Non-Delegated Correspondent
Bayview Agency Investor Plus

Community Loan Servicing is pleased to offer this program tailored to meeting the needs of the real estate investment community. All loans originated to Bayview Agency Investor Plus product are secured by investment properties and cannot be occupied by any of the borrowers and or guarantors. Seller shall deliver loans that were originated in accordance with the Fannie Mae Single Family Selling Guide or the Freddie Mac Single-family Seller/Servicer Guide, (as applicable), unless otherwise noted in this product matrix.

Bayview Agency Investor Plus				
Transaction Type	**Units**	**Loan limit**	**Maximum LTV/CLTV[2]**	**Minimum FICO**
Purchase	1	Conforming[1]	85% / 85%	≤ 7 financed properties: **660** > 7 financed properties: **700**
		Non-Conforming	80% / 80%	**740**
	2-4	Conforming[1]	75% / 75%	≤ 7 financed properties: **680** > 7 financed properties: **700**
		Non-Conforming	70% / 70%	**740**
Rate and Term Refinance	1	Conforming[1]	80% / 80%	**740**
			75% / 75%	≤ 7 financed properties: **660** > 7 financed properties: **700**
		Non-Conforming	70% / 70%	**740**
	2-4	Conforming[1]	80% / 80%	**740**
			75% / 75%	≤ 7 financed properties: **680** > 7 financed properties: **700**
		Non-Conforming	70% / 70%	**740**
Cash-Out Refinance	1	Conforming[1]	80% / 80%	**740**
			75% / 75%	≤ 7 financed properties: **660** > 7 financed properties: **700**
		Non-Conforming	70% / 70%	**740**
	2-4	Conforming[1]	80% / 80%	**740**
			70% / 70%	≤ 7 financed properties: **680** > 7 financed properties: **700**
		Non-Conforming	65% / 65%	**740**

[1]Loan amounts up to high cost limits per county
[2]See Declining Market Section for LTV/CLTV reductions

Loan Product	
Eligible Products/Terms	**Borrower has ≤ 10 properties financed:** **PPF360** – 30 year fixed **PPF390** – 10 year interest-only with loan fully amortizing over remaining 20 years with pre-pay penalty **Borrower has > 10 properties financed:** **PPF361** – 30 year fixed **PPF391** – 10 year interest-only with loan fully amortizing over remaining 20 years with pre-pay penalty
Ineligible Products Types	• HomeStyle Renovation/Energy Mortgages • Construction to Perm / One-Time Close Mortgages • Loans with Out of Scope findings
Maximum | Minimum Loan Amount	• $1,500,000 maximum loan amount • $100,000 minimum loan amount

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Purpose	• Purchase • Rate/Term Refinance • Cash-Out – requires a signed letter of explanation from the Borrower, stating that the cash out will be used for business purposes only and not household nor consumer use
Occupancy	Investment
Temporary Buy downs	Not permitted
Eligibility	
Borrower Eligibility	• Acceptable Residency Statuses: • U.S. Citizen(s) • Non-US Citizen(s) who are lawfully present in the United States. This includes both Permanent Qualified Resident Aliens and Non-Permanent Qualified Aliens as defined in the Special Products Seller Guide or the Residency and Eligibility Guide • Inter Vivos Revocable Trusts permitted in accordance with Fannie Mae or Freddie Mac guidelines, as applicable. File to contain clear evidence of compliance. o Note: If closing in a Trust, the Trust beneficiaries must meet one of the above residency statuses • Life Estates are not permitted • Properties vested in LLC: o The borrower(s) on the loan application must be a managing member(s) and have documented authority to sign on behalf of the entity. In addition, all members with signing authority must sign the security instrument. All members with 25% ownership or more are subject to AML/BSA review. o Documentation Requirements: • Certificate of formation, filed articles of incorporation, including any and all addendums and a current listing of all ownership interests. Lender to provide a clear OFAC check for all individuals with 25% or more ownership of the entity as confirmed by a current listing of ownership interests. • The Operating Agreement for the LLC must be provided in order to confirm acceptability of the LLC • Current Certificate of good standing, dated within 12 months prior to note date
Co-borrower/Co-signer	Permitted in accordance with Fannie Mae Selling Guide or Freddie Mac Seller Guide
Homebuyer Education	Not required
Non-Arm's Length Transactions	If the borrower has a relationship or business affiliation with the builder, developer, or seller of a newly constructed property, the loan is ineligible.
Credit	
AUS	• Desktop Underwriter (DU) with Approve/Eligible or Loan Product Advisor (LPA) with Accept/Eligible findings required with the following exceptions: o Ineligible, Caution or Refer with Caution finding due to:

	▪ Number of financed properties ▪ Loan amount ▪ LTV over 75% on a refinance (minimum 740 FICO) ▪ FICO below 720 on conforming loans where the borrower has ≥ 7 financed properties ▪ Pre-Payment penalty • Must enter 30-year fully amortized PITIA into DU or LPA (as applicable), on all Interest-Only products • Loans with Out of Scope findings are not eligible for purchase • Manual underwriting not permitted • Credit is evaluated by DU/LPA as applicable **Note:** Findings related to Mortgage Insurance (MI) may be ignored as MI is not required
Credit Score	Refer to eligibility chart above
Non-Traditional Credit	Non-traditional credit is not acceptable
Significant Derogatory Credit	• Refer to Fannie Mae Selling Guide or Freddie Mac Seller Guide as applicable with the exception of forbearance (See section below for specific requirements)
Forbearance	<u>Determining Eligibility for New Loan</u> For borrowers who have entered into forbearance on any loan (including but not limited to the subject mortgage) between 01.01.2020 and 06.01.2022, the below listed criteria is to be used to determine eligibility. <u>All other loans must wait four years from the **exit** of a forbearance plan to be considered eligible.</u> • Any loans that are shown to be in active or previous forbearance but where the borrower continued to make regularly scheduled payments and has made at least one (1) regularly scheduled payment since forbearance inception date are eligible o All payments must have been made within the month due The forbearance plan must be terminated at or prior to closing and the loan file must contain documentation that the forbearance is no longer active (i.e. removal letter from servicer, etc.). • Any loans (including but not limited to the subject mortgage) where a mortgage reflects reduced or missed payments under a forbearance and borrower has accepted a payment deferral, initiated a repayment plan or has reinstated the mortgage to return to a current status must meet the requirements below: • Purchase & Rate/Term Refinance: o Three (3) consecutive months of required payments since completed forbearance plan o All payments must have been made within the month due • Cash-out Refinance: o Twelve (12) consecutive months of required payments since completed forbearance plan o All payments must have been made within the month due

	• Payment Deferral: The refinance of a loan that has a payment deferral and where the amount of the deferred payments is included in the new loan is eligible as a rate/term transaction. Funds applied to pay off the prior loan, including the deferred portion, are not considered cash out • Repayment Plan: The full amount of the repayment plan monthly payment must be considered in meeting the required consecutive payment requirements (Purchase/Rate Term or Cash-out) detailed above • A mortgage subject to forbearance must utilize the mortgage payment history in accordance with the forbearance plan in determining late housing payments • Loan file must contain a letter of explanation from the borrower detailing the reason for forbearance and that the hardship no longer exists
DTI	**Per AUS** • When the subject transaction includes a non-occupant co-borrower, the DTI ratio must include the borrowers' principal residence housing expense (PITIA). If the borrower and/or the non-occupant co-borrower are renting, then all primary residence rental payments must be included in the housing expense portion of the DTI ratio. • The following is acceptable documentation to verify the borrowers' primary housing rental payment: o Six months most recent canceled checks or equivalent payment source*; o Six months most recent bank statements reflecting a clear and consistent payment to an organization or individual*; o Direct verification of rent from a management company and two months most recent cancelled checks dated prior to application; o Direct verification of rent from a landlord and twelve months most recent cancelled checks dated prior to application; or o A copy of a current, fully executed lease agreement and two months most recent canceled checks (or equivalent payment source) dated prior to application and supporting the rental payment amount. • * See liabilities section of this product matrix for private party VOR payment history requirements. If rental or mortgage history documentation suggests a payment delinquency, additional documentation may be required to establish a satisfactory payment history in accordance with Fannie Mae Agency requirements. • Interest-Only products require the 30YR fully amortized PITIA to be entered into DU or LPA as applicable, for debt ratio calculations purpose
Liabilities	• Refer to Fannie Mae Selling Guide or Freddie Mac Seller Guide as applicable • Private party VOM/VOR as a stand-alone document is not permitted, 12 months cancelled checks are required to document the payment history • Any credit inquiries within the previous 120-day period must contain a written explanation from the borrower to attest that the inquiry did not result in any additional debt not reported on the credit report.

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Employment/Income	
Employment/ Income Verification	• Employment and income documentation must comply with the requirements of the AUS findings and the Fannie Mae Seller Guide or Freddie Mac Seller Guide as applicable, including all additional investor COVID-19 guidelines and diligence requirements for income and employment verification that are still in place. o Approved third party suppliers and distributors that generate employment and income verification reports are permitted for the purpose of verifying income and employment • For salaried employees, the verbal verification of employment must be completed within 10 business days prior to the Note date o Approved third party suppliers and distributors that generate employment and income verification "automated" reports are permitted for the purpose of verifying income and/or employment ▪ Because third-party vendor databases are typically updated monthly, the verification must evidence that the information in the vendor's database was no more than 35 days old as of the Note date o Request for Verification of Employment, Form 1005 (VOE) or a VOE/VOI completed manually/ researched through a third party, is not permitted as stand-alone document • Income validation obtained through DU | LPA may fulfill the VOE requirement provided that it is obtained within ten (10) business days prior to the Note date • For self-employed borrowers, the verbal verification of employment must be completed within 120 calendar days prior to the note date • For borrowers in the military, a military Leave and Earnings Statement dated within 120 days prior to the note date is acceptable in lieu of a verbal verification of employment. • All sources of qualifying income must be legal in accordance with all applicable Federal, State and Local laws, rules and regulations, without conflict • A 4506-C form is required to be signed at time of application and at closing for all transactions • For future income, paystubs are required prior to closing • Mortgage Credit Certificates are not permitted • Transcript Requirements: o W2/1099 transcripts will not be required for a borrower when all income for that borrower is derived from W-2 wage earner and /or 1099 fixed income sources o Tax transcripts are required in the following circumstances: ▪ When tax returns are used to qualify a borrower. The number of years provided must be based on the DU findings. Income verified via tax returns includes but is not limited to the examples listed below: • Self-employment income • Rental Income • Other Income Sources (i.e. Dividend/Interest, Capital Gains, Alimony, etc.) ▪ Employment by family members ▪ Handwritten paystubs/W2s ▪ When amended tax returns have been filed, tax transcripts are required and must support the amended income • When amended tax returns are utilized for documenting qualifying income for approval purposes and the borrower could not qualify with the prior tax return income, then the following would need to be adhered to (all employment/income types);

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	o Tax returns amended within 90 days prior to the application date or at any time during the loan process are not permitted o Tax returns amended greater than 90 days prior to the application date are permitted. Both the original and amended returns must be examined for consistency to determine whether the use of the amended return is warranted and is supportive of the borrower's overall income profile. The following documentation will be required: ▪ A letter of explanation from the borrower detailing the reason for re-filing ▪ Evidence of re-filing via tax transcript (Record of Account) supporting the amended return • Payment of and evidence of the ability to pay any applicable tax (if a payment plan for taxes due is accepted, evidence of initial payment must be documented
Rental Income	• Refer to Fannie Mae Selling Guide or Freddie Mac Seller Guide as applicable with the following restriction: • When purchasing or refinancing a 1-4 unit investment property, the borrower must currently own a primary residence in order to use rental income from the subject property for qualifying purposes • Delayed financing will be permitted only when the borrower meets the primary housing history requirements listed below: o Borrower(s) will need to represent primary ownership through mortgage history or property records/tax and HOI payments; or o Borrower(s) must demonstrate that they have handled a primary housing payment. This can be documented through 12 months cancelled checks or VOR from a property management company.
Variable Income	For variable income types, if there is an increase between the prior year(s) and YTD earnings that exceeds 10%, additional analysis is required and additional documentation from employer or third-party (i.e. evidence of promotion) may be necessary to determine income stability in order to use the higher amount when calculating the qualifying income. For any decline in variable income between the prior year(s) and/or YTD earnings that exceeds 10%, the underwriter must conduct further analysis and additional documentation may be necessary to determine whether the income is currently stable. This analysis must include the reason for the declining trend, and support that the current income has stabilized.
Assets/Reserves	
Asset/Reserve Requirements	• Asset documentation must comply with the requirements of DU/LPA findings and the Fannie Mae Selling Guide or Freddie Mac Seller Guide o Fannie Mae/Freddie Mac approved third party suppliers and distributors that generate asset verification reports are permitted for the purpose of verifying assets. • Reserves: 6 months for the subject property plus: o **2% of the aggregate UPB** if the borrower has one to four financed properties, o **4% of the aggregate UPB** if the borrower has five to six financed properties, or o **6% of the aggregate UPB** if the borrower has seven to fifty financed properties

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Ineligible Asset Type	• Cash on hand • Custodial accounts for minors • *Pooled funds* • *Trade Equity* • Virtual Currency (i.e. bitcoin) • *Sweat Equity*
Gifts	Not permitted
IPC – Interested Party Contributions	Refer to Fannie Mae Selling Guide or Freddie Mac Seller Guide as applicable
Subordinate Financing	
New Subordinate Financing	Refer to Fannie Mae Selling Guide or Freddie Mac Seller Guide as applicable
Existing Subordinate Financing	Refer to Fannie Mae Selling Guide or Freddie Mac Seller Guide as applicable
Property/Appraisal	
Eligible Property Types	• Single Family Detached • Single Family Attached • 2-4 Unit Detached • PUDs • Condominiums – follow Fannie Mae eligibility guidelines • Rural Properties (in accordance with Agency Guidelines, properties must be residential in nature) • Leaseholds (cannot be secured by Indian/Tribal lands)
Ineligible Property Types	• *Manufactured homes* • Mobile Homes • *Cooperatives* • Geodesic Domes • Condotels-Reviewed on an exception basis • Hotel Condominiums- Reviewed on an exception basis • Timeshares • Working Farms and Ranches • Unimproved Land • Land trusts in those states where the beneficiary is an individual • *Group Homes* • *Community Land Trusts*

