



# Home Equity Second

Effective Date:  
9/14/2023

Program Max CLTV		Primary Residence		Second Home		Investment		Program Requirements	
Loan Amount	FICO	Full Doc	Bank Statement	Full Doc	Bank Statement	Full Doc	Bank Statement	Limits	
\$75,000 – \$350,000	720+	90%	85%	80%	75%	80%	75%	Minimum Loan Amount	\$75,000
	700 – 719	90%	80%	80%	70%	80%	70%	Minimum Loan Amount (Balloons)	\$200,000
	680 – 699	85%	75%	75%	65%	75%	65%	Maximum Loan Amount	\$550,000
	660 – 679	80%	70%	70%	60%	70%	60%	Maximum DTI	50%
\$350,001 - \$450,000	720+	85%	80%	75%	70%	80%	70%	Condo / 2-4 Units (Primary/2nd Home)	75% CLTV
	700 – 719	85%	75%	75%	65%	75%	65%	Condo / 2-4 Units (Investment)	70% CLTV
	680 – 699	80%	70%	70%	60%	70%	60%	Declining Markets (Primary/2nd Home)	75% CLTV
	660 – 679	75%	65%	65%	55%	65%	55%	Declining Markets (Investments)	70% CLTV
\$450,001 - \$550,000	720+	80%	75%	70%	65%	75%	65%	Credit Event (BK/FC/DIL/SS)	48 Months
	700 – 719	80%	70%	70%	60%	70%	60%	Maximum Combined Liens (<=\$350,000 L/A)	\$2,000,000
	680 – 699	75%	65%	65%	55%	65%	55%	Maximum Combined Liens (>\$350,000 L/A)	\$2,500,000
	660 – 679	70%	60%	60%	50%	60%	50%		

Income	
<b>2 Year Full Documentation</b>	<ul style="list-style-type: none"> <li>Salaried: 2 years W2 and YTD paystub covering minimum 30 days</li> <li>Self-Employed: 2 years tax returns, all schedules. YTD P&amp;L or 3 months business bank statements to support continuance of tax return income</li> </ul>
<b>1 Year Full Documentation</b>	<ul style="list-style-type: none"> <li>Salaried: 1 year W2 and YTD paystub covering minimum 30 days</li> <li>Self-Employed: 1 year tax returns, all schedules. YTD P&amp;L or 3 months business bank statements to support continuance of tax return income</li> </ul>
<b>Alternative Documentation (12 or 24 Month Bank Statements)</b>	<ul style="list-style-type: none"> <li>The primary borrower (greater than 50% of income) must be self-employed for at least 2 years</li> <li>Borrower must document two years current continuous self-employment with business license or statement from corporate accountant/CPA confirming the same</li> <li>Business Bank Statements must be operating account(s) reflecting normal business expenses</li> <li>Underwriter may use a higher expense factor than 50% if the analysis of the bank statements reflects higher expenses</li> <li>When the borrower is in an inter vivos trust, personal bank statements in the name of the trust are allowed for qualification</li> <li>The Bank Statements should show a trend of ending balances that are stable over the 24 or 12 month period</li> <li>Large deposits inconsistent with history must be sourced as business income</li> <li>Excessive NSF's on the bank statements may cause the loan to be ineligible</li> <li>Net deposits must not reflect any other income sources already taken into consideration (deduct SS payments, W-2 wages, etc that have already been used for income)</li> <li>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 filed sch. C or sch. E with personal tax returns. Borrower cannot have ownership of the 1099 Payor's business</li> </ul>
<b>Business Bank Statements OR Combined Personal &amp; Business Bank Statements</b>	<ul style="list-style-type: none"> <li>At least one of the borrowers must be self-employed for at least 2 years (25% or greater ownership)</li> <li>Asset Depletion allowed with Bank Statement documentation</li> <li>Standard expense factors apply: 50% expense factor               <ul style="list-style-type: none"> <li>If business operates &lt; standard expense factor, P&amp;L or expense letter from CPA, CTEC (California Tax Education Council), or EA (Enrolled Agent) required</li> <li>Minimum expense factor with 3rd party prepared P&amp;L or letter is 20%. NOTE: the annual deposits on bank statements must be at least 75% of gross receipts per P&amp;L</li> </ul> </li> </ul>
<b>Separated Personal &amp; Business Bank Statements</b>	<ul style="list-style-type: none"> <li>At least one of the borrowers must be self-employed for at least 2 years (25% or greater ownership)</li> <li>Asset Depletion allowed with Bank statement documentation</li> <li>Personal used to qualify, 2 months business to show business cash flows in order to utilize 100% of business related deposits in personal account (no expense factor)</li> <li>Deposits from sources other than self-employment are not to be included</li> </ul>
<b>Asset Depletion (Supplemental Income)</b>	<ul style="list-style-type: none"> <li>May only be used in conjunction with Bank Statements</li> <li>Allowable and documented assets are divided by 84 months to determine amount added to qualifying income</li> </ul>
Other	
<b>Amortization</b>	10, 15, 20, and 30 Year Fixed Fully Ammortizing; 30/15 and 40/15 Year Balloon Notes
<b>Occupancy</b>	Primary, Second Homes, Investment Properties
<b>Eligible Property Types</b>	SFR, PUD, 2-4 Units and Warrantable Condo, Townhome, Rowhome, Modular
<b>Ineligible Property Types</b>	<ul style="list-style-type: none"> <li>Rural, Condotels, Non-Warrantable Condos, Manufactured, Log Homes, Working Farms and Hobby Farms, Unique Properties</li> <li>Agricultural or Commercial Zoned Properties, Co-Ops, Room and Board Facilities, Adult Assisted Living/Care Facilities</li> <li>Properties &gt; 10 acres</li> </ul>
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>U.S. Citizen</li> <li>Permanent Resident Alien</li> <li>Non-Permanent Resident Alien (with U.S. credit)</li> </ul>
<b>Ineligible Borrowers</b>	<ul style="list-style-type: none"> <li>Non-Occupant Co-Borrowers, Foreign Nationals, Irrevocable and Land Trusts, Diplomats with Immunity, parties found on LDP/GSA, no SSN</li> </ul>
<b>Assets</b>	None Required

