

FICO & LTV MATRIX										
Owner-Occupied										
Loan Amount	Credit Score	24-month Bank Statement			12-month Bank Statement			Asset Utilization		
		Purchase	Rate & Term	Cash-Out	Purchase	Rate & Term	Cash-Out	Purchase	Rate & Term	Cash-Out
\$100,000 – \$1,000,000	740	90%	85%	80%	90%	85%	80%	90%	85%	80%
	720	90%	85%	80%	90%	85%	80%	90%	85%	80%
	700	85%	85%	80%	85%	85%	80%	85%	85%	80%
	680	80%	80%	75%	80%	80%	75%	80%	80%	75%
	660	80%	80%	70%	80%	80%	70%	80%	80%	70%
\$1,000,001 – \$1,500,000	740	90%	85%	80%	90%	85%	80%	90%	85%	80%
	720	90%	85%	80%	90%	85%	80%	90%	85%	80%
	700	85%	85%	80%	85%	85%	80%	85%	85%	80%
	680	80%	80%	75%	80%	80%	75%	80%	80%	75%
	660	80%	80%	70%	80%	80%	70%	80%	80%	70%
\$1,500,001 – \$2,000,000	740	80%	80%	75%	80%	80%	75%	80%	80%	75%
	720	80%	80%	75%	80%	80%	75%	80%	80%	75%
	700	80%	80%	75%	80%	80%	75%	80%	80%	75%
	680	80%	75%	70%	80%	75%	70%	80%	75%	70%
	660	75%	70%	70%	75%	70%	70%	75%	70%	70%
\$2,000,001 – \$2,500,000	740	80%	80%	70%	80%	80%	70%	80%	80%	70%
	720	80%	80%	70%	80%	80%	70%	80%	80%	70%
	700	75%	75%	65%	75%	75%	65%	75%	75%	65%
	680	70%	70%	65%	70%	70%	65%	70%	70%	65%
	660	70%	70%	65%	70%	70%	65%	70%	70%	65%
\$2,500,001 – \$3,000,000	740	75%	75%	65%	75%	75%	65%	75%	75%	65%
	720	75%	75%	65%	75%	75%	65%	75%	75%	65%
	700	70%	70%	65%	70%	70%	65%	70%	70%	65%
	680	65%	65%	65%	65%	65%	65%	65%	65%	65%
	660	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
\$3,000,001 – \$3,500,000	740	75%	75%	65%	75%	75%	65%	75%	75%	65%
	720	75%	75%	65%	70%	70%	65%	70%	70%	65%
	700	70%	70%	60%	65%	65%	60%	65%	65%	60%
	680	65%	65%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	660	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

- **Second Home:** \$2.5MM Max Loan Amount; Purchase/Rate & Term – 75% Max LTV; Cash-Out – 70% Max LTV
- **1099 Only:** Follows Bank Statements
- **P&L and WVOE:** Follows Bank Statements except Max 80% LTV

Underwriting Specifications	
Document Types	<ul style="list-style-type: none"> • Alt Doc income sources are: <ul style="list-style-type: none"> ○ Alternative (Alt) Doc – Alternative verification of income for Self-Employed borrowers: ○ Bank Statements (Personal, Co-mingled, or Business) ○ P&L (+2 months bank statements) ○ 1099 only • Alternative (Alt) Doc – Alternative verification of income for Wage Earners: • WVOE + Bank Statements (no paystubs or W-2s required) • Asset Utilization – Allowable asset balances are used to calculate income • Alt Doc income may be combined with other income sources that are documented as Standard or Limited Doc but not associated with self-employment, such as wage income from spouse or domestic partner: <ul style="list-style-type: none"> ○ Document other sources of income as per the Full Doc income section ○ In the event the Full Doc guidelines require Tax Returns to show a history of the income, alternate means must be used to document the history, or the income may not be used ○ Non-self-employed income sources from the borrower qualifying with bank statements will be considered case by case. Documentation must be clear that this income is not included with the bank statement income. • Alt Doc income may be combined with rental income as per the Rental Income sections
Amortization Terms	<ul style="list-style-type: none"> • Fixed: 15, 30 • ARMs: 30 Yr. 5/6, 7/6, 10/6 (Initial Fixed Period/Subsequent Adjustment Periods) <p>I/O:</p> <ul style="list-style-type: none"> • 30 Yr. Fixed I/O (10 yr. I/O followed by 20 yr. amortization) • 30 Yr. I/O 5/6, 7/6 ARMs (10 yr. I/O followed by 20 yr. amortization) <p>See Guidelines for qualifying ARM and I/O payments</p>
Interest Only	<ul style="list-style-type: none"> • FICO: Standard matrix restrictions apply • Max 85% LTV
Loan Amount	<ul style="list-style-type: none"> • Min. \$100,000
Max LTV	<ul style="list-style-type: none"> • Per Matrix above • Max 85% for 2-4 unit (or per matrix if lower) • P&L only and WVOE Max 80% • Condos – see Condo section below • Interest only – Max 85% • Declining Markets – subtract 5%