Declining Markets	• LTV/CLTV/HCLTV must be **5%** below product maximum per product matrix eligibility grid *As an example:* *If the eligibility grid indicates a maximum of 75% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 70%*
Appraisal Requirements	• A full appraisal including a Comparable Rent Schedule (1007 or 1025 as applicable) is required • The subject property must be appraised within 90 days prior to the Note date • Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged but from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date • The following additional requirements that apply for all Non-Conforming Loan amounts unless two full appraisals are provided o A Collateral Desktop Analysis (CDA) ordered from Clear Capital is required to support the value of the appraisal. If the CDA returns a value that is "Indeterminate" or if the CDA indicates a lower value than the appraised value by more than a 10% tolerance, then one (1) of the following requirements must be met: ▪ A Clear Capital BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation of the three Reports is required. The Value Reconciliation will be used for the appraised value of the property. ▪ A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. **OR** o Collateral Underwriter (CU) with a score of 2.5 or less in lieu of a CDA ▪ Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets. See Declining Market section for additional requirements • *Appraisal Condition Rating of C5/C6 or a Quality Rating of Q6 is not permitted* • Appraisal transfers are permitted in accordance with the Fannie Mae/Freddie Mac Guides as applicable • The re-use of an appraisal is permitted in accordance with the Fannie Mae/ Freddie Mac Selling Guide • *Successful UCDP Submission Summary Reports (SSRs) from both Fannie Mae and Freddie Mac are required. Loans will not be purchased that include the recently added proprietary messages that indicate 100% of the loans submitted with appraisals from the identified appraiser or supervisory appraiser will be reviewed or that Fannie Mae will not accept appraisals from the identified appraiser or supervisory appraiser as applicable.* • *When the property is located on a community or privately-owned and maintained street and a legally enforceable, recorded use and maintenance agreement is not in place, the loan may be considered by exception basis only. The following states do not require an exception as they currently define the responsibilities of property owners for maintenance and repair: CA, CO, MN, NM, OR, PA, RI, and WA*

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Condos/PUDS	• Must follow Fannie Mae or Freddie Mac published Condominium Eligibility guidelines as applicable • Streamlined Review for attached Condominium Units in Established Condominium Projects permitted in accordance with Freddie Mac guidelines • Limited Review for attached Condominium Units in Established Condominium Projects permitted in accordance with Fannie Mae/Freddie Mac guidelines • *PERS approval is not permitted* • *Reciprocal Project Review is not permitted*
Disaster Policy	• Refer to the Disaster Guidelines in the Special Products Selling Guide for requirements pertaining to properties impacted by a disaster in: o FEMA Major Disaster Declarations with designated counties eligible for **Individual Assistance (IA)**; o Areas where FEMA has not made a disaster declaration, but Community Loan Servicing or an Investor (Fannie Mae, Freddie Mac, FHA, USDA or the Veterans Administration) has determined that there may be an increased risk of loss due to a disaster; o Areas where the Seller has reason to believe that a property might have been damaged in a disaster • Correspondent lenders are responsible for monitoring the Disaster Declaration File and the FEMA Website including the FEMA Declarations Summary on an ongoing basis to ensure that the property is not located in an area impacted by a disaster.
Escrow Holdbacks	• Follow Fannie Mae or Freddie Mac (as applicable) guidelines regarding reason, type of improvements, time to complete, quality, disbursements, and post-closing documentation. • It is Seller's responsibility to forward final completion documents to CLS per Fannie Mae Guidelines
Geographic Restrictions	• The following states are not eligible: NY • Properties located outside of the United States or in a Territory, Province or Commonwealth; including, but not limited to properties in Guam, Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands or American Samoa are not permitted
Special Restrictions	
High Cost	Community Loan Servicing will not purchase High Cost Loans
HPML	Refer to Fannie Mae Selling Guide or Freddie Mac Seller Guide as applicable

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Multiple Financed Properties	• Maximum of 50 financed properties
	  ○ The following property types are not subject to these limitations, even if the borrower is personally obligated on a mortgage on the property:
	    ▪ commercial real estate,
	    ▪ multifamily property consisting of more than four units,
	    ▪ ownership in a timeshare,
	    ▪ ownership of a vacant lot (residential or commercial), or
	    ▪ ownership of a manufactured home on a leasehold estate not titled as real property (chattel lien on the home)

POA	The use of a POA is not permitted on Cash-Out Refinance transactions
Maximum Financed Bayview Exposure	Borrower(s) are limited to a maximum of $6,250,000 in aggregate with Bayview
Insurance	
Mortgage Insurance	• Not required • AUS findings regarding mortgage insurance may be ignored
Title Insurance	An attorney's title opinion letter in lieu of title insurance is not permitted. Title insurance is a requirement for all loans.
Other Considerations	
Pre-Payment Penalties	• May be charged on interest-only loans only • Pre-payment penalties are not allowed in New Mexico, New Jersey, or Alaska for any reason • Pre-payment penalties may be assessed as noted below for loans that pre-pay between the loan origination date and year five (5) in all states, except: MI, MN, MS, NC, NJ, OH, PA, RI, TX, and VA which must follow all state specific requirements as noted in Appendix A
Age of Documentation	• All credit documents must be dated within 120 days of the note date • Preliminary Title Policies must be no more than 180 days old on the date the note is signed • See Appraisal Requirements section for age of appraisal requirements

		Prepayment Penalty by Year				
		Year 0-1	Year 1-2	Year 2-3	Year 3-4	Year 4-5
Prepayment Penalty Options	A	5%	5%	5%	5%	5%
	B	5%	4%	3%	2%	1%
	C	3%	2%	1%	0%	0%
	D	1%	1%	1%	0%	0%

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Assignment of Mortgage	All loans must be registered with MERS at the time of delivery. The MERS transfer of beneficial rights and transfer of servicing rights must be initialed by the Seller with 7 calendar days of purchase date. Refer to Seller Guide for transfer requirements.
Seasoning Requirements	Refer to FNMA Guidelines
Principal Curtailment	• If the borrower receives more cash back than is permitted for a Limited Cash-Out Refinance, the lender can apply a curtailment to reduce the amount of cash back to the borrower to bring the loan into compliance with the maximum cash back requirement o Must be applied prior to delivery o If, at the time of closing, curtailment must be clearly documented on the Closing Disclosure o If, after closing, but before delivery, the servicing file must be documented with the reason and source information **The maximum amount of the curtailment cannot exceed the lesser of $2,500 or 2% of the original loan amount for the subject loan.** • For principal curtailment and cash back allowances on purchase transactions, see Fannie Mae Selling Guide
Escrow Waivers	• Flood insurance premiums paid by the borrower must be escrowed and cannot be waived regardless of LTV. If flood insurance premiums are paid by a condominium association, homeowner's association or other group, no escrow is required. • Escrow waivers for property taxes and homeowners insurance are permitted on loans with LTVs less than or equal to 80% in accordance with the Fannie Mae Selling Guide or Freddie Mac Seller Guide (as applicable) and all state specific restrictions. • Tax and insurance escrows are required on all HPML loans.
Loan Documentation Requirements	• Business Purpose Affidavit • Interest-Only Note (if applicable) • Interest-Only Rider (if applicable) • Pre-Payment Penalty Rider (if applicable) • 1-4 Family Rider • Signed explanation of cash out (if applicable) • All other forms required per the document checklist which is posted in the Reference Library of the Correspondent Portal
Seller shall deliver loans that were originated in accordance with the Fannie Mae Single Family Selling Guide or Freddie Mac Seller Guide, unless otherwise noted in this product matrix.	

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Appendix A
State Specific Pre-payment Penalty Requirements

State	PPP Permitted	Requirement
Alaska	No	No prepayment penalty shall be permitted
Louisiana	Yes with conditions	A mortgage lender may contract for and receive a prepayment penalty in an amount not to exceed: (a) Five percent of the unpaid principal balance if the loan is prepaid in full during the first year of its term. (b) Four percent of the unpaid principal balance if the loan is prepaid in full during the second year of its term. (c) Three percent of the unpaid principal balance if the loan is prepaid in full during the third year of its term. (d) Two percent of the unpaid principal balance if the loan is prepaid in full during the fourth year of its term. (e) One percent of the unpaid principal balance if the loan is prepaid in full during the fifth year of its term.
Michigan	Yes with conditions	Max 3YR at max 1% for SFR
Minnesota	No	No prepayment penalty shall be permitted
Mississippi	Yes with conditions	(i) Five percent (5%) of the unpaid principal balance if prepaid during the first year; (ii) Four percent (4%) of the unpaid principal balance if prepaid during the second year; (iii) Three percent (3%) of the unpaid principal balance if prepaid during the third year; (iv) Two percent (2%) of the unpaid principal balance if prepaid during the fourth year; (v) One percent (1%) of the unpaid principal balance if prepaid during the fifth year; and (vi) No penalty if prepaid more than five (5) years from date of the note creating the debt.
New Jersey	No	Pre-payment penalties cannot be charged to natural person borrowers.
New Mexico	No	No prepayment penalty shall be permitted
North Carolina	Yes with conditions	Prepayment penalty may be charged only on loans greater than $150,000

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Ohio	Yes with conditions	1-2 unit: maximum 1% within 5 years of execution date of the mortgage only if loan amount >= $107,633; No prepayment penalty permitted if loan amount < $107,633; 3-4 unit : prepayment penalty permitted without restriction
Pennsylvania	Yes with conditions	1-2 unit: only if loan balance >$301,022; No prepayment penalty permitted if balance <=$301,022 3-4 unit: prepayment penalty allowed without restriction
Rhode Island	Yes with conditions	Prepayment penalty max 2% of balance
Texas	Yes with conditions	Property cannot be owner-occupied
Virginia	Yes with conditions	Max 1% if balance < $75k

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Version Control			
Author	**Section**	**Date**	**Update**
AS	All	05.16.22	Matrix created
AS	Forbearance	06.03.22	Added Forbearance Section
AS	Borrower Eligibility	06.03.22	Added: Lender to provide a clear OFAC check for all individuals with 25% or more ownership of the entity as confirmed by a current list of ownership interests
AS	Appraisal Requirements	06.03.22	Deleted: Determined by DU/LPA Findings Replaced with: A Full appraisal including a Comparable Rent Schedule (1007 or 1025 as applicable) is required
DM	Appendix	6.3.22	Updated ppp for PA and MN
DH	Eligibility Grid	11.04.22	Added Declining Market footnote
DH	Declining Market	11.04.22	Added Declining Market section • LTV/CLTV/HCLTV must be **5%** below product maximum per product matrix eligibility grid *As an example:* *If the eligibility grid indicates a maximum of 75% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 70%*
DH	Appraisal Requirements	11.04.22	Removed • Re-certification of value, in accordance with Fannie Mae/Freddie Mac guidelines, as applicable Added • Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date • The subject property must be appraised within 90 days prior to the Note date • Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets
DH	Appendix A State Specific Pre-payment Penalty Requirements	02.15.23	Updated PPPs for PA, MN and OH for 2023
DH	Eligibility Grid	04.24.23	Revised Eligibility Grid to reflect • 2-4 units: Minimum FICO 680
DH	Appendix A	07.12.23	Updated the state of Minnesota No Prepayment Penalties permitted

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Bank Statement Eligibility Matrix				
Primary Residence				
Transaction Type	**Units**	**FICO[3]**	**Maximum LTV/CLTV/HCLTV[4]**	**Maximum Loan Amount**
	1	660	75%	$1,000,000
Purchase or Rate and Term Refinance	1-4	680	80%	$1,000,000
		720	80%	$1,500,000
		680	75%	
		700	75%	$2,000,000
		680	70%	
		720	75%	$2,500,000
		700	65%	
		740	75%	$3,000,000[1]
		720	70%	
Primary Residence				
Transaction Type	**Units**	**FICO[3]**	**Maximum LTV/CLTV/HCLTV[4]**	**Maximum Loan Amount**
Cash-Out Refinance[2]	1	660	70%	$1,000,000
		660	65%	$1,500,000
	1-4	700	80%	$1,000,000
		680	75%	
		720	80%	$1,500,000
		680	70%	
		700	75%	$2,000,000
		680	65%	
		720	70%	$2,500,000
		700	60%	
		740	70%	$3,000,000[1]
		720	65%	
Second Home				
Transaction Type	**Units**	**FICO[3]**	**Maximum LTV/CLTV/HCLTV[4]**	**Maximum Loan Amount**
Purchase or Rate and Term Refinance	1-Unit	700	80%	$1,000,000
		680	75%	$1,500,000
		700	75%	$2,000,000
Second Home				
Transaction Type	**Units**	**FICO[3]**	**Maximum LTV/CLTV/HCLTV[4]**	**Maximum Loan Amount**
Cash-Out Refinance[2]	1-Unit	680	65%	$1,000,000
		700	75%	$1,500,000
		720	65%	$2,000,000

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Bank Statement

[1] Loan amounts greater than $2,500,000 require 24 months of income verification via either with bank statements or 1099s

[2] Cash-Out Refinance Transactions: Maximum Cash-Out

- LTV ≥ 70%: $250,000
- LTV > 50 & < 70: $500,000
- LTV ≤ 50%: $1,000,000

[3] Interest Only

- Minimum 680 FICO

[4] Non-Warrantable Condominiums: LTV/CLTV must be 10% below product/program maximums up to a maximum of 70% LTV/CLTV

Bayview Bank Statement Notes:

Single loan variances may be granted on a case-by-case basis by Community Loan Servicing (at its sole determination) for loans with terms or characteristics that are outside of the Bank Statement Eligibility requirements. Approval of the single loan variance must be granted by Community Loan Servicing prior to the delivery of the loan

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Loan Product	
All loans must be in compliance with the Ability to Repay (ATR) rules established by the Consumer Financial Protection Bureau ("CFPB"). Loans must be originated in accordance with the Special Products Seller Guide unless otherwise stated in this product matrix. For topics not specifically addressed in this product matrix or the Special Products Seller Guide, refer to the Fannie Mae Single Family Selling Guide.	
Product Description	• The Bayview Bank Statement product is designed for strong credit quality self-employed borrowers and permits the use of bank statements (personal or business), in lieu of tax returns, to support self-employed income for qualification purposes. The documentation must provide evidence that the borrower's self-employed income is stable, sufficient to repay the borrower's debts and likely to continue • Business or personal bank statements are permitted • Twelve (12) or twenty-four (24) month bank statement option is available • 1099 income option permitted • Loans that are eligible for sale to a Government-Sponsored Enterprise (GSE) – Fannie Mae or Freddie Mac – are ineligible for the Bayview Bank Statement program
Minimum Loan Amount	$100,000
Eligible Products | Terms	See table below
Interest Only	• Minimum 680 FICO • See DTI section for calculation requirements
Ineligible Product Types	• High Cost Loans (Federal, State or Local) • Balloons • Graduated Payments • Temporary Buydowns • Adjustable Rate Terms • Single Close Construction to Permanent Transactions
Loan Purpose	• Purchase • Rate/Term Refinance • Cash-Out
Rate/Term Refinance Transactions	• The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items o If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC that has been in place for twelve (12) months and total draws do not exceed $2000 in the most recent twelve (12) months o A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months o A seasoned equity line is defined as not having draws totaling over $2000 in the most recent twelve (12) months. Withdrawal activity must be documented with a transaction

Eligible Products | Terms:

30 Year Terms	40 Year Terms
PBF330 – 30 Yr. Fixed	**PBF400** – 40 Yr. Fixed
PBF305 – 5 Yr. I/O with loan fully amortizing over remaining 25 years	**PBF410** – 10 Yr. I/O with loan fully amortizing over remaining 30 years
PBF310 – 10 Yr. I/O with loan fully amortizing over remaining 20 years	

	history o Max cash back at closing is limited to 1% of the new loan amount • Properties inherited less than twelve (12) months prior to application date can be considered for a Rate and Term refinance transaction if the following requirements are met: o Must have clear title or copy of probate evidencing borrower was awarded the property o A copy of the will or probate document must be provided, along with the buy-out agreement signed by all beneficiaries o Borrower retains sole ownership of the property after the pay out of the other beneficiaries o Cash back to Borrower not to exceed 1% of the loan amount
Cash-Out Transaction	Maximum Cash-Out • LTV ≥ 70%: $250,000 • LTV > 50 & < 70: $500,000 • LTV ≤ 50%: $1,000,000 • Borrower must have owned the property for at least six (6) months. If the property is owned free and clear and six (6) month seasoning is not met, refer to Delayed Purchase Refinancing section below • Maximum cash-out limitations include the payoff of any unsecured debt, unseasoned liens and any cash in hand • Inherited properties may not be refinanced as a cash-out refinance prior to twelve (12) months ownership. See Rate and Term Refinances for requirements • Cash-out refinances where the borrower is paying off a loan from a pledged asset/retirement account loan, secured loan, unsecured family loan or replenishing business funds used to purchase the property, the following guidelines apply: o Cash-out limitation is waived if previous transaction was a purchase o Seasoning requirement for cash-out is waived (borrower does not have to have owned for six (6) months prior to subject transaction) o Funds used to purchase the subject property must be documented and sourced o HUD-1/CD for subject transaction must reflect payoff or pay down of pledged asset/retirement account loan, secured loan, unsecured family loan or business asset account. If cash-out proceeds exceed payoff of loans, excess cash must meet cash-out limitations o The purchase must have been arm's length
Delayed Financing	• Property was purchased by borrower for cash within six (6) months of the loan application • HUD-1/CD from purchase reflecting no financing obtained for the purchase of the property • Preliminary title reflects the borrower as the owner and no liens • Funds used to purchase the property are fully documented and sourced and must be the borrower's own funds (no gift funds or business funds) • Funds drawn from a HELOC on another property owned by the borrower, funds borrowed against a margin account or funds from a 401(k) loan are acceptable if the following requirements are met: o The borrowed funds are fully documented o The borrowed funds are reflected on the Closing Disclosure (CD) as a payoff on the new refinance transaction • LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance except for primary residence transactions in Texas.

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Occupancy	• Primary Residence for 1-4 units • Second home residences for one (1) unit o Must be a reasonable distance away from borrower's primary residence o Must be occupied by the borrower for some portion of the year o Must be suitable for year-round use o Must not be subject to a rental agreement and borrower must have exclusive control over the property o Any rental income received on the property cannot be used as qualifying income
LTV/CLTV/HCLTV Calculation for Refinance Transactions	• If subject property is owned more than twelve (12) months, the LTV/CLTV/HCLTV is based on the current appraised value. The twelve (12) month time frame may be based on subject transaction Note date • If subject property is owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value. Documented improvements must be supported with receipts. The twelve (12) month time frame may be based on subject transaction Note date
Age of Documents	• All credit documents, including title commitment must be no older than ninety (90) days from the Note date o See Self-Employment section for restrictions
Documentation	• QM designation must be provided in the loan file; for the Bayview Bank Statement program: o QM designation is Non-QM • Loan file must meet and document the eight (8) Ability to Repay (ATR) rules under the federal Truth-in-Lending Act, as implemented by Regulation Z
Higher Priced Mortgage Loans (HPML)	• Higher Priced Mortgage Loans (HPML) are allowed if the following requirements are met: o Loan must have an escrow account for a minimum of 5 years o 1002.14(a)(1) allowing the consumer to waive the requirement that the appraisal copy be provided three (3) business days before consummation, does not apply to Higher Priced Mortgage Loans subject to §1026.35(c). A Consumer of a Higher Priced Mortgage Loan subject to §1026.35(c) may not waive the timing requirement to receive a copy of the appraisal under §1026.35(c)(6)(i) • Appraisal Requirements o If the property was acquired by the seller less than 90 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 10% then a second full appraisal is required. Bank owned properties are not exempt. o If the property was acquired by the seller between 91-180 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 20%, then a second full appraisal is required. Bank owned properties are not exempt o If a second appraisal is required for one of the above two reasons, the borrower may only be charged for one of the appraisals
Eligibility	
Texas 50(a)(6)	Transactions in the state of Texas subject to 50(a)(6) are not permitted
Borrower Eligibility	• US Citizens • Permanent Resident Aliens with evidence of lawful residency o Must be employed in the US for the past twenty-four (24) months

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	• Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions: o Primary Residence Only o Maximum LTV/CLTV/HCLTV 75% o No other financed properties in the US o Unexpired H1B, H2B, E1, L1, and G Series VISAs only; G Series VISAs must have no diplomatic immunity o Credit tradeline requirements must be met, no exceptions o Borrower must have a current twenty-four (24) month employment history in the US • Documentation evidencing lawful residency must be met (see Special Products Seller Guide for requirements) • Illinois Land Trust (see Special Products Seller Guide for requirements) • Inter Vivos Revocable Trust (see Special Products Seller Guide for requirements) • All borrowers must have a valid Social Security Number • The primary borrower must be self-employed and represent the majority of qualifying income
Non-Occupant Co-Borrower	• Must be a family member • Primary Residence – 1 unit only • Reduce maximum LTV/CLTV by 5%
Ineligible Borrowers	• Foreign Nationals • Borrowers with Diplomatic Immunity status • Life Estates • Non-Revocable Trusts • Guardianships • LLCs, Corporations or Partnerships • Land Trusts, except for Illinois Land Trust • Borrowers with **any** ownership in a business that is Federally illegal, regardless if the income is not being considered for qualifying
First-Time Homebuyer	• First-Time Homebuyer is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, First-Time Homebuyer requirements do not apply • All First-Time Homebuyers must meet the following requirements: o Primary residence only o Borrower must contribute 10% of their own funds to the transaction o Payment Shock – maximum 250% o Must be able to document a satisfactory twelve (12) month rental history
Non-Arm's Length Transactions	A non-arm's length transaction exists whenever there is a personal or business relationship with any parties to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company or other interested party. The following non-arm's length transactions are eligible: • Family sales or transfers • Property seller acting as their own real estate agent • Relative of the property seller acting as the seller's real estate agent • Borrower acting as their own real estate agent • Relative of the borrower acting as the borrower's real estate agent • Borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence of employee program to be included in loan file • Originator is related to the borrower

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	• Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord) Gifts from relatives that are interested parties to the transaction are not allowed, unless it is a gift of equity. Real estate agents may apply their commission towards closing costs and/or prepaids if the amounts are within the interested party contribution limitations Other non-arm's length transactions may be acceptable on an single loan variance basis
Continuity of Obligation	When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements have been met. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible: • The borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements: o Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months, or o Is related to the borrower on the mortgage being refinanced • The borrower on the new refinance transaction was added to title twenty- four (24) months or more prior to the disbursement date of the new refinance transaction • The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership • The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply: o Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer o The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan **NOTE:** Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement
Credit	
Underwriting	• Manual underwrite is required • AUS findings are not considered; no documentation waivers are considered • In all cases, the loan file must document the eight (8) ATR rules • In some cases, single loan variances to program eligibility may be acceptable when strong compensating factors exist to offset the risk. Single loan variance must be granted by CLS • Borrower's Affirmation of Information Form required • Second Home Transactions: Prudent underwriting must be exercised to determine the reasonableness of considering the property a second home
Credit Requirements	• Two (2) tradelines must be open for twenty-four (24) months and active within the most recent twelve (12) months, or • Three (3) tradelines must be rated for twelve (12) months • Each borrower contributing income for qualifying must meet the minimum tradeline requirements; however, borrowers not contributing to income for qualifying purposes are not subject to minimum tradeline requirements • Authorized user accounts are not allowed as an acceptable tradeline • Non-traditional credit is not allowed as an acceptable tradeline • **<u>Disputed tradelines</u>:** o All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute

	o Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded • **Credit Inquiries:** o If the credit report indicates inquiries within the most recent 120 days of the credit report, the Seller must confirm the Borrower did not obtain additional credit that is not reflected in the credit report or mortgage application. In these instances, confirmation of no new debt may be in the form of a new credit report, pre-close credit report or gap credit report or borrower explanation for the credit inquiry o If additional credit was obtained, a verification of that debt must be provided, and the borrower must be qualified with the monthly payment • **Frozen Credit:** Follow Fannie Mae Selling Guide requirements except as noted below o All borrowers must have a minimum of two (2) credit scores that are generated from the unfrozen bureaus
Housing History	• Mortgage history requirements: o If the borrower(s) has a Mortgage in the most recent twelve (12) months, a mortgage rating must be obtained, reflecting 1x30 in the last twelve (12) months o The mortgage rating may be on the credit report or a VOM o Applicable to all borrowers on the loan o The borrower(s) credit report must be reviewed to determine status of all mortgage loans including verification mortgage is not subject to a loss mitigation program, repayment plan, loan modification or payment deferral plan. **In addition to reviewing the credit report**, due diligence must also be applied for each mortgage loan on which a borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine the loan payments are current as of the Note date of the subject transaction. Current means the borrower has made all payments due in the month prior to the Note date of the subject transaction and no later than the last business day of that month. Acceptable documentation includes one of the following: ▪ Loan payment history from the servicer or third party verification service ▪ Payoff statement for loans being refinanced ▪ Current mortgage statement from the borrower ▪ Verification of mortgage (VOM) o If the mortgage holder is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory mortgage history is required • Rental history requirements: o If the borrower(s) has a rental history in the most recent twelve (12) months, a VOR must be obtained reflecting 0x30 in the last twelve (12) months o Applicable to all borrowers on the loan o Verification of rent must be from a management company or via cancelled checks/bank statements. Private party rental history is not permitted
Significant Derogatory Credit	**Waiting Periods:** • Bankruptcy, Chapter 7, 11, 13 - four (4) years since discharge / dismissal date • Foreclosure - four (4) years since completion date • Notice of Default - four (4) years • Short Sale/Deed-in-Lieu - four (4) years since completion / sale date • Forbearance resulting in subsequent loan modification - four (4) years since exit from forbearance (See below Forbearance section for additional requirements) • Mortgage accounts that were settled for less, negotiated or short payoffs – four (4) years since

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settlement date

Loan modifications:

Lender initiated modification will not be considered a derogatory credit event if the modification did not include debt forgiveness and was not due to hardship as evidenced by supporting documentation. No seasoning requirement would apply
If the modification was due to hardship or included debt forgiveness – four (4) years since modification

Waiting periods down to 36 months permitted and must meet the below criteria;

LTV/CLTV must be 5% below product/program maximum
Additional six (6) months reserves required

Single loan variances for credit events will be considered on a case-by-case basis between two (2) and three (3) years with extenuating circumstances subject to the following:

Extenuating circumstances are defined as non-recurring events that are beyond the borrower’s control resulting in a sudden significant and prolonged reduction in income or catastrophic increase in financial obligations
Examples would include death or major illness of a spouse or child but would not include divorce or job loss
Documentation must be provided to support the claim of extenuating circumstances and confirm the nature of the event that led to the credit event and illustrate the borrower has no reasonable option other than to default on their obligations
<u>Single loan variance must be approved by CLS</u>
If the defaulted debt was assigned to an ex-spouse and the default occurred after the borrower was relieved of the obligation, the event may be considered on a single loan variance basis

Multiple derogatory credit events not allowed, regardless if seasoned over four (4) years

A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event
A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event

Medical collections are allowed to remain outstanding if the balance is less than $10,000 in aggregate
Tax liens, judgments, charge-offs, and past-due accounts must be satisfied or brought current prior to or at closing
Cash-Out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts
Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full

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<tr><td>Forbearance</td><td>
<u>Determining Eligibility for New Loan</u>

For borrowers who have entered into forbearance on any loan (including but not limited to the subject mortgage) between 01.01.2020 and 06.01.2022, the below listed criteria is to be used to determine eligibility. All other loans must follow the forbearance waiting period as required in the Significant Derogatory Credit section above.

Any loans that are shown to be in active or previous forbearance but where the borrower continued to make regularly scheduled payments and has made at least one (1) regularly scheduled payment since forbearance inception date are eligible
All payments must have been made within the month due

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	o The forbearance plan must be terminated at or prior to closing and the loan file must contain documentation that the forbearance is no longer active (i.e. removal letter from servicer, etc.). • Any loans (including but not limited to the subject mortgage) where a mortgage reflects reduced or missed payments under a forbearance <u>and borrower has accepted a payment deferral, initiated a repayment plan or has reinstated the mortgage to return to a current status</u> must meet the requirements below: o **<u>Purchase & Rate/Term Refinance:</u>** ▪ Three (3) consecutive months of required payments since completed forbearance plan ▪ All payments must have been made within the month due o **<u>Cash-out Refinance:</u>** ▪ Twelve (12) consecutive months of required payments since completed forbearance plan ▪ All payments must have been made within the month due • **<u>Payment Deferral:</u>** The refinance of a loan that has a payment deferral and where the amount of the deferred payments is included in the new loan is eligible as a rate/term transaction. Funds applied to pay off the prior loan, including the deferred portion, are not considered cash out • **<u>Repayment Plan:</u>** The full amount of the repayment plan monthly payment must be considered in meeting the required consecutive payment requirements (Purchase/Rate Term or Cash-out) detailed above • A mortgage subject to forbearance must utilize the mortgage payment history in accordance with the forbearance plan in determining late housing payments • Loan file must contain a letter of explanation from the borrower detailing the reason for forbearance and that the hardship no longer exists • Forbearance resulting in subsequent loan modification is considered a significant derogatory credit event and subject to a seven (7) year waiting period
DTI	• 49.99% • Interest Only loans must qualify using the fully amortized PITIA payment amortized over the following: o 30 year term with 5 year I/O: 25 years o 30 year term with 10 year I/O: 20 years o 40 year term with 10 year I/O: 30 years
Payment Shock	• Maximum 350% of the borrower's current primary residence housing payment • First Time Homebuyer - maximum 250% of the borrower's current primary residence housing payment
Lawsuit/Pending Litigation	If the Uniform Residential Loan Application, title commitment or credit documents indicate that the borrower is party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower's ability to repay, assets or collateral
Liabilities	
Liabilities	• The monthly payment on revolving accounts with a balance must be included in the borrower's DTI, regardless of the number of months remaining. If the credit report does not

reflect a payment and the actual payment cannot be determined, a minimum payment may be calculated using the greater of $10 or 5%
- If the credit report reflects an open-end of net thirty (30) day account, the balance owing must be subtracted from liquid assets
- Loans secured by financial assets (life insurance policies, 401(k), IRAs, CDs, etc.) do not require a payment to be included in the DTI if documentation is provided to show the borrower's financial asset as collateral for the loan
- Lease payments, regardless of the number of payments remaining, must be included in the DTI
- Installment debts lasting ten (10) months or more must be included in the DTI
- Child support, alimony, and separate maintenances with ten (10) or more months remaining
  - Alimony payments may be deducted from income rather than included as a liability in the DTI for divorces prior to 1/1/2019. For borrowers with a divorce on or after 1/1/2019, the alimony payment must be treated as a liability