Other (continued)	
<b>Self Employment Verification</b>	Verify Existence within 30 days of the Note Date with one of the following: <ul style="list-style-type: none"> <li>• Letter from business tax professional, OR</li> <li>• On-line verification from regulatory agency or licensing bureau, OR</li> <li>• Certification verifying business existence through direct contact or internet search</li> </ul>
<b>Age of Documentation</b>	<ul style="list-style-type: none"> <li>• <b>60 days</b> – Income and Assets</li> <li>• <b>120 days</b> – New Appraisal, Credit and Title</li> <li>• <b>180 days</b> – Appraisal with Recertification of Value</li> </ul>
<b>Appraisal Requirements</b>	Primary / 2nd Home: <ul style="list-style-type: none"> <li>• New Appraisal and AVM supporting value within 10% variance. Greater than 10% variance, use lower of the two values. 90% or high confidence required</li> </ul> Investment: <ul style="list-style-type: none"> <li>• Previous appraisal within 12 months + Appraisal Desk Review. Review value must be equal to or greater than the appraisal. Or;</li> <li>• New 2055 Appraisal and Appraisal Desk review supporting value within 10% variance. Greater than 10% variance, use lower of the two values</li> </ul>
<b>Allowable AVM Providers</b>	HVE, GeoAVM, and Pass
<b>Asset Depletion</b>	<ul style="list-style-type: none"> <li>• Allowed as a Supplemental Income source</li> <li>• Eligible assets are divided over 84 months</li> </ul>
<b>Tradelines</b>	<ul style="list-style-type: none"> <li>• 3 tradelines for 12+ months or 2 tradelines for 24+ months, all with activity within the last 12 months</li> <li>• No accounts currently delinquent or in CCCS</li> </ul> Ineligible Tradelines: liabilities in deferment, accounts discharged in BK, authorized user, charge-offs, collections, foreclosures, 'deed-in-lieu, short sales, pre-foreclosures
<b>Credit Scores</b>	<ul style="list-style-type: none"> <li>• Qualifying FICO: lowest of 2 scores or middle of 3 scores from the Primary Wage Earner</li> <li>• Non-traditional credit ineligible</li> <li>• Minimum Co-Borrower score: 500</li> <li>• Use lower score of self-employed borrowers with equal partnership</li> <li>• Security freezes must be removed</li> </ul>
<b>Multiple Credit Events</b>	Multiple Credit Events (BK, FC, DIL, SS) within the last 7 years are ineligible
<b>Disputed Accounts</b>	Provide Signed and Dated Letter of Explanation for disputed tradelines with derogatory information reported in the last 2 yrs
<b>Housing History</b>	<ul style="list-style-type: none"> <li>• 0x30x12 on all mortgages for all borrowers; Minimum 12 months housing history required</li> <li>• VOR must be institutional or provide alt docs (bank statements/cancelled checks)</li> <li>• First-Time Homebuyer: 0x30x12 housing history required; Alt Doc is ineligible</li> </ul>