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Determining LTV	<p>Ownership Seasoning is from closing date of prior loan as per final CD/Settlement Statement to Note Date of new loan</p> <p><u>Purchase</u></p> <ul style="list-style-type: none"> • Use lesser of appraised value or purchase price <p><u>Rate and Term/No Cash-Out</u></p> <ul style="list-style-type: none"> • Use current appraised value <p><u>Cash-Out</u></p> <ul style="list-style-type: none"> • For properties owned < 12 months, LTV is calculated using the lesser of the original purchase price + documented improvements or the appraised value. • Current value may be used with: <ul style="list-style-type: none"> ○ Max LTV: <ul style="list-style-type: none"> ➢ Owner Occupied 75% ➢ Second Home or Investment 70%
Temporary Buydowns	Not allowed
Age of Documents	<p>Age (in calendar days) at Note date:</p> <ul style="list-style-type: none"> • Credit: 120 • Income: 120 • Assets: 120 • Appraisal: 360 (> 120 days requires 1004D Update within 120 days) • VVOE (wage earner): 10 • Self-Employed Business Existence: 20 • HOA cert: 180 • Flood cert: 120 • A 10-day variance may be granted case by case to accommodate closing delays • Prelim: 120 <p>Age (in calendar days) at Application date:</p> <ul style="list-style-type: none"> ○ Income: 30 (if the document is used for current receipt or YTD amounts) ○ Assets: 45 (monthly), 90 (quarterly)
Mortgage/Housing History	0x30x12
Minimum FICO	660
Bankruptcy History	<p>Chapter 7/11– 48 months from discharge date to Note Date</p> <p>Chapter 13 – 48 months from filing date to Note date; must be discharged/dismissed min. 12 months</p>
Foreclosure, Short Sale, Deed-in-Lieu, Pre-foreclosure Sale	48 months prior to Note date
Loan Mods/Payment Deferrals	Must be completed > 12 months prior to the Note Date
Forbearance	<ul style="list-style-type: none"> • If any payments were not made on time as per the Note during Forbearance, must be reinstated > 12 months prior to the Note Date • If all payments were made on time as per the Note during Forbearance, no seasoning required • Forbearance must be completed/reinstated

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Judgements	<ul style="list-style-type: none"> • All judgments affecting title must be paid off • Court ordered judgments not on title may be excluded if the borrower is currently in a repayment agreement with the creditor: <ul style="list-style-type: none"> ○ A minimum of 3 months has elapsed, and timely payments have been made, AND the payment is included in the DTI ratio
Liens	<ul style="list-style-type: none"> • All liens affecting title must be paid • All income tax liens (federal, state, local) must be paid off at or prior to closing, unless: <ul style="list-style-type: none"> ○ The borrower is on a payment plan, AND ○ A minimum of 2 payments have been made, AND ○ The account is current, AND ○ The monthly payment is included in the DTI ratio ○ Document with a copy of the Plan and payment history from lien holder, cancelled checks, or bank records to show payments made ○ Refinance transactions require subordination agreement from the taxing authority and the balance must be included in the CLTV ○ See guidelines regarding Past Due Federal Tax Liens not on a repayment plan
Multiple Derogatory Credit Events	Allowed so long as seasoning is met on each
Collections/Charge-offs	<ul style="list-style-type: none"> • Medical Collection do not need to be paid <p>Collections and non-mortgage charge-offs may remain open if:</p> <ul style="list-style-type: none"> • Borrower can qualify with a 5% payment added to the DTI, OR • Borrower has sufficient reserves to cover the balance and any other reserves required <p>2-4 Units, 2nd homes, and Investments:</p> <ul style="list-style-type: none"> • \geq 24 months must be paid if $>$ \$10,000 • $<$ 24 months must be paid if $>$ \$5000 • All others must have the 5% payment applied as per above
DTI	<ul style="list-style-type: none"> • 50%, OR • 55% with: <ul style="list-style-type: none"> ○ Min residual income \$3500 ○ Max 80% LTV/CLTV ○ Primary Residence only unless 2 Yrs. Standard Doc ○ Min 700 FICO only unless 2 Yrs. Standard Doc ○ No FTHB • Asset Utilization and FTHB: Max 45% <ul style="list-style-type: none"> ○ Asset Utilization and $<$ 12-month housing history: Max 43%
Residual Income	<ul style="list-style-type: none"> • Residual Income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations. • Required for loans with DTI $>$ 43% <p>Calculation:</p> <ul style="list-style-type: none"> • Gross Monthly Income – Total Monthly Obligations included in DTI • Minimum: <ul style="list-style-type: none"> ○ DTI $>$ 50%: \$3500, otherwise \$2500 + \$150/dependent