Business Debt Exclusion
- A business debt is a financial obligation of a business but may also be the responsibility of the business owner, making that person also liable for the debt. If the debt is reflected on the borrower's personal credit report, the borrower is personally liable for the debt and it must be included in the debt-to-income ratio. When a self-employed borrower claims that a monthly obligation that appears on his or her personal credit report is being paid by the borrower's business, it must be confirmed that the obligation was actually paid out of company funds to exclude the debt. Any of the following supporting documentation can be included in the credit file to exclude business debt:
  - Most recent six (6) months of cancelled checks drawn against the business account
  - Most recent business bank account statement must show assets remaining after funds to close and reserve requirements are deducted, with a balance greater than or equal to the balance of the debt
- If the debt is less than six (6) months old, the payment must be included in the DTI ratio

Student Loans
- For all student loans, whether deferred, in forbearance, or in repayment, a monthly payment must be included in the borrower's monthly debt obligation
  - If a monthly payment is provided on the credit report, the amount indicated for the monthly payment may be used in qualifying
  - If the credit report does not provide a monthly payment or if it shows $0 as the monthly payment, the monthly payment may be one of the options below:
    - Loan payment indicated on student loan documentation verifying monthly payment is based on an income-driven plan
    - For deferred loans or loans in forbearance:
      - 1% of the outstanding loan balance (even if this amount is lower than the actual fully amortizing payment) or
      - A fully amortizing payment using the documented loan repayment terms

HELOCs and OREOs
- HELOCs with a current outstanding balance with no payment reflected on the credit report may have the payment documented with a current billing statement. HELOCs with a

current $0 balance do not need a payment included in the DTI unless using for down payment or closing costs
- Monthly PITIA for any additional properties owned by the borrower including second homes with a negative cash flow
- Current real estate taxes and insurance on properties owned free and clear

<u>Tax liens and Payment Plans</u>

- If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient liquid assets to pay the debt must be documented if the amount due is within ninety (90) days of loan application date or if the tax transcripts show an outstanding balance due:
  - A payment plan for the most recent tax year is allowed if the following requirements are met:
    - Payment plan was setup at the time the taxes were due. Copy of the payment plan must be included in the loan file
    - Payment is included in the DTI
    - Satisfactory pay history based on terms of payment plan is provided
    - Payment plan is only allowed for taxes due for the most recent tax year, prior years not allowed. For example, borrower files their 2019 return or extension in April 2020 A payment plan would be allowed for taxes due for 2019 tax year. Payment plans for 2018 or prior years would not be allowed
    - Borrower does not have a prior history of tax liens

<u>Contingent Liabilities</u>

- Co-Signed loans – the monthly payment on a co-signed loan may be excluded from the DTI if evidence of timely payments made by the primary obligor (other than the borrower) is provided for the most recent twelve (12) months and there are no late payments reporting on the account
- Court Order – if the obligation to make payments on a debt has been assigned to another person by a court order, the payment may be excluded from the DTI if the following documents are provided:
  - Copy of the court order
  - For mortgage debt, a copy of the document transferring ownership of property
  - If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owning on the mortgage property should be considered when reviewing the borrower's credit profile
- Assumption with No Release of Liability – the debt on a previous mortgage may be excluded from the DTI with evidence that the borrower no longer owns the property. The following requirements apply:
  - Payment history showing the mortgage on the assumed property has been current during the previous twelve (12) months or
  - The value on the property, as established by an appraisal or sales price on the HUD-1/CD results in an LTV of 75% or less

<u>Departure Residence</u>

- Departure Residence Pending Sale – To exclude the payment for a borrower's primary residence that is pending sale but will close after the subject transaction, the following requirements must be met:

	◦ A copy of an executed sales contract for the property pending sale and confirmation all contingences have been cleared/satisfied. The pending sale transaction must be arm's length ◦ The closing date for the departure residence must be within thirty (30) days of the subject transaction Note date ◦ Six (6) months reserves must be verified for the PITIA of the departure residence • Departure Residence Subject to Guaranteed Buy-Out with Corporation Relocation – To exclude the payment for a borrower's primary residence that is part of a Corporate Relocation, the following requirements must be met: ◦ Copy of the executed buy-out agreement verifying the borrower has no additional financial responsibility toward the departing residence once the property has been transferred to the third party ◦ Guaranteed buy-out by the third party must occur within four (4) months of the fully executed guaranteed buy-out agreement ◦ Evidence of receipt of equity advance if funds will be used for down payment or closing costs ◦ Verification of an additional six (6) months PITIA of the departure residence
Employment/Income	
Non- Self-Employment Income	Stable monthly income must meet the following requirements to be considered for qualifying • Stable - two (2) year continuous history of receiving the income in the same line of work ◦ When the borrower has less than a two (2) year history of receiving income, the lender must provide a written analysis to justify the determination that the income used to qualify the borrower is stable • Verifiable • High probability of continuing for at least three (3) years • Borrower to execute attestation at closing changes to employment and income listed on the final loan application and affirming their ability to repay the loan • Sources other than the Borrower's self-employment are permissible for qualifying purposes, i.e., spouse's employment income (if spouse is also a borrower) social security, rent, pension, spouse's employment income • Tax returns/tax transcripts must not be included in the loan file **Declining Income (Non-Self Employed):** When the borrower has declining income, the most recent twelve (12) months should be used or the most conservative income calculation if the declining period is shorter than 12 months. Income must be stabilized and not subject to further decline in order to be considered for qualifying purposes In certain cases, an average of income for a longer period may be used when the decline is related to a one-time capital expenditure and proper documentation is provided In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay. The employer or the borrower should provide an explanation for the decline and the underwriter should provide a written justification for including the declining income in qualifying **Gaps in Employment**: A minimum of two (2) years employment and income history is required to be documented Gaps more than thirty (30) days during the past two (2) years require a satisfactory letter of explanation and the borrower must be employed with their current employer for

	a minimum of six (6) months to include as qualifying income. o Extended gaps of employment (six (6) months or greater) require a documented two (2) year work history prior to the absence o Single loan variances may be considered on a case-by-case basis when the borrower is on the job less than six (6) months, and the gap is less than six (6) months • W-2 transcripts for two (2) years are required to validate W-2 wages • A 4506-C form **for non-self-employment income** is required to be signed at closing • Income calculation worksheet or 1008 with income calculation for non-self-employment income. • Paystubs must meet the following requirements: o Clearly identify the employee/borrower and the employer o Reflect the current pay period and year-to-date earnings o Computer generated o Paystubs issued electronically via email or internet, must show the URL address, date and time printed and identifying information o Year-to-date pay with most recent pay period at the time of application and no earlier than ninety (90) days prior to the Note date • W-2 forms • Verification of Employment Requirements (Requirements below apply when income is positive and included in qualifying income): o Verbal Verification of Employment (VVOE) must be performed no more than ten (10) business days prior to the Note date. The Verbal VOE should include the following information for the borrower: • Date of contact • Name and title of person contacting the employer • Name of employer • Start date of employment • Employment status and job title • Name, phone #, and title of contact person at employer • Independent source used to obtain employer phone number • Written Verification of Employment may be required for a borrower's income sourced from commissions, overtime and or other income when the income detail is not clearly documented on W-2 forms or paystubs • Written VOEs cannot be used as a sole source for verification of employment. Paystubs and W-2s are still required
Self-Employment	• Any borrower who has a 25% or greater ownership interest in a business is considered to be self-employed and must be evaluated as such. Self-employed borrowers must be self-employed with the same business for a minimum of two consecutive years. A CPA/accountant/tax preparer letter or equivalent document (e.g. Current Operating Agreement) verifying self-employment/percentage of ownership must be provided in all cases • At least one borrower must have 51% or more of their qualifying income coming from self-employment • Percentage of self-employment ownership o Personal Bank Statement Option: Minimum 25% ownership o Business Bank Statement Option: Minimum 50% ownership • 1099 income option permitted – see 1099 income section below • Ineligible Self-Employment Sources:

	◦ Foreign businesses ◦ Businesses that function as a non-profit enterprise • Verification of the existence of borrower's self-employment must be verified through a third-party source and no more than twenty (20) business days prior to the Note date. In addition, confirmation that the business is currently operating must be provided. Below are acceptable examples of documentation to confirm the business is currently operating: ◦ Evidence of current work (executed contracts or signed invoices) that indicate the business is operating on the day the lender verifies self-employment; ◦ Evidence of current business receipts within 10 days of the Note date (payment for services performed); ◦ Lender certification the business is open and operating (lender confirmed through a phone call or other means); or ◦ Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled
Bank Statement Income Calculation Requirements	• **Personal Bank Statements** ◦ Qualifying income is determined by the lower of a) Total eligible deposits from the 24 or 12-months of personal statements divided by 12 or 24 months multiplied by the Borrower's percentage of ownership of the business, or b) Monthly net income stated on the initial Uniform Residential Loan Application ▪ Borrower must provide 3-months business bank statements if utilizing personal bank statements for income qualification to confirm personal account is not utilized as a business account. Business bank statement requirements must be followed for income calculation if 3-months business statements are not provided ◦ Unacceptable deposits as identified further below must be excluded from the income calculation • **Business Bank Statements** ◦ Qualifying income is determined by the lower of the income disclosed on the initial Uniform Residential Loan Application Uniform Residential Mortgage Application or one of the following methods: ▪ <u>Option 1 – Fixed Expense:</u> • <u>Gross deposits will be multiplied by a fixed 50% expense factor to determine a net deposit number and divided by 12 or 24 months, dependent upon the number of bank statements provided and then multiplied by the Borrower's percentage of ownership of the business</u> • A business narrative form is required to be provided by the borrower's business which includes details regarding the industry, size, and operating profile of the business, addressing number of employees/contractors. The business narrative form is to be completed by an employee (non-relative) of the borrower's business, with knowledge and information of the operations and finances of the business. Typical positions held by this employee would include: Controller, Treasurer, V.P. Finance, Finance Manager, or Accounting Manager. This form can also be completed by a third-party individual with direct knowledge of the borrower's business, such as Certified Public Accountant or an IRS Enrolled Agent • Businesses within an industry that experience higher expense factors are not eligible for the 50% Fixed Expense option and must utilize another option. Higher expense factor industries include, but are not limited to the following: ◦ Construction

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Manufacturing
Retail and Wholesale Trade
Hospitality, Food and Beverage Services
Transportation
The business narrative form should be used to determine if the borrower's business is eligible for the Fixed Expense option based on the reasonableness of expenses
<u>Option 2 – CPA/Accountant/Tax Preparer Statement:</u>
In lieu of using a fixed 50% expense factor, the expense factor can be determined via a CPA/accountant/tax preparer produced 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 must not include any unacceptable disclaimer or exculpatory language regarding its preparation. The minimum allowable expense ratio for qualifying is 20% irrespective of a third-party statement showing a lower expense ratio
<u>Option 3 – P&L:</u>
A third-party CPA/accountant/tax preparer produced Profit and Loss (P&L) statement accompanied by a written statement that the CPA or tax preparer has reviewed the P&L. The bank statements and the P&L must cover the same time period. The P&L and accompanying statement must not have any unacceptable disclaimer or exculpatory language regarding its preparation. Net income from the P&L should be divided by the number of the bank statements (12 or 24) and then multiplied by the Borrower's percentage of ownership in the business. Net income from the P&L will be used for qualifying provided revenue is supported by the bank statements provided (i.e. the deposits on the bank statements must be at least 85% of the Gross Receipts on the P&L)
A Bank Statement Calculator must be utilized and results made part of the loan file; a sample bank statement income calculator can be found on the Client Portal
W-2 income permitted if not associated with the business
Unacceptable Deposits: Include but are not limited to the following
Cash advances from credit cards
Income sources already taken into account
Non-business related account transfers
Tax refunds
Product returns/credits
Gift funds
Credit line deposits/business financing
Paycheck Protection Program (PPP) loans
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<tr><td>Bank Statement Analysis and Documentation and Requirements</td><td>
Bank Statement Documentation
Business or personal bank statements: 12 or 24 consecutive months within 90 days of note date. Up to 24 months of bank statements may be required at the underwriter's discretion. Income situations that may require additional bank statements for review include but are not limited to inconsistencies in cash flows consistent with occupation type or seasonal types of self-employment. Examples include seasonal income such as that received by a tax accountant whose primary income occurs in the first half of a year, or large isolated payments such as those received by political consultants or promoters who are paid for a specific events or contracts and have a history of similar types of payments.
Multiple bank accounts permitted
Combination of personal and business accounts not permitted
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	• When personal bank statements are used, most recent 3 month's business statements are also required
	  o If borrower does not maintain a separate business account, then the personal account will be considered comingled and would require the same documentation and income calculation as would be used for Business Accounts
	• Bank statements may be obtained from the borrower or via a third-party asset vendor such as Finicity or Form Free.
	• CPA letter confirming percentage of ownership required
	• Tax returns/tax transcripts must not be included in the loan file
	• Bank statements used for qualifying income must be from U.S. bank accounts in U.S. dollars
	• Loan amounts greater than $2,500,000 require 24 months of bank statements
	
