LOANLOCK PRIME

Closed End Second Mortgage

Product Guidelines	
Target Market	Closed End Second Mortgage (CES) can be standalone or combined with a conventional Agency first mortgage to avoid non-conforming loan amounts or combined with an Agency first mortgage product to reduce down payment below 20%. Product may be originated as a standalone.
Term/Amortization	Fixed rate fully amortizing with terms of 60,120,180, 240 months or 360.
DU/LPA Eligibility	First Mortgage must have DU Approved/Eligible, or LPA Accept, or Approve/Accept/Ineligible due to loan size for non-conforming 1st liens; Standalones are manually underwritten and must be locked prior to submission to Underwriting.
Eligible Transactions	Purchase, Rate/Term or Cash-out refinance
Min / Max Loan Size	$25,000 minimum; $250,000 maximum
Max Combined Liens	$2.5 MM
Max CLTV/HCLTV	• Owner Occupied - 89.99% purchase • Owner Occupied - 85% refinance (rate/term or cash-out) • Second Home - 80%; see Geographic Restrictions
Seasoning	If the property was purchased within 12 months of the application date, the lower of the current appraisal or purchase price (plus documented improvements since purchase) will be used to determine LTV
Eligible Properties	1 unit primary residence a. SFD / PUD / townhome / rowhome b. Low-rise condominium (Fannie/Freddie Warrantable) c. High-rise condominium (Fannie/Freddie Warrantable) 1 unit second / vacation home a. SFD / PUD/townhome/rowhome
Ineligible Properties	• Condotels • Non-warrantable condos • Manufactured • Co-Ops • Multi-Unit (2-4) • Unique properties • Log Homes • Working or Hobby Farms • Tracts greater than 10 acres (larger properties considered on a case-by-case basis) • Properties subject to completion or repairs (without a satisfactory certification of completion)
Occupancy	• Owner Occupied • Second/Vacation homes • Non-owner-occupied homes are ineligible • Non-occupant co-borrowers are ineligible
Eligible Borrowers	Follow Fannie Mae Seller Guide except: • No non-occupant co-borrowers • No E-2 investor visas

	• No tax IDs in lieu of valid social security numbers • See section for Self-Employed Borrowers
Eligible First Lien Programs	• Fixed Rate fully amortizing Agency / Government eligible • Agency ARMS with initial fixed term ≥ 5 years • Non-Agency Jumbo Fixed and ARMS with initial fixed term ≥ 5 years • AUS approval required (DU/LP), Approve/Ineligible (due to loan size) required for non-agency 1st liens • Interest Only, Negative Amortization, privately held mortgage and other High Risk product features are ineligible Standalones: provide current mortgage statement (or CD if recently closed on 1st mtg); copy of 1st Mortgage Note is required if 1st mortgage is an ARM or balloon.

Credit	• Minimum underwriting credit score is 680
	• Underwriting score is determined as the middle of three indicator scores or the lower of two. For multiple borrowers, the lowest middle score for all borrowers is used. Non-traditional credit scoring is ineligible.
	• Credit document age must follow AUS requirements
	• If there are past due, unpaid Federal income taxes, provide an installment agreement with the IRS, payment history showing at least 1 payment being made and that the borrower is current, and include the monthly payment in the borrower's debt obligations. Proof of income tax payment may be required to verify that there are no past due taxes.
	• Tax liens must be paid off at or before closing
	• No mortgage delinquency (0x30) in the last 24 months
	• For any mortgage forbearance or payment deferral agreements that occurred during the COVID-19 pandemic time period, borrower(s) must have made at least 6 consecutive separate on-time monthly housing payments, and at least 6 months must have elapsed since the forbearance/deferment arrangement ended
	• Borrower(s) must be current on all mortgage debt
	• No judgments, repossessions, or charge offs in the last 60 months
	• The following are considered severe delinquency, regardless of AUS feedback; *Borrowers with these profiles are ineligible until a period of 7 years has passed since occurrence and credit has been re-established.*
	    o Bankruptcy
	    o Foreclosure / Deed in Lieu of Foreclosure
	    o Short Sale or Short Payoff
	    o Mortgage modification, forbearance or deferment (excluding COVID-19 related)
	• Borrowers with extenuating, isolated, one-time circumstances may be considered on a case-by-case basis, as determined by underwriting.
	• When borrower is not on the Note of the First mortgage of the subject property, the PITI must be included in the DTI calculation. The mortgage payment history must be provided and meet ONY GLO INC posted guidelines.