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Credit Scores	<ul style="list-style-type: none"> At least one borrower must have a valid score from at least 2 of the 3 agencies Use the middle of 3 scores or the lower of 2 scores for each borrower Use the Primary Wage Earner score for loan eligibility known as the Decision Credit Score, except for Asset Utilization/Depletion which uses the lowest score of all borrowers <p>NOTE: income may not be manipulated and/or reduced to meet eligibility or pricing requirements</p> <ul style="list-style-type: none"> When both borrowers are self-employed with equal ownership in a joint business, use the highest score among the borrowers
Credit History	<p><u>Minimum Tradelines Not Required</u></p> <ul style="list-style-type: none"> Minimum Tradelines are not required when the Primary Wage Earner has credit scores reporting from all 3 credit bureaus (Transunion, Equifax, Experian) <p><u>Minimum Tradelines Required (Above Not Met)</u></p> <p>Minimum Tradelines (must have activity in the last 12 months):</p> <ul style="list-style-type: none"> 3 opened or closed for a min.12 month, OR 2 opened or closed for a min 24 months, OR 1 mortgage or installment loan opened for a min. 12 months, OR All the following: <ul style="list-style-type: none"> 8 tradelines, 1 must be mortgage or rental history 1 tradeline open and reporting for a min. 12 months 8 yr. established credit history Tradelines with recent serious adverse history not acceptable <p>NOTE: A mortgage not reporting on credit may be used to meet a tradeline</p> <p>Unacceptable Tradelines:</p> <ul style="list-style-type: none"> Collection accounts Charge-offs Foreclosures Deed-in-Lieu of foreclosures Short sales Pre-foreclosure Sales Accounts discharged through BK Accounts in deferment Accounts being paid through a chapter 13 Trustee Non-Traditional Credit as defined by FNMA Accounts on which borrower is not obligated Authorized User

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Rental Income	<ul style="list-style-type: none"> Rental income from Subject Investment properties and Non-Subject properties may be used as qualifying income Rental income from the borrower’s primary residence is ineligible unless it is a multi-unit property, and the rental income is derived from the non-owner-occupied unit(s) Rental income from an ADU is not allowed Short Term rentals are not allowed <p><u>Documentation</u></p> <p><i>Alt Doc Subject Refinance or Non-Subject Properties</i></p> <ul style="list-style-type: none"> Copy of the Lease for the rental property, AND Two months proof of receipt of the rental income (must be deposited into an account separate from any business account used to qualify); for departure residence one month + security deposit is acceptable <p><i>Alt Doc Subject Purchase</i></p> <ul style="list-style-type: none"> If property is rented and purchase contract indicates that the tenants will remain in the property: <ul style="list-style-type: none"> Executed Tenant Estoppel Letter and/or current Lease Agreement (Lease required if Estoppel contains insufficient information), OR If property is not currently rented or purchase contract does not indicate tenants will remain in the property and there is no assignment of lease: <ul style="list-style-type: none"> 1007 or 1025 Rent Survey reflecting long term rents <p><u>Calculation:</u></p> <ul style="list-style-type: none"> 75% of the verified rental income less the PITIA of the rental property
Short-Term Rentals	Not Allowed
Cash In Hand	<ul style="list-style-type: none"> Rate Term – lesser of 2% or \$5000 Cash Out - Unlimited
Refinance - Seasoning	<p><u>All</u></p> <ul style="list-style-type: none"> Seasoning is measured from acquisition date of property per final CD/Settlement Statement to the Note date of the new loan <p><u>Any Loan Purpose</u></p> <ul style="list-style-type: none"> No seasoning required for properties recently acquired through inheritance or other legal process (e.g. divorce) <p><u>Rate and Term/No Cash-Out Refinance</u></p> <ul style="list-style-type: none"> At least one borrower must be on title at the time of the application For business entities, at least one eligible personal guarantor (see Closing in Business Entity section of guidelines) must have been a member/owner of the business entity at the time of the application <p><u>Cash-Out</u></p> <ul style="list-style-type: none"> If there has been a prior cash-out transaction within the past six (6) months of the Note date, the loan is ineligible for cash out. At least one borrower or one member/owner of the borrowing business entity must have owned the property for a minimum of 6 months For properties owned < 12 months, LTV is calculated using the lesser of the purchase price + documented improvement or the appraised value. Current value may be used when: <ul style="list-style-type: none"> LTV is: <ul style="list-style-type: none"> ➤ Owner Occupied <= 75% ➤ Second Home or Investment <= 70%