	Bank Statement Analysis
	• <u>Ending Balances</u>: The bank statements should show a trend of ending balances that are stable or increasing over the 12 month or 24 month period. Low ending balances must be explained; additional documentation may be required. Income must be deemed stable to be eligible
	• <u>Income Trends</u>:
	  o DTI > 36%: When 12 months of statements are provided, a decline in deposits 6 months over 6 months of up to 10% is allowed. Beyond 10%, an additional 12 months of statements are required. When 24 months of statements are required, a maximum decline in deposits of 10% is allowed from the prior 12 months to the current 12 months. Otherwise, the income is ineligible. If deposits are declining year over year but within the 10% tolerance, use the current 12 month average income for qualifying. In the event a P&L is used to qualify, a revised P&L should be provided covering only the most recent 12 month period and used for determining the borrower's income. If the income is increasing, use the 24 month average income for qualifying
	  o DTI ≤ 36%: When 12 months of statements are provided, a decline in deposits 6 months over 6 months of up to 20% is allowed. Beyond 20%, an additional 12 months of statements are required. When 24 months of statements are required, a maximum decline in deposits of 20% is allowed from the prior 12 months to the current 12 months. Otherwise, the income is ineligible. If deposits are declining year over year but within the 20% tolerance, use the current 12 month average income for qualifying. In the event a P&L is used to qualify, a revised P&L should be provided covering only the most recent 12 month period and used for determining the borrower's income. If the income is increasing, use the 24 month average income for qualifying
	• <u>Deposits:</u> Net deposits must not reflect any other income sources already taken into consideration (i.e., SSI, W-2 wage earnings, etc.
	• <u>Non-Sufficient Funds (NSF)/Overdraft Protection</u>
	  o NSF: With a satisfactory LOE, no more than 3 NSFs are permitted in the last 12 months
	  o Overdraft Protection: An overdraft is any occurrence whereby the account balance goes negative but is linked to another depository account or line of credit with the same financial institution. Such occurrences are not considered in the 3 occurrence limit described above provided the account does not reflect in a negative balance, the account shows a transfer from the other account, and the underwriter has no concerns over the viability of the business. A satisfactory LOE is also required
	• A Bank Statement Calculator must be utilized and results made part of the loan file; a sample bank statement income calculator can be found on the Client Portal

1099 Income	• 1099 income is permitted for individual(s) earning 100% commission or for independent contractors
	  o 1-year or 2-years of 1099s or 1099 transcript(s) permitted using a 10% Expense Factor
	• Qualifying income is the 12 or 24 monthly average from the total number of 1099's minus the 10% expense factor
	• YTD documentation required to support the continued receipt of income from same source
	• YTD earnings must be documented to support the ongoing receipt of income showing on the 1099s by:
	  o Checks or a single check stub(s) with YTD totals if available, or
	  o Bank statements (YTD)
	• The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than prior year earnings
	• **Loan amounts greater than $2,500,000 require 2 years of 1099s**

Unacceptable Sources of Income	• Any unverified source
	• Deferred compensation
	• Temporary or one-time occurrence income
	• Rental income from primary residence – One (1) unit property or one (1) unit property with accessory unit
	• Rental income from a second home
	• Retained earnings
	• Education benefits
	• Trailing spouse income
	• Capital gains
	• Dividends and interest
	• Foreign income
	• Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations. Federal law restricts the following activities and therefore the income from these sources are **not allowed** for qualifying:
	  o Foreign shell banks
	  o Medical marijuana dispensaries if borrower has any ownership
	  o Any income resulting from ownership in a business related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law

Residual Income	$2500
Salaried Income	• YTD paystub • W-2s – two (2) years • W-2 transcripts • VVOE
Hourly and Part-time	• YTD paystub • W-2s – two (2) years • W-2 transcripts • VVOE • Stable to increasing income should be averaged over a two (2) year period
Commission Income	• YTD paystub • Two (2) years W-2s if commissions are less than 25% of total income or • W-2 transcripts • VVOE • Stable to increasing income should be averaged for the two (2) years

Overtime and Bonus Income	• YTD paystub • W-2s – two (2) years • W-2 transcripts • VVOE • Stable to increasing income should be averaged for the two (2) years • Bonus income that is received on an annual basis and exceeds 25% of total income must be considered carefully due to the potential impacts of COVID-19 o Employer must confirm that the current year bonus is in line with the prior years and is not negatively impacted due to COVID-19

Rental Income (for all properties except departing primary residence)	• All properties (except departing primary residences)
	• Lease agreements must be provided if rental income is used for qualifying purposes
	  o Current lease for each rental property; rent rolls are not allowed
	  o The rental income reflected on the current lease agreement must be discounted by a 25% vacancy factor
	  o Most recent 2 months' receipt of rental income dated within 30 calendar days of the note date
	  o For leases that have a roll over clause, or the property is in a state where all leases roll over, the following requirements must be met:
	    ▪ Copy of most recent lease
	• Net rental income may be added to the borrower's total monthly income; net rental losses must be added to the borrower's total monthly obligations
	• If the subject property is the borrower's primary residence (one (1) unit property or one (1) unit property with an accessory unit) and generates rental income, the full PITIA should be included in the borrower's total monthly obligations
	• If the subject property is the borrower's primary residence with two (2) units, rental income may be included for the unit not occupied by the borrower if the requirements for a lease agreement
	• Short Term Rental:
	  o Property leased on a short-term basis utilizing an on-line service such as Airbnb gross monthly rents can be determined by using a 12-month look back period to account for seasonality
	  o Rents for the look back period must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified/sourced as rental income can be substituted. If two or more rental properties owned, statements from an online service must be provided to associate rents received with the specific property
	    ▪ 75% of the verified monthly rental income can be used to offset the PITIA of the rental property
	  o A screen shot of the online listing must show the property(s) activity marketed as a short-term rental

Rental Income – Departing Primary Residence	• If the borrower is converting their current primary residence to a rental property and using rental income to qualify or offset the payment the following requirements apply:
	  o Borrower must have documented equity in departure residence of 25%
	  o Documented equity may be evidenced by an exterior or full appraisal dated within six (6) months of subject transaction; **or** documented equity may be evidenced by the original sales price and the current unpaid principal balance
	  o Copy of current lease agreement
	  o Copy of security deposit and evidence of deposit to borrower's account

	o Net rental income should be calculated using gross rent X 75% minus PITIA
Retirement Income (Pension, Annuity, 401(k), IRA Distributions)	• Existing distribution of assets from an IRA, 401(k) or similar retirement asset must be sufficient to continue for a minimum of three (3) years o Distribution must have been set up at least six (6) months prior to Note date if there is no prior history of receipt; **or** two (2) year history of receipt evidenced o Distributions cannot be set up or changed solely for loan qualification purposes. • Document regular and continued receipt of income as verified by any of the following: o Letters from the organizations providing the income o Copies of retirement award letters o Most recent IRS W-2 or 1099 forms o Proof of current receipt with two (2) months bank statements *If any retirement income will cease within the first three (3) years of the loan, the income may not be used.*
Social Security Income	• Social Security income must be verified by a Social Security Administration benefit verification letter • If benefits expire within the first three (3) years of the loan, the income may not be used • Benefits (children or surviving spouse) with a defined expiration date must have a remaining term of at least three (3) years
Alimony/Child Support/Separation Maintenance	• Considered with a divorce decree, court ordered separation agreement, or other legal agreement provided the income will continue for at least three (3) years • If the income is the borrower's primary income source and there is a defined expiration date (even if beyond three (3) years) the income may not be acceptable for qualifying purposes • Evidence of receipt of full, regular and timely payments for the most recent twelve (12) months
Borrowers Employed by Family	• YTD paystub • Two (2) years W-2s and • VVOE • Borrower's potential ownership in the business must be addressed
Asset Depletion	Not allowed
Trust income	• Income from trusts may be used if guaranteed and regular payments will continue for at least three (3) years • Regular receipt of trust income for the past twelve (12) months must be documented • Copy of trust agreement or trustee statement showing: o Total amount of borrower designated trust funds o Terms of payment o Duration of trust o Evidence the trust is irrevocable • If trust fund assets are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income

Disability Income – Long Term (Private Policy or Employer Sponsored)	• Copy of the policy or benefits statement must be provided to determine current eligibility for disability payments, amount of payments, frequency of payments, and if there is an established termination date • Termination date may not be within three (3) years of Note date; please note reaching a specific age may trigger a termination date depending on the policy
Restricted Stock and Stock Options	• May only be used as qualifying income if the income has been consistently received for two (2) years and is identified on the paystubs, W-2s as income and the vesting schedule indicates the income will continue for a minimum of two (2) years at a similar level as prior two (2) years • A two (2) year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the lower of the current stock price or the 52-week average for the most recent twelve (12) months reporting at the time of application. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule. • Additional awards must be similar to the qualifying income and awarded on a consistent basis • There must be no indication the borrower will not continue to receive future awards consistent with historical awards received • Borrower must be currently employed by the employer issuing the RSUs/stock options for the RSUs/stock options to be considered in qualifying income • Stock must be a publicly traded stock • Vested restricted stock units and stock options cannot be used for reserves if using for income to qualify • Incentive sign on income and future RSU's are limited to 50% of the total qualifying income; income calculation results may be reduced to meet the 50% restriction
Projected Income	• Not permitted • May be considered on an single loan variance basis if borrower has a non-revocable contract and employment starts within sixty (60) days of closing
Assets/Reserves	
Asset Requirements	• Beyond the minimum reserve requirements and to fully document the borrower's ability to meet their obligations, borrowers should disclose all liquid assets • Eligible assets must be held in a US account • Large deposits inconsistent with monthly income or deposits must be verified if using for down payment, reserves or closing costs • Lender is responsible for verifying large deposits did not result in any new undisclosed debt • Asset verification by a Fannie Mae approved asset validation provider is allowed in lieu of two (2) months statements provided by the borrower • The asset verification must provide sixty (60) days of account activity and include all items normally indicated on bank statements • Virtual currency is an ineligible asset type. Virtual currency must be exchanged into U.S. dollars to be acceptable for use as down payment, closing costs or reserves. Refer to the Fannie Mae Selling Guide for additional details

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Asset Type	% Eligible for Calculation of Funds	Additional Requirements
Checking/Savings/ Money Market/CDs	100%	Two (2) months most recent statements
Publicly Traded Stocks/Bonds/Mutual Funds	100%	Two (2) months most recent statements. Non-vested stock is ineligible. Margin account and/or pledged asset balances must be deducted
Retirement Accounts (401(k), IRAs, etc.)	70% of the vested value after the reduction of any outstanding loans	• Most recent statement(s) covering a two (2) month period • Evidence of liquidation if using for down payment or closing costs • Evidence of access to funds required for employer- sponsored retirement accounts • Retirement accounts that do not allow for any type of withdrawal are ineligible for reserves.
Cash Value of Life Insurance/Annuities	100% of value unless subject to penalties	Most recent statement(s) covering a two (2) month period
1031 Exchange	Allowed on second home purchases only. • Reverse 1031 exchanges not allowed	• HUD-1/CD for both properties • Exchange agreement • Sales contract for exchange property • Verification of funds from the Exchange Intermediary
Business Funds	Allowed for down payment/closing costs and reserves with additional requirements met	• Cash flow analysis required to determine no negative impact to the ongoing operation of the business. • Business bank statements must not reflect any NSFs (non- sufficient funds) or overdrafts. • If borrower(s) ownership in the business is less than 100%, the following requirements must be met: o Borrower(s) must have majority ownership of 51% or greater o The other owners of the business must provide an access letter to the business funds o Borrower(s) % of ownership must be applied to the balance of business funds for use by borrower(s) • Business funds for reserves or a combination of personal/business funds for reserves, then at least 50% of the reserve requirement must be personal, liquid and non-retirement for the subject property and any additional financed REO • Business funds must be reduced by 50%

		prior to being used to meet reserve requirements
Gift Funds	• Gift funds may be used once borrower has contributed 5% of their own funds • Gift funds not allowed to be used as reserves	• Donor must be a family member, future spouse or domestic partner • Executed gift letter with gift amount and source, donor's name, address, phone number and relationship • Seller must verify sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account • Acceptable documentation includes the following: o Copy of donor's check and borrower's deposit slip o Copy of donor's withdrawal slip and borrower's deposit slip o Copy of donor's check to the closing agent o A settlement statement/CD showing receipt of the donor's gift check

Reserves

Reserve Requirements (# of Months of PITIA)		
Occupancy	**Loan Amount**	**# of Months**
Primary &Second Home	≤$1,000,000	6
	$1,000,001-$2,000,000	9
	> $2,000,000	12
Additional 1-4 Unit Financed REO	• Maximum number of financed properties – follow Fannie Mae Selling Guide requirements • All financed 1-4 unit residential properties require an additional six (6) months reserves for each property, unless the exclusions below apply: o 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage o Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation • If eligible to be excluded from the count of multiple financed properties, reserves are not required	

- Borrowed funds (secured or unsecured) are not permitted to meet reserve requirements
- Cash-out not permitted to meet reserve requirements
- Gift funds not permitted to meet reserve requirements

Interested Party Contributions

- Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender or their affiliates and/or any other party with an interest in the real estate transaction
- The following restrictions for interested party contributions apply:
  - May only be used for closing costs and prepaid expenses and may not be used for down payment or reserves

	o Maximum interested party contribution is limited to: ▪ Primary & Second Home – 6%
Seller Concessions	• All seller concessions must be addressed in the sales contract, appraisal and HUD-1/CD. A seller concession is defined as any interested party contribution beyond the stated limits (as shown in the prior section, Interested Party Contributions) or any amounts not being used for closing costs or prepaid expenses • If a seller concession is present, both the appraised value and the sales price must be reduced by the concession amount for the purposes of calculating the LTV/CLTV/HCLTV
Personal Property	• Any personal property transferred with a property sale must be deemed to have zero transfer value as indicated by the sales contract and appraisal • If any value is associated with the personal property, the sales price and the appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV
Subordinate Financing	
Subordinate Financing	• Institutional financing only • Seller subordinate financing not allowed • Subordinate liens must be recorded and clearly subordinate to the first Mortgage lien • If there is or will be an outstanding balance at the time of closing, the monthly payment for the subordinate financing must be included in the calculation of the borrower's debt to income ratio • Full disclosure must be made of the existence of subordinate financing and the subordinate financing repayment terms • The following are acceptable subordinate financing types: o Mortgage terms with interest at market rate o Mortgage with regular payments that cover at least the interest due, resulting in no negative amortization • Employer subordinate financing is allowed with the following requirements: o Employer must have an Employee Financing Assistance Program in place o Employer may require full repayment of the debt if the borrower's employment ceases before the maturity date o Financing may be structured in any of the following ways: ▪ Fully amortizing level monthly payments ▪ Deferred payments for some period before changing to fully amortizing payments ▪ Deferred payments over the entire term ▪ Forgiveness of debt over time ▪ Balloon payment of no less than five (5) years, or the borrower must have sufficient liquidity to pay off the subordinate lien • LTV/CLTV/HCLTV guidelines must be met for loans with subordinate financing • If subject transaction is paying off a HELOC that is not included in the CLTV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed • Shared equity finance agreements are an ineligible source of subordinate financing
Down Payment/Closing Cost Assistance	Down payment and closing cost assistance subordinate financing is not permitted
Property/Appraisal	
Eligible Property Types	• 1-4 Unit Owner Occupied Properties

