bank statement programs.</p> <p><u>Self-Employed Borrowers – Personal and Business bank statement Combined:</u></p>

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

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

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

Business Bank Statement Only:

- Business bank statements must be operating account(s) reflecting normal business expenses.
- If only using business bank statements, borrower is to provide the most recent 12- or 24-months consecutive business bank statements.

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

### 12 months 1099 Contractor:

- A borrower who is a "1099 contractor" may be considered self-employed for this program with confirmation from a CPA that the borrower is a 1099 contractor and files Schedule C or Schedule E with the IRS (personal tax returns). Borrowers cannot have ownership of 1099 Payor's business.
- Most recent one (1) year IRS Form 1099(s) from employer(s). The borrower must have a 2-year history of 1099 employment.
- Current paystub or bank statement deposit for each 1099 source utilized for qualification (e.g. if borrower provided 1099 forms from five (5) separate sources, then a separate paystub/bank statement deposit must be provided from each of the five (5) 1099 sources to support current receipt).
- Third party documentation (CPA/CTEC/EA) supporting a 2-year employment history when 1-year 1099 used.
- Total 1099 income (-) 10% expense factor / 12 months = Qualifying Income
- 1099 Income that is not supported by documentation of current receipt cannot be used for qualification.
- Signed 4506-C and tax transcripts are required.

### Profit and Loss (P&L) Program:

- At least one of the borrowers must be self-employed for at least 2 years (25% or greater ownership) to qualify for this program.
- 4506-C, tax transcripts and/or tax returns are **not** required for the P&L program.
- The minimum expense factor with a P&L is 20% for service business, 40% for product business.



	<ul style="list-style-type: none"> <li>▪ <b>Service Business:</b> Offer services such as Accounting, Consulting, Counseling, Financial Planning, Insurance, Therapy. The minimum expense factor with a P&amp;L is 20%.</li> <li>▪ <b>Product Business:</b> Sell goods such as Contracting or Construction, Food Services, Manufacturing, Restaurant, Retail. The minimum expense factor with a P&amp;L is 40%.</li> <li>○ 2 years active business license is required.</li> <li>○ A signed letter from the CPA, CTEC or EA on their business letterhead showing address, phone number, and license number is required with the following information: <ul style="list-style-type: none"> <li>▪ CPA/CTEC/EA confirm they have prepared the most recent 2 years of business tax return filing; and,</li> <li>▪ The business name, borrower's name, and percentage of business ownership by the borrower.</li> </ul> </li> <li>○ CPA/CTEC/EA signed/prepared Profit and Loss Statement(s) covering the most recent 12-month period.</li> <li>○ A gap P&amp;L covering period between the end of 12-month P&amp;L and application required when gap is greater than three (3) months.</li> <li>○ Income from co-borrowers who are W2 wage earners is to be documented with most recent W2 and paystub.</li> </ul>
Appraisal Transfers	<ul style="list-style-type: none"> <li>• Appraisal transfers are permitted</li> </ul>
Escrow Holdbacks	<ul style="list-style-type: none"> <li>• Not Permitted.</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>• No Section 32 or state High Cost</li> <li>• Loan must comply with all applicable federal and state regulations</li> <li>• Fully documented Ability to Repay (ATR) including Borrower Attestation</li> <li>• Higher-Price Mortgage Loan (HPML) and Higher-Priced Covered Transaction (HPCT) are permitted subject to complying with all applicable regulatory requirements.</li> </ul>
Age of Documents	<ul style="list-style-type: none"> <li>• Credit Report must be dated within 90 days of the note date</li> <li>• Income and Asset documents must be dated within 60 days of the note date</li> <li>• Appraisal must be dated within 120 days and with Re-Certification of value cannot exceed 180 days total.</li> <li>• Preliminary title policies must be no more than 120 days old on the date the note is signed.</li> </ul>
State Restrictions	<ul style="list-style-type: none"> <li>• Not allowed in Texas and Maryland</li> </ul>
Prepayment Penalty (DSCR Only)	<ul style="list-style-type: none"> <li>• A minimum 1-year prepayment penalty is required for DSCR loan products in states where such penalties are allowed. This prepayment penalty will be administered in full compliance with the terms and limitations of all applicable state and federal laws.</li> </ul>
Title Report	<ul style="list-style-type: none"> <li>• ALTA Short Form</li> </ul>