Contingent Liabilities	<p><u>Excluding Mortgage Debt – Borrower is Cosigner/Coborrower</u></p> <ul style="list-style-type: none"> • The party making the payments must be obligated on the mortgage • The borrower may not be using rental income from the property to qualify • If the borrower is on title to the property, it must be included in the max financed properties, if applicable • Accounts must be 0*30 < 6 months • Document with: <ul style="list-style-type: none"> ○ Copy of the Note or other definitive documentation to show the payee is obligated ○ Most recent (as of application date) 6 months proof the other party is making the payments (cancelled checks, bank records, etc)
	<p><u>Excluding Non-Mortgage Debt</u></p> <ul style="list-style-type: none"> • Includes: installment loans, student loans, revolving accounts, lease payments, alimony, child support, and separate maintenance • The other party does not need to be obligated on the debt • Transfer of ownership to the other party is not required, but if borrower is still an owner the property must be considered in max financed properties, if applicable • Accounts must be 0*30 < 6 months • Document with: <ul style="list-style-type: none"> ○ Most recent (as of application date) 6 months proof the other party is making the payments (cancelled checks, bank records, etc)
	<p><u>Excluding Debt Awarded to Another Party via Court Order or Divorce/Separation</u></p> <ul style="list-style-type: none"> • Debt awarded to former spouse or other party via court order may be excluded from the DTI Ratio • Document with: <ul style="list-style-type: none"> ○ Copy of the divorce decree, separation agreement or court order awarding the debt to the other party
	<p><u>Excluding Debt Assumed by Another Party</u></p> <ul style="list-style-type: none"> • Debt assumed by another party with release of liability may be excluded from the DTI ratio • Document with: <ul style="list-style-type: none"> ○ Copy of the Assumption Agreement and/or Release of Liability <u>document</u>
	<p><u>Business Debt</u></p> <ul style="list-style-type: none"> • Business debt on the borrower’s personal credit report must be included in the DTI ratio unless documentation is provided evidencing business pays the debt • Debt must be at least 6 months old as of application date and 0*30 < 6 months • Document with: <ul style="list-style-type: none"> ○ Tax Returns must reflect the business expense deduction ○ Most recent (as of application date) 3 months proof payment made by business (cancelled checks, bank statements, other bank records, etc.)

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First-Time Home Buyer	<ul style="list-style-type: none"> • A First Time Homebuyer is an individual that has not owned a home or been borrower on a mortgage in the 3-year period preceding the Application Date • For multiple applicants, as long as one borrower is not a First Time Homebuyer, then any restrictions for First Time Homebuyer will not apply • Borrowers with a documented 24-month rental payment history are NOT subject to First Time Homebuyer restrictions (institutional VOR or VOR with 24 months cancelled checks/bank statements/money order/etc. for private parties required) • 0*30 12-month rental history required or: <ul style="list-style-type: none"> ○ LTV may not exceed 80%, AND ○ DTI may not exceed 45% ○ Any part of 12-month housing history must be 0*30 • Maximum payment shock of 250% or minimum 6 months PITIA reserves required • Primary Residence and 2nd Home only
Reserves	<ul style="list-style-type: none"> • Gold: <ul style="list-style-type: none"> ○ <= \$1.5M: 6 months ○ > \$1.5M: 9 months ○ > \$2.5M: 12 months ○ > 85% LTV: 12 months • First Time Homebuyers: additional 6 months (may be waived case by case for borrowers with an otherwise strong credit profile) • Departure Residence – using Rental Income: additional 3 months • Foreign Nationals: additional 6 months • Escrow waiver: minimum 12 months • Reserves are based on the full PITIA payment, except for Interest Only, then based on the ITIA • Assets used for income (unless a business bank statement used for bank statement income – see Asset section) or pledged as collateral may not be used for reserves • Gift funds may not be used for reserves • Cash out may be used to meet reserve requirements if: <ul style="list-style-type: none"> ○ Loan amount <= \$1.5M and LTV <= 75% (65% for Foreign National) ○ Loan amount >= \$1.5M and LTV <= 65% (60% for Foreign National) ○ Not allowed for Asset Utilization
Gift Funds	<ul style="list-style-type: none"> • Allowed for any occupancy: <ul style="list-style-type: none"> ○ Primary Residence and 2nd Home – no minimum borrower contribution, all funds to close may come from gift ○ Investment Property – minimum 5% contribution from borrower’s own funds for LTV > 75% • Not allowed for WVOE program • May not be used for reserves