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	• 1 Unit Second Homes • Condominiums – Attached – Warrantable o Limited review allowed for attached units in established condominium projects: ▪ Eligible transactions as per Fannie Mae guidelines o CPM or PERS approval allowed o Full Review allowed. Warranty to Fannie Mae full review guidelines o Projects with 2-4 units – no condominium review or condominium warranty is required. Fannie Mae basic requirements apply o Condominium documents to support condominium eligibility review must be no older than 120 days from Note date • Condominiums – Detached (including site condominiums) o No condominium review or condominium warranty is required. Fannie Mae basic requirements apply • Condominiums – Non-Warrantable (see Non-Warrantable Condominiums section below) • Modular homes • Planned Unit Developments (PUDs) • Properties with ≤40 Acres o Properties >10 acres ≤40 acres must meet the following: ▪ Maximum land value 35% ▪ No income producing attributes ▪ Transaction must be 10% below maximum LTV/CLTV/HCLTV as allowed on Bayview Bank Statement for transactions over twenty (20) acres. For example, if borrower qualifies for a loan at 80% LTV based on transaction, FICO score, loan amount and reserves, then the maximum allowed would be 70% • Properties Subject to Existing Oil/Gas Leases must meet the following: o Title endorsement providing coverage to the lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease o No active drilling; Appraiser to comment or current survey to show no active drilling o No lease recorded after the home construction date; Re-recording of a lease after the home was constructed is permitted o Must be connected to public water **NOTE**: Properties that fall outside these parameters can be considered on a single loan variance basis **Miscellaneous:** Properties with leased solar panels must meet Fannie Mae requirements **Acceptable Forms of Ownership:** • Fee Simple with title vesting as: o Individual o Joint Tenants o Tenants in Common • Leaseholds must meet Fannie Mae requirements • Deed/Resale Restrictions must meet Fannie Mae requirements
Non-Warrantable Condominiums	Only one (1) non-warrantable feature is allowed and LTV/CLTV must be 10% below product/program maximum up to a maximum of 70% LTV/CLTV *For example, if borrower qualifies for a loan at 70% LTV based on transaction, FICO score, loan*

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amount and reserves, then the maximum allowed would be 60%

- Commercial Space
  - Includes space above and below grade
  - Must be compatible with the residential use of the project; for example, restaurants, small shops, business offices, small market/grocery store that complements the neighborhood
  - Maximum 50% commercial space allowed
- Maximum Ownership by one (1) entity is 25% for projects with more than ten (10) units
  - Units owned by the developer, sponsor, or succeeding developer that are vacant and being actively marketed for sale are not included in the calculation
  - Units currently leased must be included in the calculation
  - For projects with ten (10) units or less, Fannie Mae guidelines apply for the number of units owned by one (1) entity and would not be considered non-warrantable

- Presale
  - New projects or converted projects (as defined by Fannie Mae) must have at least 30% of the units sold or under contract to owner occupants or second home purchasers for the subject phase
  - Common areas/amenities must be complete for the subject phase
- Budget – for projects with line item for replacement reserves of less than 10%
  - Less than 10% but greater than 7% replaced reserves allowed if current reserve balance exceeds 10% of operating expenses
  - Less than 7% replacement reserves allowed if current reserve balance exceeds 20% operating expenses
  - Project balance sheet must be provided and within 120 days of the Note date

The subject legal phase and any other prior legal phases in which units have been offered for sale are substantially complete (common elements complete and units complete subject to selection of buyer upgrades/preference items)

  - Primary residence and second home only
  - All other Fannie Mae condo requirements met
  - Loan must be locked and property must be identified as a non-warrantable condominium with applicable pricing adjustments applied

Loans outside of these parameters with strong compensating factors may be considered on a single loan variance basis

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Ineligible Property Types

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- 2-4 unit second home properties
- Condotels/Condo Hotels
- Manufactured Homes/Mobile Homes
- Mixed-Use Properties
- Model Home Leasebacks
- Properties with condition rating of C5/C6
- Properties with construction rating of Q6
- Properties located in Hawaii in lava zones 1 & 2
- Properties located in areas where a valid security interest in the property cannot be obtained

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- Properties >40 acres
- Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant
- Tenants-in-Common projects (TICs)
- Unique properties
- Working farms, ranches or orchards
- Cooperatives

Appraisal Requirements

- Transferred appraisals are not allowed
- Appraisals must be completed for the subject transaction. Use of a prior appraisal, regardless of the date of the prior appraisal, is not allowed
- The subject property must be appraised within 90 days prior to the Note date
- Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date
- <u>Appraisal Review Requirements:</u>
  - Collateral Desktop Analysis (CDA) ordered from Clear Capital is required to support the value of the appraisal. The Seller is responsible for ordering the CDA
    - If the CDA returns a value that is "Indeterminate" or if the CDA indicates a lower value than the appraised value that exceeds a 10% tolerance, then one (1) of the following requirements must be met:
      - A Clear Capital BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation of Three Reports is required. The Value Reconciliation will be used for the appraised value of the property. The Seller is responsible for ordering the BPO and Value Reconciliation through Clear Capital
      - A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. The Seller is responsible for providing the field review or 2nd full appraisal
    - If two (2) full appraisals are provided, a CDA is not required
  - Collateral Underwriter (CU) with a score of 2.5 or less is allowed in lieu of a CDA
    - Maximum Loan amount $1,500,000
- For properties purchased by the seller of the property within ninety (90) days of the fully executed purchase contract the following requirements apply:
  - Second full appraisal is required
  - Property seller on the purchase contract is the owner of record
  - Increases in value should be documented with commentary from the appraiser and recent paired sales

The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in lieu

Appraisal Requirements Based on Loan Amount:	
First Lien Amount	**Appraisal Requirements**
Purchase Transactions	
≤ $2,000,000	1 Full Appraisal
> $2,000,000	2 Full Appraisals
Refinance Transactions	
≤ $1,500,000	1 Full Appraisal
> $1,500,000	2 Full Appraisals

	• When two (2) appraisals are required, the following applies: o Appraisals must be completed by two (2) independent companies o The LTV will be determined by the lower of the two (2) appraised values if the lower appraisal supports the value conclusion o Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled o If the two (2) appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon • Higher Priced Mortgage Loans (HPML) o If the property was acquired by the seller less than 90 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 10% then a second full appraisal is required. Bank owned properties are not exempt. o If the property was acquired by the seller between 91-180 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 20%, then a second full appraisal is required. Bank owned properties are not exempt o If a second appraisal is required for one of the above two reasons, the borrower may only be charged for one of the appraisals
Construction to Permanent Financing	• The borrower must hold title to the lot which may have been previously acquired or purchased as part of the transaction • LTV/CLTV/HCLTV is determined based on the length of time the borrower has owned the lot. The time frame is defined as the date the lot was purchased to the Note date of the subject transaction o For lots owned twelve (12) months or more, the appraised value can be used to calculate the LTV/CLTV/HCLTV o For lots owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the current appraised value of the property or the total acquisition costs (documented construction costs plus documented purchase price of lot)
Disaster Area Requirements	• Refer to the Disaster Guidelines in the Special Products Guide for requirements pertaining to properties impacted by a disaster in: o FEMA Major Disaster Declarations with designated counties eligible for **Individual Assistance (IA);** o Areas where FEMA has not made a disaster declaration, but Community Loan Servicing or an Investor (Fannie Mae, Freddie Mac, FHA, USDA or the Veterans Administration) has determined that there may be an increased risk of loss due to a disaster; o Areas where there is reason to believe that a property might have been damaged in a disaster • Correspondent lenders are responsible for monitoring the Disaster Declaration File and the FEMA Website including the FEMA Declarations Summary on an ongoing basis to ensure that the property is not located in an area impacted by a disaster
Escrow Holdbacks	Not allowed unless the holdback has been disbursed and a certification of completion has been issued prior to purchase by Community Loan Servicing
Special Restrictions	
Multiple Financed Properties	• Maximum number of financed properties – follow Fannie Mae Selling Guide requirements • All financed 1-4 unit residential properties require an additional six (6) months reserves

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	for each property, unless the exclusions below apply • 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage • Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation
Geographic Restrictions	• The following states are not eligible: NY • Properties located outside of the United States or in a Territory, Province or Commonwealth; including, but not limited to properties in Guam, Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands or American Samoa are not permitted
Properties Listed for Sale	• Properties currently listed for sale (at the time of application) are not eligible for refinance transactions • Properties listed for sale within six (6) months of the application date are acceptable if the following requirements are met: o Rate and Term refinance only o Primary and second homes only o Documentation provided to show cancellation of listing o Acceptable letter of explanation from the borrower detailing the rationale for cancelling the listing • Cash-out refinances are not eligible if the property was listed for sale within twelve (12) months of the application date
Escrow Waivers	• Flood insurance premiums paid by the borrower must be escrowed and cannot be waived regardless of LTV. If flood insurance premiums are paid by a condominium association, homeowner's association or other group, no escrow is required • Escrow waivers for property taxes and homeowners insurance are permitted on loans with LTVs less than or equal to 80% in accordance with the Fannie Mae Selling Guide and all state specific restrictions • Tax and insurance escrows are required on all HPML loans.
Mortgage Insurance	Not required
Loan Documentation Requirements	• Interest-only Note (if applicable) • Interest-only Rider (if applicable) • Pre-payment Penalty Rider (if applicable) • Borrower Authorization Form • All other forms required per the document checklist which is posted in the Reference Library of the Correspondent Portal
Maximum Financed Bayview Exposure	Borrower(s) are limited to a maximum of $6,250,000 in aggregate with Bayview
Loans must be originated in accordance with the Community Loan Servicing Origination Guide unless otherwise stated with this product matrix.	

Version Control			
Author	Section	Date	Update
AS	All	05.16.22	Matrix created
AS	Restricted Stock and Stock Options	05.20.22	Added Incentive sign on income and future RSU's are limited to 50% of total qualifying income. Income calculation results may be reduced to meet the 50% restriction
AS	Asset Requirements	05.20.22	Added Virtual Currency is an ineligible asset type. Virtual currency must be exchanged into U.S. dollars to be acceptable for use as down payment, closing costs or reserves. Refer to Fannie Mae Selling Guide for additional details
AS	Subordinate Financing	05.20.22	Added Shared equity finance agreements are an ineligible source of subordinate financing
AS	Forbearance	06.03.22	Added: For borrowers who have entered into forbearance on any loan (including but not limited to the subject mortgage) between 01.01.2020 and 06.01.2022, the below listed criteria is to be used to determine eligibility. All other loans must follow the forbearance waiting period as required in the Significant Derogatory Credit section above.
DH	Eligibility Grid	11.04.22	Added Declining Market footnote
DH	Declining Market	11.04.22	Added Declining Market section • LTV/CLTV/HCLTV must be **5%** below product maximum per product matrix eligibility grid *As an example:* *If the eligibility grid indicates a maximum of 75% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 70%*
DH	Appraisal Requirements	11.04.22	Removed • Appraisal Update (Form 1004D) is allowed for appraisals that are over 120 days aged but less than 180 days aged from Note date o The appraiser must inspect the exterior of the property and provide a photo o Appraiser must review current market data to determine whether the property has declined in value since the date of the original appraisal. If the value has declined since the original appraisal, a new full appraisal is required o The Appraisal Update (1004D) must be dated within 120 days of the Note date Added • Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date • The subject property must be appraised within 90 days prior to the Note date • Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets
DH	Eligibility Grid	11.18.22	• Re-named Footnote #6 to read See MSA LTV/CLTV/HCLTV Reduction Section • Removed line for Primary Residence, Purchase or Rate/Term Refi up to 85% LTV, 700 FICO up to $1.0M • Reduced LTV to 80% for Primary Residence, Purchase or Rate/Term Refi up to $1.5M • Reduced LTV to 80% for Second Home, Purchase or Rate/Term Refi up to $1.0M
DH	Interest Only	11.18.22	Removed • Maximum 80% LTV
DH	Gift Funds	11.18.22	Removed • Gift funds not allowed on LTVs >80%
DH	Interested Party Contributions	11.18.22	Removed • Primary with LTVs > 80% - 3%
DH	Subordinate Financing	11.18.22	Removed • Secondary financing is not allowed on LTVs >80% on Bayview Bank Statement loan program
DH	Declining Market	11.18.22	Removed Declining Market Section
DH	Appraisal Requirements	11.18.22	Removed • Maximum LTV 80% requirement for when Collateral Underwriter (CU) with a score of 2.5 or less is allowed in lieu of a CDA • Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets
DH	State/MSA LTV/CLTV/HCLTV Reduction Section	11.18.22	Added MSA LTV/CLTV/HCLTV Reduction Section • In the states of GA, WA, KS, ND, OR, UT: Reduce LTV/CLTV/HCLTV by 5% from the maximum allowed per the eligibility grid up to a maximum of 75% • In the states of TX, AZ, ID, NC, DC, NV, SD: Reduce LTV/CLTV/HCLTV by 10% from the maximum allowed per the eligibility grid up to a maximum of 70% • A 10% LTV/CLTV/HCLTV reduction from the maximum allowed per the eligibility grid applies to the Metropolitan Statistical Areas identified in the below table. An MSA Lookup tool by zip code is available on the Lakeview Correspondent Portal o If a property is in one of the states identified in the first two bullet points above AND is also in one of the MSAs in the table below then both LTV/CLTV/HCLTV reductions must be applied

<table>
<tr><td></td><td></td><td></td><td>As an example:

If the eligibility grid indicates a maximum of 75% LTV/CLTV/HCLTV for the loan and the subject property is in the state of Texas and also in the Austin-Round Rock MSA then a <u>10% state reduction</u> and a <u>10% MSA reduction</u> must be applied for a 55% maximum LTV/CLTV/HCLTV for that specific loan