<b>Seasoning</b>	<ul style="list-style-type: none"> <li>• &gt; 6 months seasoning as of application date, no restrictions. Less than 6 months seasoning ineligible</li> <li>• No seasoning required for properties that are inherited or legally acquired through a divorce, separation or dissolution of a domestic partnership</li> </ul>
<b>Property Standards</b>	<ul style="list-style-type: none"> <li>• 600 square feet, constructed for year-round use, permanently affixed continuous heat source</li> <li>• Maximum deferred maintenance \$2,000 (no health or safety issues)</li> </ul>
<b>Max Financed Properties</b>	<ul style="list-style-type: none"> <li>• Primary and Second Homes max 20 residential, including the subject (exclude commercial/&gt;5 units)</li> <li>• Investments: Unlimited</li> </ul>
<b>Condominiums</b>	Fannie Mae eligible condominium projects allowed
<b>Ineligible Senior Liens</b>	<ul style="list-style-type: none"> <li>• Negative Amortization, Reverse Mortgages, and Private Party</li> <li>• Loans in active forbearance or deferment are ineligible. Deferred balance due to documented hardship may remain open</li> <li>• Balloon loans that the balloon payment comes due during the amortization period of the 2nd lien</li> </ul>
<b>Interest Only Senior Lien</b>	Max DTI: 45%
<b>Senior Lien Calc (ARM)</b>	1st lien ARMS with < 3 years fixed period remaining qualified on fully indexed payment
<b>State Restrictions</b>	Ineligible: Texas Section 50(a)(6) Equity Cash-Out
<b>Derogatory Credit</b>	<ul style="list-style-type: none"> <li>• Collections or Charge-Offs are acceptable if paid off over 12 months prior. No delinquent tradelines at closing</li> <li>• Open medical collections &lt;\$1,000 per occurrence is eligible</li> <li>• All judgements, liens/tax liens must be paid prior to or at closing</li> </ul>
<b>Title Report</b>	<ul style="list-style-type: none"> <li>• ALTA Short Form – Lenders Policy</li> <li>• Eligible Vesting: Individuals, Joint Tenants, Tenants in Common, Inter Vivos Revocable Trust</li> <li>• Eligible Vesting (Investment Only): LLC, Limited and General Partnerships, Corporations               <ul style="list-style-type: none"> <li>○ Must be solely business purpose loans</li> <li>○ All persons with &gt;= 25% interest must apply for the loan and meet credit requirements</li> <li>○ Maximum 4 members/partners/shareholders. No entities as members</li> <li>○ Persons who sign the note or a personal guaranty must sign an Occupancy Affidavit prior to closing</li> <li>○ See guidelines for collateral signing requirements</li> </ul> </li> </ul>
<b>Property Insurance</b>	Insurance does not need to be increased to cover the 2nd loan amount
<b>Compliance</b>	<ul style="list-style-type: none"> <li>• No Section 32 or state high cost allowed</li> <li>• Fully documented ATR including Borrower Attestation</li> <li>• HPML and HPCT are permitted subject to complying with all applicable regulatory requirements</li> <li>• Loans must comply with all applicable federal and state regulations</li> </ul>
<b>3rd Party Processing Fee</b>	<ul style="list-style-type: none"> <li>• \$495 Maximum</li> </ul>