<p>Condominiums</p>	<ul style="list-style-type: none"> • Warrantable: <ul style="list-style-type: none"> ○ No LTV Restrictions • Non-warrantable: <ul style="list-style-type: none"> ○ Max 80% LTV/CLTV • Florida – see guidelines • Follow FNMA guidelines regarding Detached, 2-4 Unit, Limited, and Full Reviews • Loans that do not meet FNMA guidelines are non-warrantable • Allowable non-warrantable characteristics – see guidelines
<p>Geographic</p>	<ul style="list-style-type: none"> • MS not allowed
<p>Bank Statements: General</p>	<ul style="list-style-type: none"> • Self-employed borrowers may qualify under Alt Doc using bank statements, in lieu of tax returns, to support self-employment income to qualify • Tax returns are not required and should not be submitted; if submitted they will be used to qualify as a Full Doc loan • 4506-C forms and transcripts are not required • The primary wage-earner must be self-employed • Borrower must have at least 20% ownership • 2-year history of business ownership typically required • Less than 2 yrs. but > 1 yr. self-employment can be considered with documentation of two-year prior employment history in the same line of work of profession • The business structure or name may change within two years if the new business provides the same products and services as the current business (i.e. Sole prop. to LLC) • Recent changes of ownership percentage must typically take place prior to the application date and will be reviewed case by case for acceptance. Documentation to support the change in ownership must be provided as applicable, such as: <ul style="list-style-type: none"> ○ Corporate filing ○ Share Purchase Agreement ○ Operating Agreement <p>Evidence of buy-out of shares</p>
<p>Bank Statements: Bank Statement Types</p>	<ul style="list-style-type: none"> • Self-employed borrowers may qualify under Alt Doc using bank statements, in lieu of tax returns, to support self-employment income to qualify • Tax returns are not required and should not be submitted; if submitted they will be used to qualify as a Full Doc loan • 4506-C forms and transcripts are not required • The primary wage-earner must be self-employed • Borrower must have at least 20% ownership • 2-year history of business ownership typically required • Less than 2 yrs. but > 1 yr. self-employment can be considered with documentation of two-year prior employment history in the same line of work of profession • The business structure or name may change within two years if the new business provides the same products and services as the current business (i.e. Sole prop. to LLC) • Recent changes of ownership percentage must typically take place prior to the application date and will be reviewed case by case for acceptance. Documentation to support the change in ownership must be provided as applicable, such as: <ul style="list-style-type: none"> ○ Corporate filing ○ Share Purchase Agreement ○ Operating Agreement <p>Evidence of buy-out of shares</p>

Bank Statements: Documentation	<p><u>Ownership Percentage and Length of Ownership</u></p> <ul style="list-style-type: none"> • Borrower’s ownership percentage and length of self-employment must be documented with one or a combination of the following as needed: <ul style="list-style-type: none"> ○ Letter from licensed CPA/EA/CTEC (requires license verification) who filed or reviewed the borrower’s tax returns or, considered case by case, would otherwise possess such knowledge (e.g. Corporate Accountant, Controller, Finance Manager, Treasurer) ○ Business Formation Documents (Articles of Incorporation/Organization, Bylaws, Charter, Articles of Association, Operating/Partnership Agreement) <ul style="list-style-type: none"> ➢ Any documents received must document that they have been filed properly with the state ➢ Operating Agreement/Partnership Agreement must reflect all member-ownership interest in the business ○ On-line search of the Secretary of State’s business entity database (must support documentation provided) ○ Evidence of 2 yr. consecutive professional, regulatory (if applicable) or business licensure ○ Other reasonable means evidencing % and length of ownership • Business Narrative Form or equivalent <ul style="list-style-type: none"> ○ Must be completed by the owner of the business or an arms-length employee of the business who would possess such knowledge (e.g. Corporate Accountant, Controller, Finance Manager, Treasurer) <p><u>Bank Statements</u></p> <ul style="list-style-type: none"> • Provide 12- or 24-months consecutive statements depending on Income Type selected within 90 days of the Note date with all pages (including those without transaction information): <ul style="list-style-type: none"> ○ Cannot mix and match different bank accounts from month to month ○ Cannot be a transaction history print-out ○ Change in bank account requires proof the former account is no longer active, and activity must be consistent before and after the change ○ Bank statements may be obtained from the borrower or a third-party asset vendor participating in the Fannie Mae Day 1 Certainty ○ Must be from a U.S. regulated bank in U.S. dollars • Personal Bank Statements not used for business require 2 months Business Bank Statements: <ul style="list-style-type: none"> ○ Must evidence activity to support business operations ○ Must reflect transfers to the personal account being used • Signed and dated letter of explanation from borrower for any deposit > 50% of the average monthly sales of the business <ul style="list-style-type: none"> ○ Underwriter may require additional documentation at their discretion to document the source of the deposit is business related • Signed and dated letter of explanation from borrower for NSF’s that exceed the allowable NSF’s (see NSF section) • Signed and dated letter of explanation for negative ending balances • Additional explanations may be required by Underwriter case by case – see Income Calculation sections <p><u>Verification of Business Existence:</u></p> <ul style="list-style-type: none"> • On-line business entity or license search dated within 20 calendar days of closing reflecting active status (must be provided if available), OR • Active on-line phone listing of the business, OR • Active website marketing the company’s goods or services with contact information, OR <p><u>Other reasonable means indicating business is still open and operating</u></p>
	Bank Statements: Large Deposits