Qualifying Ratios/DTI	45.000% DTI maximum
Qualifying Rate	Qualify at initial note rate
Income/Employment	• Piggybacks: follow first lien requirements. See Self-Employed Borrowers section for additional restrictions. • Standalones: for salaried borrowers, most recent paystub dated within 30 days of application containing at least 30 days of YTD earnings and most recent year's W-2 or WVOE (follow FNMA guidelines for other types of income). See Eligible Borrowers Section for additional details. • Third party verifications of income, debts, and assets are acceptable • Verbal verification of employment within 10 days prior to the note date
Self Employed Borrowers	• Minimum income documentation: o Piggybacks: follow AUS for tax return requirements and current Year to Date P&L

	○ If an extension was filed by the borrower, a P&L for the tax year must be provided with proof of extension filing ○ Standalones: 2 years tax returns (business and personal) with all schedules and Year to Date P&L ○ Verbal verification of self-employment dated within 120 calendar days of the note date • Complex ownership structures, business models (multiple affiliates or entities), or borrowers with significant contingent liabilities are ineligible (inquire with your BDM for scenarios)
Assets/Funds to Close/Reserves	Follow first lien requirements
Interested Party Contributions	See first lien eligibility
Appraisal/Property Valuation	• For loans that are HPML, follow the requirements of the TILA HPML Appraisal Rule including an appraisal with an interior inspection (and an additional appraisal for flipped properties) as summarized here: https://files.consumerfinance.gov/f/201401_cfpb_tila-hpml_appraisal-rule-guide.pdf • Piggybacks: For loans that are not HPML, follow FNMA/FHLMC guidelines (based upon the applicable AUS feedback type provided) except **ONY GLO INC will not accept appraisal waivers**. If AUS permits a value acceptance (appraisal waiver), then instead provide: 1) AVM and exterior minimum property condition report (including photos) dated within 60 days of the note date or 2) an appraisal (can be a desktop, exterior inspection and/or interior inspection) completed by a licensed/state certified appraiser dated within 120 days of note date. • Standalones: For loans that are not HPML, 1) AVM and exterior minimum property condition report (including photos) dated within 60 days of the note date or 2) an appraisal (can be a desktop, exterior inspection and/or interior inspection) completed by a licensed/state certified appraiser dated within 120 days of note date or 3) FIRREA and USPAP compliant hybrid valuation may be acceptable. • AVM requirements - completed by one of the following providers with a Confidence Score of 80% or greater and a forecasted standard deviation (FSD) less than or equal to: ○ Clear Capital - .13 ○ Black Knight Collateral Analytics - .20 ○ CoreLogic - .20 ○ House Canary - .14 ○ Veros - .16 ○ Quantarium - .15 • 1004D Completion Alternatives are ineligible. • If the property is located in a PUD, an HOA statement must be provided if an AVM is provided for valuation.
Disasters	For properties located in individual assistance designated areas that have been declared a major disaster by FEMA after an appraisal/property inspection has been completed, then an exterior minimum re-inspection report (including a post-disaster photo) prepared by an independent third party dated after the disaster declaration date with confirmation that the property has not been adversely affected by the disaster is required.
Geographic Restrictions	• Properties located in **AK, HI**, and **NY** are **ineligible.** • Purchase transactions only in TX. • For TN loans: ○ with a term > 180 months, interest rate set at time of lock may not exceed Maximum Effective Interest Rate listed here: https://www.tn.gov/content/tn/tdfi/tdfi-how-do-i/info/mortgage-rate-of-interest/max-effective-interest-rate-history.html ○ with a term <= 180 months, interest rate set at time of lock may not exceed Maximum Effective Interest Rate listed here: https://www.tn.gov/content/tn/tdfi/tdfi-how-do-i/info/formula-rate/formula-rate-history.html • For NC properties, total lender fees may not exceed 2% of the note amount.

Closed End Second Mortgage

Property Insurance	Follow FNMA Selling Guide. Mortgagee clause for 2nd lien must be in the name of the creditor, ISAOA, ITIMA.
Title Policy	Full ALTA, Junior ALTA or ALTA lite required. Lender's title insurance in the amount of second lien amount is required (final policy must be separate from 1st lien title policy). Both short form and long form policies are acceptable. ALTA Endorsements are not required. Closing protection letters are not required. For Standalone transactions, a title report is acceptable.
Trusts	Title may not be held in the name of a trust
Power of Attorney	POAs are permitted on purchase transactions only and meet FNMA requirements
Temporary Buy-downs	Not Allowed
Conversion	Non-convertible
Assumability	Not assumable
Amortization	Terms: 60,120,180, 240, 360 months
Prepayment Penalty	None
Leasehold	Not eligible
High-Cost Loans	May not be defined as High Cost by any applicable agency
ATR/QM	Loans may be QM Safe Harbor, QM Rebuttable Presumption or Non-QM. Regardless of which of these 3 designations they fall into, all loans must be within the QM points-and-fees caps contained within the Ability-to-Repay and Qualified Mortgage Rule. Loans that are both Non-QM and HPML must comply with the TILA HPML Appraisal Rule.
HPML/HPCT	Higher-Priced Mortgage Loans (HPML) and Higher-Priced Covered Transactions (HPCT) are permitted subject to complying with all applicable regulatory requirements, except that the balloon products may not be HPML or HPCT. ONY GLO INC will not purchase balloon mortgages in which the APR equals or exceeds 3.5% above the 15 year fixed APOR index value at the time the loan is locked.
TILA Timing Waivers	Consumer's waiver of waiting period before consummation and rescission waivers are not permitted under any circumstances
Payment Date	Payment will be due on the 1st of each respective month
Late Charges	5% late fee will be assessed on the payment due date + 15 days (unless there is a more restrictive state requirement)
State/Federal Disclosures	Follow state and federal requirements
UCDP/SSRs	Not required
Other Guidelines	If not addressed in these guidelines, follow the FNMA selling guide. Additional documentation may be required in addition to AUS required documentation.