(See State/MSA LTV/CLTV/HCLTV Reduction Section to view table)</td></tr>
<tr><td>DH</td><td>Escrow Requirements</td><td>11.18.22</td><td>Removed
Tax and insurance escrows are required on all loans greater than 80% loan to value (LTV) with the exception of California where state law prescribes escrows are not required on loans less than 90% LTV</td></tr>
<tr><td>DH</td><td>Declining Market</td><td>11.21.22</td><td>Added Declining Market section
LTV/CLTV/HCLTV must be 5% below product maximum per product matrix eligibility grid
As an example:
If the eligibility grid indicates a maximum of 75% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 70%</td></tr>
<tr><td>DH</td><td>Appraisal Requirements</td><td>11.21.22</td><td>Added
Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets</td></tr>
<tr><td>DH</td><td>Eligibility Grids</td><td>11.23.22</td><td>Added LTV/CLTV/HCLTV Reduction Table</td></tr>
<tr><td>DH</td><td>Declining Markets</td><td>11.23.22</td><td>Updated Declining Market section to reflect specific LTV/CLTV/HCLTV reductions by category
<table>
<tr><th>Category</th><th>States</th><th>LTV/CLTV/HCLTV Reductions</th></tr>
<tr><td>Category 1</td><td>TX</td><td>20% LTV/CLTV/HCLTV reduction from the maximum above, up to a maximum of 60%</td></tr>
<tr><td>Category 2</td><td>AZ, ID</td><td>15% LTVCLTV/HCLTV reduction from the maximum above, up to a maximum of 65%</td></tr>
<tr><td>Category 3</td><td>NC, DC, NV, SD, WA</td><td>10% LTV/CLTV/HCLTV reduction from the maximum above, up to a maximum of 70%</td></tr>
<tr><td>Category 4</td><td>CA, CO, TN, GA, KS, ND, OR, UT</td><td>5% LTV/CLTV/HCLTV reduction from the maximum above, up to a maximum of 75%</td></tr>
</table></td></tr>
<tr><td>DH</td><td>Appraisal Requirements</td><td>11.23.22</td><td>Removed
Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets</td></tr>
<tr><td>DH</td><td>Reserve Requirements & Multiple Financed Properties</td><td>11.23.22</td><td>Removed
The borrower(s) may own a total of four (4) financed, 1-4 unit residential properties including the subject property and regardless of the occupancy type of the subject property
Added
Maximum number of financed properties – follow Fannie Mae Selling Guide requirements</td></tr>
<tr><td>DH</td><td>Appendix A</td><td>11.23.22</td><td>Added Appendix A – Category 1</td></tr>
<tr><td>DH</td><td>Appendix B</td><td>11.23.22</td><td>Added Appendix B – Category 2</td></tr>
<tr><td>DH</td><td>Appendix C</td><td>11.23.22</td><td>Added Appendix C – Category 3</td></tr>
<tr><td>DH</td><td>Appendix C</td><td>11.23.22</td><td>Added Appendix D – Category 4</td></tr>
<tr><td>DH</td><td>Bank Statement Analysis and Documentation and Requirements</td><td>03.08.23</td><td>Added
Bank statements used for qualifying income must be from U.S. bank accounts in U.S. dollars</td></tr>
<tr><td>DH</td><td>Declining Markets</td><td>03.20.23</td><td>Removed declining markets requirements throughout product matrix</td></tr>
<tr><td>DH</td><td>Eligibility Grid</td><td>04.24.23</td><td>Revised Eligibility Grids to reflect
Primary Residence
1-unit: Minimum FICO 660
2-4 units: Minimum FICO 680</td></tr>
</table>

Non-Delegated Correspondent Debt Service Coverage Ratio (DSCR)

<table>
<tr><th colspan="9">Bayview Standard DSCR
Eligibility</th></tr>
<tr><th colspan="2" rowspan="2">FICO & Loan Amount[2]</th><th colspan="7">Max LTV/LTC[1]</th></tr>
<tr><th></th><th colspan="3">DSCR ≥ 1.0</th><th colspan="3">DSCR 0.99-0.75</th></tr>
<tr><th>FICO</th><th>Loan Amount</th><th>Units</th><th>Purchase</th><th>Rate/Term</th><th>Cash Out</th><th>Purchase</th><th>Rate/Term</th><th>Cash Out</th></tr>
<tr><td rowspan="6">700+</td><td rowspan="2">$100k+ up to $1.5M</td><td>1</td><td>80</td><td>80</td><td>75</td><td>75</td><td>75</td><td>70</td></tr>
<tr><td>2-4</td><td>80</td><td>80</td><td>75</td><td>75</td><td>75</td><td>70</td></tr>
<tr><td rowspan="2">$1.5M+ up to $2M</td><td>1</td><td>75</td><td>75</td><td>70</td><td>65</td><td>65</td><td>60</td></tr>
<tr><td>2-4</td><td>75</td><td>75</td><td>70</td><td>65</td><td>65</td><td>60</td></tr>
<tr><td rowspan="2">$2M+ up to $2.5M</td><td>1</td><td>NA</td><td>NA</td><td>NA</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>2-4</td><td>70</td><td>70</td><td>65</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td rowspan="6">680-699</td><td rowspan="2">$100k+ up to $1.5M</td><td>1</td><td>80</td><td>75</td><td>70</td><td>75</td><td>70</td><td>65</td></tr>
<tr><td>2-4</td><td>80</td><td>75</td><td>70</td><td>75</td><td>70</td><td>65</td></tr>
<tr><td rowspan="2">1.5M+ up to $2M</td><td>1</td><td rowspan="2">70</td><td rowspan="2">70</td><td rowspan="2">65</td><td rowspan="2">65</td><td rowspan="2">60</td><td rowspan="2">55</td></tr>
<tr><td>2-4</td></tr>
<tr><td rowspan="2">$2M+ up to $2.5M</td><td>1</td><td>NA</td><td>NA</td><td>NA</td><td>NA</td><td rowspan="2">NA</td><td rowspan="2">NA</td></tr>
<tr><td>2-4</td><td>65</td><td>65</td><td>60</td><td>NA</td></tr>
<tr><td rowspan="2">660-679</td><td>$100+ up to $1.5M</td><td>1</td><td>75</td><td>70</td><td>65</td><td>70</td><td>65</td><td>60</td></tr>
<tr><td>$1.5M+ up to $2M</td><td>1</td><td>65</td><td>65</td><td>60</td><td>60</td><td>55</td><td>50</td></tr>
</table>

[1] See LTV/LTC Restriction section
[2] See Loan Amount section

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<table>
<tr><th colspan="2">Loan Product</th></tr>
<tr><td>Eligible Products / Terms</td><td>
<table>
<tr><th colspan="2">Standard/Single Property</th></tr>
<tr><td>PPF340</td><td>DSCR Fixed Rate 30yr term</td></tr>
<tr><td>PPF405[1]</td><td>5yr I/O with loan fully amortizing over remaining 25 yrs.</td></tr>
<tr><td>PPF410</td><td>10yr I/O with loan fully amortizing over remaining 20 yrs.</td></tr>
</table>
[1]7-year pre-payment penalty cannot be paired with this product</td></tr>
<tr><td>Loan Amounts</td><td>• Maximum Loan Amount: $2,000,000 (Standard single family), $2,500,000 (2-4 units)
• Minimum Loan Amount: $100,000</td></tr>
<tr><td>LTV/LTC Calculation</td><td>• Calculation is: lesser of LTV or LTC
o LTC is calculated as: loan amount divided by the cost basis at loan origination date and only utilized if the subject property is a new acquisition or has been acquired in the past six months
▪ Cost Basis: Cost basis is inclusive of purchase price, verified Borrower/Guarantor paid hard and soft costs expended to date (rehabilitation/renovation expenses), and customary Borrower/Guarantor paid arms-length closing costs/ fees, including real estate broker commissions, title, escrow, other closing costs and the amount of taxes, HOA dues, fees, assessments, Assignment Fees, and liens paid by the Borrower/Guarantor or its affiliates in connection with and at the time of the acquisition. If closing costs are not documented or clearly verifiable at the time of closing, then up to 2% of the purchase price may be added to the purchase price for the assessment of Cost Basis. Mortgage broker fees, origination fees, points, etc. are excluded

• LTV is calculated as: loan amount divided by the value of the mortgaged property. If property is owned less than six months, must use purchase price as value instead of the appraised value with the exception of below:
o Loan amount is less than or equal to the cost of the property plus all documented renovation costs.</td></tr>
<tr><td>LTV/LTC Restrictions</td><td>• Reduce LTV by 5% for:
o Vacant properties as defined in Occupancy section of this Product Matrix
o Refinance of a short term rental property or Cash-out of a short term rental property
• Reduce LTV by 10% for non-warrantable condominiums with a maximum of 70% LTV/LTC
• Maximum LTV/LTC of 70% for:
o Inexperienced investor</td></tr>
<tr><td>Loan Documentation Requirements</td><td><u>Application must include the following:</u>
• Loan amount and terms
• Subject and primary residence property address, type of property and number of units
• Entity name and address (if applicable)
• Borrower/Guarantor(s) information including: social security number, HMDA information (natural Borrower or business entity as applicable, not required for Guarantors), date of birth, address and authorization to pull credit

<u>Note must include:</u>
• Collateral information
• Loan terms, including prepayment penalty (if applicable) as shown in the section</td></tr>
</table>

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	<u>Security Instrument must include:</u> • Collateral information, • Language that provides the holder of the security instrument with a valid and enforceable lien position **<u>Additional Required Documentation</u>** • Business Purpose/Non-owner Occupancy must be addressed in loan documentation • Lender to provide a clear OFAC check for all individuals with 25% or more ownership of the entity as confirmed by a current listing of ownership interests • Personal Guaranty (business entity) • Cash-Out explanation for natural person Borrowers (if not addressed on the Business Purpose Affidavit) • 1-4 Family Rider (residential package)/Assignment of Rents Rider (commercial package) • If utilizing the FNMA\FHLMC residential document set, the Business Loan Rider must also be completed [see C2022-06 for full details] • All other business entity forms noted in the Eligibility section below (if applicable) • All other forms required per the document checklist which is posted in the Reference Library of the Correspondent Portal • All Sellers must comply with all aspects of ECOA, including the Right to Receive a Copy of the Appraisal Report Disclosure
Loan Purpose	All loans originated to Bayview DSCR product are secured by the business real estate or commercial property owned by the individual or business and its principals. All loans are for business purposes only, and are certified as such by the Borrower/Guarantor(s). Properties cannot be occupied by any of the Guarantors. • Purchase • Rate/Term Refinance • Cash-Out: Refinancing existing debt on the property in which the Borrower/Guarantor receives net proceeds (excluding third-party expenses reflected on the HUD or similar document) from the refinancing that exceed 2% of the loan amount. Financing of properties owned free and clear and acquired more than six (6) months prior to the loan origination date is also considered a Cash Out Refinance

Rate/Term Refinance Transactions	• The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items
	  o If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC that has been in place for twelve (12) months and total draws do not exceed $2000 in the most recent twelve (12) months
	  o A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months
	  o A seasoned equity line is defined as not having draws totaling over $2000 in the most recent twelve (12) months. Withdrawal activity must be documented with a transaction history
	• Max cash back at closing is limited to 2% of the new loan amount
	
	<u>Continuity of Obligation</u>
	• When at least one (1) Borrower on the existing mortgage is also a Borrower on the new refinance transaction, continuity of obligation requirements have been met. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible:

- The Borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and the Borrower meets the following requirements:
  - Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months, or
  - Is related to the Borrower on the mortgage being refinanced
- The Borrower on the new refinance transaction was added to title twenty- four (24) months or more prior to the disbursement date of the new refinance transaction
- The Borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership
- The Borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply:
- Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer
- The transferring entity and/or Borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan

NOTE: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement

If owned ≤ one year:

- 0-6 months
  - Use lower of cost basis or appraised value to calculate LTV, or
  - If greater than 20% (based on original cost) of the rehabilitation work that was completed on the property as evidenced by an “as-is” appraisal, then the appraised value can be used to calculate the LTV, but the loan amount is limited to the cost basis plus the documented rehabilitation costs (100% LTC) up to the maximum applicable LTV/LTC per the eligibility grid.

Example:

For illustrative purposes, the below assumptions will be made

- Purchase Price: $200,000
- Appraised Value: $500,000
- Closing Costs: $4000
- Documented Renovations: $102,000

A) Cost Basis Determination (inclusive of closing costs and documented renovations)

$200,000 (purchase price) + $4000 (closing costs) + $102,000 (documented renovations) = $306,000

B) Current Appraised Value

$500,000 (assuming a maximum allowable LTV of 80% would yield a maximum loan amount of $400,000)

In the above example, since greater than 20% of the renovation work was completed on the property, the current appraised value (B) can be used to calculate maximum LTV, however, the maximum loan amount is limited to the cost basis plus documented renovations (A) $306,000.

- 7-12 months
  - Use appraised value

Cash-Out Transactions	• Cash-out loan proceeds may be used for business purposes only
	• Signed explanation of cash out required if Business Purpose Affidavit does not address reason for proceeds (required for natural Borrowers only)
	• Cash-out loan proceeds may be used for reserves if FICO > 700
	
	<u>Maximum Cash Out (excluding delayed financing transactions)</u>
	• <u>Standard Loans:</u>
	• If owned ≤ one year:
	  o <u>0-6 Months</u>
	    ▪ Use lower of cost basis or appraised value to calculate LTV, or
	    ▪ If greater than 20% (based on original cost) of the rehabilitation work that was completed on the property as evidenced by an "as-is" appraisal, then the appraised value can be used to calculate the LTV, but the loan amount is limited to the cost basis plus the documented rehabilitation costs (100% LTC) up to the maximum applicable LTV/LTC per the eligibility grid.
	    ▪ Cash out proceeds cannot exceed $500,000 standard
	    ▪ See above example in the Rate/Term Refinance Transactions Section for calculation of maximum LTV and loan amount
	  o <u>7-12 Months</u>
	    ▪ Option 1
	      • Use lower of cost basis or appraised value for all properties
	      • Cash out proceeds cannot exceed $500,000 standard
	    ▪ Option 2
	      • Use appraised value
	      • LTV > 65%, cash out proceeds to Borrower cannot exceed $250,000 standard
	      • LTV < 65%, cash out proceeds to Borrower cannot exceed $500,000 standard
	• If owned ≥ one year:
	    ▪ $500,000

Delayed Financing	• Property was purchased within six (6) months of the loan application • HUD-1/CD from purchase reflecting no financing obtained for the purchase of the property • Preliminary title reflects the Borrower/Guarantor as the owner and no liens • Prior transaction must have been arm's length • Will be treated as a rate and term refinance

Occupancy	• Properties cannot be occupied by any of the Borrower/Guarantors or their immediate family.
	• Investment properties for 1-4 units
	  o Occupied/Leased Property: A property that has at least the following number of Occupied/Leased Units:
	    ▪ single-family property = one unit
	    ▪ two-family property = two units
	    ▪ three-family property = two units
	    ▪ four-family property = three units
	  o Unoccupied/Unleased: A unit or property that is not categorized as an Occupied/Leased Unit or an Occupied/Leased Property, as applicable

Age of Documents	All credit documents, including title commitment must be no older than ninety (90) days from the Note date with the exception of the credit report which must be no older than one hundred and twenty (120) days from the Note date