Bank Statements: Income Analysis and Calculation	<ul style="list-style-type: none"> • See Guidelines
Bank Statements: Foreign Income, Real Estate Investors, Ineligible Businesses/Accounts, NSFs	<ul style="list-style-type: none"> • See Guidelines
Bank Statements: Expense Factor	<ul style="list-style-type: none"> • An expense factor of 50% may be used without further documentation, however, if documentation is if supports a higher expense factor, then the higher factor must be used • An expense factor of 20% may be used without further documentation provided all the following are true: <ul style="list-style-type: none"> ○ Max 85% LTV ○ Borrower is sole owner and operator of the business with no partner’s or employees ○ Business is a service business with no costs of goods, heavy machinery, etc. ○ Business does not require office space that would incur rent ○ The Business Narrative Form should be used to assist with this determination ○ Examples of service industry include: Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance, Information Technology • A lesser expense factor no lower than 10% may also be used if verified by alternate means • A lesser expense factor should be consistent with the type of business as well as the revenue and expenses in the business bank statements: <ul style="list-style-type: none"> ○ Example: A homebased sole practitioner consultant can be expected to have a lesser expense factor while a retail business that has a full staff of employees, a fleet of vehicles and relies heavily on inventory to generate income will have a higher expense factor • A CPA/EA/CTEC prepared P&L or Expense Statement may be used to determine the lesser Expense Factor: <ul style="list-style-type: none"> ○ An Expense Statement must indicate the business expenses as a percentage of the gross annual sales/revenue: ○ Use the Tax Preparer Attestation Form or equivalent ○ P&L must be on Letterhead and include gross revenue and expenses: <ul style="list-style-type: none"> ➢ Underwriter will divide the total expenses by the total revenue to determine the Expense Factor ➢ Depreciation, depletion, amortization/casualty loss and salary paid to the borrower may be excluded as expenses ➢ Must cover the same months as bank statements used for income ➢ Total deposits reflected on the bank statements, minus any inconsistent deposits, must be greater than or no more than 20% below the sales/revenue reflected on the P&L ➢ Qualifying income is the lower of: <ul style="list-style-type: none"> • The Net Income indicated on the P&L, OR • Total deposits reported on the bank statements, minus any inconsistent deposits, • Both figures are divided by the number of bank statements used for income ○ Must be prepared or reviewed by a CPA/accountant, IRS Enrolled Agent, or the Tax Preparer who prepared borrower’s tax returns ○ Preparer must attest that they have prepared the tax returns, audited the business financial statements or reviewed working papers provided by the borrower ○ Must be signed and dated by the preparer ○ Preparer’s qualifications (e.g. license) must be verified

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<p>P&L Only: General</p>	<ul style="list-style-type: none"> • Permitted for self-employed borrowers with a minimum 25% ownership of the business • Primary borrower must be self-employed • Income disclosed on the initial 1003 should be reviewed for consistency with the income calculated from the P&L statements: <ul style="list-style-type: none"> ○ Large deviations should be evaluated and may require a written explanation from the borrower regarding their business and the income they earn and/or additional documentation may be required ○ Income calculated on the P&L that exceeds the income on the initial 1003 requires an exception • Must be prepared by an individual with knowledge of the business sufficient to review or prepare a P&L statement <ul style="list-style-type: none"> ○ Examples are CPA, IRA Enrolled Agent (EA), a CTEC registered tax preparer, or a Tax Attorney. PTIN is not allowed • Business must be in existence for 2 yrs. • Bank Statements must be provided to support P&L • 12- or 24- month options depending on income type selected • Bank Statements must be provided if the preparer did not prepare the borrower's tax returns • Expenses on the P&L must be reasonable for the industry • Not-For-Profit entities are ineligible • Additional documentation may be required to support the P&L when the same preparer has prepared P&L statements for multiple borrowers • Min. FICO 600 • Max LTV 80% (Otherwise follows Bank Statements LTV/FICO/Loan Amount restrictions on Matrix)
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P&L Only: Documentation	<p><u>P&L Statement</u></p> <ul style="list-style-type: none"> • 12- or 24- month P&L statement representing total business sales and expenses for the period covered NOTE: In lieu of the last 12-months P&L, a YTD and prior year full 12 month P&L may be provided. In this case, income is calculated using the prior year P&L and the YTD P&L must be \geq prior year or (the YTD is not averaged with the prior year) or the last 12 months P&L must be provided • Confirmation the preparer completed or filed the most recent business tax return(s) and financial statements necessary to cover the period, OR if not prepared by: <ul style="list-style-type: none"> ○ Confirmation the preparer has reviewed the tax return(s) and financial statements necessary to cover the period • Business bank statements for the most recent 2 months reflected on the P&L statement, AND <ul style="list-style-type: none"> ○ Deposits must support 80% of the monthly average sales/revenue reported on the P&L, AND ○ If the 80% is not met, additional bank statements may be provided until the 80% is met • Ownership percentage and 2 yr. business existence must also be verified with the same documents listed under Bank Statement - Documentation • Current/active license or certification for the preparer: <ul style="list-style-type: none"> ○ State CPA license number as verified by license or screenshot from state licensing authority ○ IRS Enrolled Agent (EA) certification from IRS (e.g., screenshot of IRS web site) ○ CTEC certification from California (e.g., screenshot of CTEC web site) ○ State Attorney license number as verified by license or screenshot from state licensing authority
	<p><u>Ownership Percentage and Length of Ownership</u></p> <ul style="list-style-type: none"> • Borrower’s ownership percentage and length of self-employment must be documented with one or a combination (as needed) of the following: <ul style="list-style-type: none"> ○ Letter from licensed CPA/EA/CTEC (requires license verification) who filed or reviewed the borrower’s tax returns or case-by-case, individuals who would otherwise possess such knowledge (e.g. Corporate Accountant, Controller, Finance Manager, Treasurer) ○ Business Formation Documents (Articles of Incorporation/Organization, Bylaws, Charter, Articles of Association, Operating/Partnership Agreement) <ul style="list-style-type: none"> ➢ Any documents received must document that they have been filed properly with the state ➢ Operating Agreement/Partnership Agreement must reflect all member-ownership interest in the business ○ On-line search of the Secretary of State’s business entity database (must support documentation provided) ○ Evidence of 2 yr. consecutive professional, regulatory (if applicable) or business licensure ○ Bank statement from 24 or more months prior to note date reflecting activity ○ Other reasonable means evidencing % and length of ownership • Business Narrative Form or equivalent <ul style="list-style-type: none"> ○ Must be completed by the owner of the business or an arms-length employee of the business who would possess such knowledge (e.g. Corporate Accountant, Controller, Finance Manager, Treasurer)
	<p><u>Verification of Business Existence</u></p> <ul style="list-style-type: none"> • On-line business entity or license search dated within 20 calendar days of closing reflecting active status (must be provided if available), OR • Active on-line phone listing of the business, OR • Active website marketing the company’s goods or services with contact information, OR • Other reasonable means indicating business is still open and operating

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P&L Only: Income Calculation	<ul style="list-style-type: none"> • Net income (Revenue minus Expenses) divided by the period multiplied by the borrower’s ownership percentage • The following may be added back to qualifying income calculation: <ul style="list-style-type: none"> ○ Depreciation ○ Depletion ○ Amortization/Casualty Loss ○ Compensation paid to the borrower
1099 Only	<ul style="list-style-type: none"> • See Guidelines
WVOE + Bank Statements	<ul style="list-style-type: none"> • See Guidelines
Asset Utilization	<ul style="list-style-type: none"> • See Guidelines
Prepayment Penalties	<ul style="list-style-type: none"> • 0-5 yr. pre-payment penalties available • Not allowed in AK, KS, MI, MN, NM, OH, RI • Not allowed on loans vested to individuals in IL and NJ • Not allowed on loan amounts < \$278,204 in PA • Only declining structures are allowed in MS
Appraisal	
Appraisal Requirements	<ul style="list-style-type: none"> • All real estate appraisals must be performed according to the Uniform Standards of Professional Appraisal Practice (USPAP) • All real estate appraisals must be performed according to Fannie Mae® guidelines, including Universal Appraisal Dataset (UAD) requirements (FNMA SSR required) • All appraisals must comply with any requirement for higher priced mortgage loans (HPMLs), if applicable. • All appraisals must comply with the Appraisal Independence Requirements • The appraiser must not have a direct or indirect interest, financial or otherwise, in the property or in the transaction. • Unless otherwise stated in this matrix, all Fannie Mae guidelines apply to appraisal process and value determination. • Transferred Appraisals are allowed – see Appraisal Transfer Job Aid – for requirements • Re-use of an Appraisal from a prior closed transaction not permitted unless Delayed Financing (see Delayed Financing section) or for a Rate and Term DSCR loan with the same borrower (cannot be a transferred Appraisal) • Appraisers must be State Certified • State Licensed and Trainees as sole appraiser are not permitted • An unlicensed or uncertified appraiser who works as an employee or subcontractor of a certified appraiser may perform a significant amount of the appraisal if the appraisal report is signed by a certified appraiser and is acceptable under state law. • A minimum of 1 Full Appraisal is required for every loan

<p>Appraisal Review</p>	<ul style="list-style-type: none"> • Loan Amount <= \$2M: <ul style="list-style-type: none"> ○ 1 Full Appraisal ○ CU Score <= 2.5 OR Enhanced Desk Review: <ul style="list-style-type: none"> ▪ CDA from Clear Capital ▪ ARR from Stewart Valuation Intelligence fka Pro Teck ▪ ARA from Computershare ▪ CCA from Consolidated Analytics ○ No CU Score requires CDA ○ When CDA Required: <ul style="list-style-type: none"> ➢ Use Appraised Value if CDA >= 90% of Appraised Value ➢ Use CDA Value if CDA < 90% of Appraised Value ➢ If the CDA does not support the value needed to qualify, a Field Review may be ordered: <ul style="list-style-type: none"> ○ The Field Review typically supersedes the CDA, however, Underwriter should consider both in evaluation ○ If the Field Review is not within 90% of the Appraised Value, use Field Review value or a 2nd Appraisal may be ordered (follow 2 Full Appraisals section below) • Loan Amount >= \$2M: 2 Full Appraisals required: <ul style="list-style-type: none"> ○ 2nd Appraisal cannot be a transferred appraisal ○ 2nd Appraisal must be ordered from a different company than the first Appraisal ○ Use the lower of the 2 values ○ Only 1 1004D is required if both are “subject to,” but “subject to” items from both Appraisals must be addressed
<p>Age of Appraisal</p>	<ul style="list-style-type: none"> • Appraisal must be dated within 365 days of the Note date. • Recertification of value required if the appraisal is not dated within 120 days of the Note date • Recertifications of value (1004 Update) extend the Appraisal for 120 days: <ul style="list-style-type: none"> ○ If the 1004D Update indicates that the property value has declined, a new appraisal is required ○ The original appraiser should complete the appraisal update; however, substitute appraisers may be used. ○ When updates are completed by substitute appraisers, the substitute appraiser must review the original appraisal and express an opinion about whether the original appraiser’s opinion of market value was reasonable on the date of the original appraisal report ○ The file must be noted as to why the original appraiser was not used.
<p>Declining Markets</p>	<ul style="list-style-type: none"> • Declining Markets are determined by the appraisal • 5% LTV reduction

<p>Ineligible Properties</p>	<ul style="list-style-type: none"> • Rural • Live/Work condos • Common Interest Apartments • Co-ops • Manufactured/Mobile Homes (Modular acceptable per FNMA) • Houseboat • Geodesic Domes • Earth/Berm Home • Timeshares/Fractional Ownership • Properties under construction • Unique properties • Theme Park/Resort Properties • Properties used for cultivation, distribution, manufacture or sale of marijuana • Boarding Houses/B&B • Assisted Living/Continuing Care • Properties on Native American land • Working Farms, Ranches, Orchards (Hobby Farms allowed case by case) • Agricultural Type properties (note: agricultural zoning in areas that are primarily residential is acceptable, so long as subject does not have agricultural use) • 5+ units • Vacant Land • Land Development Properties • Properties without a full kitchen. A full kitchen must have at a minimum: <ul style="list-style-type: none"> ○ Refrigerator ○ Stove ○ Food storage and prep areas ○ Sink ○ External venting • Properties without a bathroom • See Condominium section for additional condo restrictions • Properties not readily accessible by roads that meet local standards • Properties not suitable for year-round occupancy (regardless of location) • Properties currently listed for sale • Properties less than 500 sq. ft. • Properties > 40 acres (see Lot Size section) • Condotels • Leaseholds • Short Term Rentals • Group Homes • Commercial Purposes (assisted living, day care, rehab, half-way houses) • Mixed Use
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Lot Size	<ul style="list-style-type: none"> • Must be less than 40 acres • Cannot be rural • Properties > 10 acres <= 40 acres must meet the following: <ul style="list-style-type: none"> ○ Maximum land to value 35% ○ No income producing attributes ○ > 20 acres must be 10% below max LTV/CLTV/HLTV ○ Hypothetical values excluding acreage above max not allowed ○ Lot size must be typical for the area
Listed for Sale	<ul style="list-style-type: none"> • Properties currently listed for sale are ineligible • Must be off the market for 6 months as of the application date, OR <ul style="list-style-type: none"> ○ Must be off the market prior to the Note date and reduce the max LTV by 10% ○ LTV reduction may be waived with a 3 yr. pre-payment penalty (when allowed) ○ Signed and dated letter of explanation required
Log Homes	<ul style="list-style-type: none"> • Primary or 2nd Home • Max 80% LTV • The appraisal should provide a reliable opinion of market value supported by at least 2 similar log home comparables
Escrow Holdback	<p>Not allows</p>
Property Condition	<ul style="list-style-type: none"> • C5 and C6 condition and Q6 quality not allowed • Incomplete items or conditions that affect the health, safety, soundness or structural integrity of the property must be repaired/remedied prior to closing. Examples: <ul style="list-style-type: none"> ○ Cracks or settlement in the foundation ○ Water seepage ○ Active roof leaks ○ Curled or cupped roof shingles ○ Inadequate electrical service or plumbing ○ Broken Windows • A 1004D completion report with photos must be provided to show the work has been completed