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Eligibility	
Eligibility	• At least one Borrower/ primary Guarantor must have owned a home/property for twelve (12) months or more in the last three (3) years. • Both experienced investors and inexperienced investors are permitted. o **Experienced investors are defined as:** ▪ Borrower/primary guarantor must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 12 consecutive months in the most recent three (3) years, or ▪ Borrower/primary guarantor must have had ownership in three or more properties over the past 24 months o **Inexperienced investors are defined as:** ▪ Borrowers not meeting the definition of an experienced investor are considered to be inexperienced investors. These loans must meet the additional criteria: • Minimum DSCR of 1.0 • Maximum LTV 70% • Minimum loan amount of $150,000 and maximum loan of $1,000,000 • First-time homebuyers are not eligible. A first-time homebuyer is defined as a borrower who has not owned a residential property at any time during the prior three years • Business entity Loans must have a Guarantor defined as a primary Guarantor who owns at least 25% of the borrowing entity. In the event that no Guarantor owns at least 25%, the primary Guarantor will be designated as the Guarantor with the highest ownership percentage of the borrowing entity. • Borrower/Guarantor(s) must be US Citizens or Non-US Citizen(s) who are lawfully present in the United States. This includes both Permanent Qualified Resident Aliens and Non-Permanent Qualified Aliens as defined in the Residency and Eligibility Guide • All Borrower/Guarantor(s) must have a valid Social Security Number **All business entities must:** • Be a legal entity domiciled in the United States, including LLCs, LPs, partnerships, and corporations • Be an entity with natural person members • Be a U.S. based Entity in Good Standing • Provide a full recourse guarantee by one or more individual(s) and the managing member, if applicable, which are the largest percentage owners and in aggregate own at least 51% of the borrowing entity or 50% if there are only 2 members of the borrowing entity, unless otherwise approved by Community Loan Servicing • The guarantor(s) on the loan application must be a managing member(s) with documented authority to sign on behalf of the entity which includes joint and several liability as to the debt obligation of the borrowing entity. **Business Entity Documentation Requirements:** • Certificate of formation, filed articles of incorporation, including any and all amendments, as applicable, and a current listing of all ownership interests • Lender to provide a clear OFAC check for all individuals with 25% or more ownership of the entity as confirmed by a current listing of ownership interests

	• The Operating Agreement for the LLC must be provided in order to confirm acceptability of the LLC, including but not limited to granting authority to the signor to encumber indebtedness on behalf of the entity • Current Certificate of good standing, dated within 12 months prior to Note date
Ineligible Borrower/Guarantors	• Life Estates • Trusts • Guardianships • Community Land Trust • Land Trusts • Borrower/Guarantors/business entities with **any** ownership in a business that is Federally illegal, regardless if the income is not being considered for qualifying • Foreign Nationals – defined as a citizen of another country that does not fall into one of the categories or meet the requirements as defined in the Residency and Eligibility Guide • Non-profit organizations including, but not limited to 501(c)(3) and 501(c)(4) • Trusts or LLCs whose members include other LLCs, corporations, partnerships, or trusts • Trusts or LLCs where a Power of Attorney is used • Borrower/Guarantor(s) with Diplomatic Immunity status
Non-Arm's Length	A non-arm's length transaction exists whenever there is a personal or business relationship with any party to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company or other interested party. The following non-arm's length transactions are eligible: • Family sales or transfers • Assignment of contracts • Property seller acting as their own real estate agent • Relative of the property seller acting as the seller's real estate agent • Borrower/Guarantor acting as their own real estate agent • Relative of the Borrower/Guarantor acting as the Borrower/Guarantor's real estate agent • Borrower/Guarantor is the employee of the originating lender and the lender has an established employee loan program. Evidence of employee program to be included in loan file. • Originator is related to the Borrower/Guarantor • Borrower/Guarantor purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between Borrower/Guarantor and landlord)
Credit	
Underwriting	• Manual underwrite is required • In some cases, single loan variances (SLV) to program eligibility may be acceptable when strong compensating factors exist to offset the risk. Single loan variance must be granted by Bayview • Items not addressed in this matrix should be referred to Community Loan Servicing • Simultaneous Submissions do not need to be underwritten simultaneously

Credit Requirements	• Tri-merged credit reports are required on all Borrower/Guarantor(s) dated within 120 days of loan origination
	  o The representative score for each Borrower/Guarantor is:
	    ▪ The middle score when three scores are obtained, or
	    ▪ The lower score when two scores are obtained
	    ▪ If only one score is obtained, the Borrower/Guarantor is ineligible

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	• The representative score for the loan is the lowest representative score of the Borrower(s) or Guarantor(s), as applicable • Minimum two (2) trade lines are acceptable if the Borrower/Guarantor has a satisfactory mortgage rating for at least twelve (12) months (opened or closed) within the last twenty-four (24) months and one (1) additional open trade line • Each Borrower/Guarantor must meet the minimum trade line requirements • Authorized user accounts are not allowed as an acceptable trade line • Non-traditional credit is not allowed as an acceptable trade line • Credit reports with bureaus identified as “frozen” are required to be unfrozen and a current credit report with all bureaus unfrozen is required • In addition to compliance the OFAC and Exclusionary list policy as set forth in the Special Products Seller Guide, Section B707, lender must also complete a background check on Borrower/Guarantor • Background search on borrower/guarantor(s) must include litigation, judgment and lien searches and dated within 90 days of loan origination o To the extent there is evidence of an adverse finding listed below such persons are not permitted ▪ Previous felony conviction ▪ Misdemeanor conviction involving fraud, embezzlement or other similar crimes or an adverse fraud screen result, all within the last 5 years ▪ Loans where a Google search or other information known to the originator reveals material litigation, pending misdemeanors or felonies, regulatory investigations/citations or other matters of similar relevance on any of the Guarantors, Borrower/Guarantors, or the property are ineligible unless otherwise approved by Community Loan Servicing ▪ Each Borrower/Guarantor, if applicable, with 10 or more judgements and/or liens in the last 36 months, or current liens in excess of $250,000 are ineligible unless otherwise approved by Community Loan Servicing ▪ Lenders must also verify that all parties are not citizens of or reside in a country identified by Financial Action Task Force (FATF) as being a high-risk jurisdiction or a jurisdiction with strategic deficiencies o Background search may be from one of the suggested vendors below or another comparable provider. A combination of vendor reports may be used provided that together they fulfill the prescribed background search requirements listed above. ▪ Lexis Nexis (i.e, SmartLinx Person Report) ▪ Checkpoint (i.e., Investigative Instant and/or Non-Instant Search ▪ Pacer (Public Access to Court Electronic Records ▪ Fraud Guard ▪ DataVerify
Mortgage | Housing History	• **<u>Experienced Borrowers</u>** o Provide a twelve (12) month mortgage history on the primary residence and the subject property, applicable to all Borrower/Guarantor/entity (s) on the loan • **<u>Inexperienced Borrowers</u>** o Provide a twelve (12) month history on the primary residence and all other properties owned by the Borrower/Guarantor/entity(s), applicable to all Borrower/Guarantor/entity (s) on the loan

	• Maximum 1x30x12 between all disclosed mortgages, including those required to be verified as indicated above • The mortgage rating may be from the credit report, credit supplement or a third party verification service, unless the mortgage holder is a party to the transaction or relative of the Borrower/Guarantor, cancelled checks or bank statements to verify satisfactory mortgage history is required • Sellers must review the Borrower/Guarantor(s) credit report to determine status of all mortgage loans including verification that any mortgage is not subject to a loss mitigation program, repayment plan, loan modification or payment deferral plan unless related to COVID-19 forbearance and meets all additional requirements in forbearance section within this Product Matrix

Significant Derogatory Credit	• Bankruptcy, Chapter 7, 11, 13 - three (3) years since discharge/dismissal date
	• Foreclosure – three (3) years since completion date
	• Short Sale/Deed-in-Lieu - three (3) years since completion/sale date
	• Forbearance (refer to section below)
	• Mortgage accounts that were settled for less, negotiated or short payoffs – three (3) years since settlement date
	• Loan modification – three (3) years since modification date
	• Notice of Default – three (3) years
	  o NOD's on short term bridge loans (<2 year term) with hard maturities may be acceptable assuming all deficiencies are cleared and documented. These loans are subject to Community Loan Servicing approval.
	• A satisfactory explanation letter from the Borrower/Guarantor(s) must be provided addressing any of the above derogatory credit events if the event occurred in the last four (4) years
	• Multiple derogatory credit events require a seven (7) year seasoning period
	  o A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event
	  o A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event
	• Medical collections are allowed to remain outstanding if the balance is less than $10,000 in aggregate
	• Tax liens, judgments, charge-offs, and past-due accounts must be satisfied or brought current prior to or at closing
	• Cash-Out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts
	• Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full

Forbearance	• Any forbearance resulting in subsequent loan modification/repayment plan is considered a significant derogatory credit event and subject to a three (3) year waiting period. • Any forbearance filed after 6/1/22 is considered a significant derogatory credit event and subject to a three (3) year waiting period. **Forbearance on Subject and Non-subject property(s) that do not fall into the above scenarios:** • Any loan(s) that is shown to be in active forbearance is considered ineligible. • Any loan that is shown to be in a past forbearance is only permitted if the plan has been exited and all reported payments have been made on time since the exit. • Loan file must contain a letter of explanation from the Borrower/Guarantor detailing the reason for forbearance and that the hardship no longer exists.

Lawsuit/Pending Litigation	If the loan application, title commitment or credit documents indicate that the Borrower/Guarantor is party to a lawsuit, additional documentation must be obtained to determine no negative impact on the Borrower/Guarantor's ability to repay, assets or collateral

Debt Service Coverage Ratio

Debt Service Coverage Ratio (DSCR)

Debt Service Coverage Ratio (DSCR):

- The DSCR is calculated by taking the gross rents divided by the PITIA of the subject property
- Interest-Only loans must use the 30 year fully amortized PITIA payment for DSCR calculation
- Short-term rentals require a DSCR ≥ 2.0
- Use the Note Rate to calculate PITIA
- Use the real estate taxes listed on the title policy or a current real estate tax bill converted into a monthly payment
- Use the insurance premium that is listed on the approved insurance certificate (or other documentation) converted into a monthly payment
- Use the Association fees (if applicable) that is listed as the monthly amount on the appraisal or current homeowner association statement

Gross Rent Requirements:

- **Purchase**:
  - Obtain Appraisal Form 1007/1025 as applicable and use 100% of the gross market rent in DSCR calculation
- **Refinance**:
  - Obtain both a current lease agreement and Appraisal Form 1007/1025 as applicable. An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease once the initial lease/rental term expires or per local statutes is still current is allowed.
  - Gross rent used in the DSCR calculation must come from the lesser of the lease agreement or Appraisal Form 1007/1025 as applicable, except as noted below:
    - When the lease agreement is higher than the gross market rent on the appraisal, the following requirements apply:
      - The amount used for qualifying cannot exceed 10% over the market rent on the appraisal
      - If the actual rent is greater than market rent, but is ≤ 10% over the market rent, then the lease amount can be used for qualifying

Example #1 – Actual Rent is 20% Above Market		Example #2 – Actual Rent is 5% Above Market	
Actual Rent per Lease Agreement	$1200	Actual Rent per Lease Agreement	$1050
Market Rent per Appraisal	$1000	Market Rent per Appraisal	$1000
Allowable Amount for Qualifying	$1100	Allowable Amount for Qualifying	$1050

- **Short-Term Rentals**: Short-term rentals are properties in which the rental term is less than 12 months, relatively variable in duration (e.g. short weekend, two weeks, several months, etc.), and may not be subject to a traditional lease agreement.
  - Short-term rentals are permitted. Proof of receipt for the most recent 12 months* is required.
  - Utilize documented 12 months* of payments to derive the gross monthly rental amount, not to exceed 100% of market rent schedule. If no rent is received, use zero for that month OR
  - Utilize documented 24 months of payments to derive the gross monthly rental amount, not to exceed 125% of market rent schedule. If no rent is received, use zero for that month
  - Property must be tenant ready with furniture, appliances, etc.

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	o LTV is reduced by 5% *Properties owned ≥ 6 months but < 12 months will be reviewed on an exception basis. Income calculation will be at Community Loan Servicing's discretion but not more than 80% of documented rent.
DSCR Restrictions	• DSCR < 1.0 not permitted for: o 2-4 unit properties with FICO < 740 OR o Inexperienced investors • DSCR < 1.0 requires 6 months reserves • Short-term rentals require a DSCR ≥ 2.0 • Minimum DSCR of 1.25 if: o Loan amount < $150,000 unless the transaction is a purchase with a minimum FICO of 700
Lease Requirements	**Leases must:** • Be a third-party lease with no Borrower/Guarantors, owners of the Borrower/Guarantor or their immediate family members leasing or occupying the property ("Eligible Tenant") o Immediate Family members is defined as those by lineal descendant, adoption or marriage, this includes spouses, siblings, children, parents, or grandparents • Be in the name of the Borrower/Guarantor or their verified property manager, as landlord • Be fully executed by both an Eligible Tenant and the Borrower/Guarantor(s) (as landlord(s)) o All tenants on leases must be natural persons. Exceptions for other types of entities may be considered on a case by case basis • Have a unit rental rate, and terms consistent with rates and terms prevailing in the local market where the property is located • Be on a form that is customary to the area the property is located in and comply with all applicable legal requirements in all material respects (including all required disclosures) • Cover 100% of the square footage of the applicable residential unit • ***Rent to own and/or contract for deeds are ineligible***
Assets/Reserves	
Asset Requirements	• Beyond the minimum reserve requirements and to fully document the Borrower/Guarantor's ability to meet their obligations, Borrower/Guarantors should disclose all liquid assets • Eligible assets must be held in a US account • Two (2) most recent months account statements from either the Borrower/Guarantor/primary Guarantor or the borrowing entity, as applicable (including inter vivos revocable trust assets), must be provided. The asset verification must provide sixty (60) days of account activity and include all items normally indicated on bank statements • Fannie Mae approved third party suppliers and distributors that generate asset verification reports are permitted for the purpose of verifying assets

Asset Type	% Eligible for Calculation of Funds	Additional Requirements
Checking/Savings/ Money Market/CDs	100%	Two (2) months most recent statements
Publicly Traded Stocks/Bonds/Mutual Funds	100%	Two (2) months most recent statements. Non-vested stock is ineligible. Margin account and/or pledged asset balances must be deducted

	Retirement Accounts (401(k), IRAs, etc.)	70% of the vested value after the reduction of any outstanding loans	• Most recent statement(s) covering a two (2) month period • Evidence of liquidation if using for down payment or closing costs • Evidence of access to funds required for employer- sponsored retirement accounts • Retirement accounts that do not allow for any type of withdrawal are ineligible for reserves
	Cash Value of Life Insurance/ Annuities	100% of value unless subject to penalties	Most recent statement(s) covering a two (2) month period
	1031 Exchange	Reverse 1031 exchanges not allowed	• HUD-1/CD for both properties • Exchange agreement • Sales contract for exchange property • Verification of funds from the Exchange Intermediary
	Business Funds	Allowed for down payment/closing costs and reserves with additional requirements met	• If business account used is not in the same name as the borrowing entity, then the following requirements must be met: o Natural Borrower/Guarantor(s) must have ownership of 25% or greater of the entity holding the account o Borrower/Guarantor must also be named on the account or provide proof of access to 100% of the funds from other members
	Gift Funds	Permitted after Borrower/Guarantor minimum 10% contribution	• Donor must be a family member, future spouse or domestic partner • Executed gift letter with gift amount and source, donor's name, address, phone number and relationship • Seller must verify sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account • Acceptable documentation includes the following: o Copy of donor's check and borrower's deposit slip o Copy of donor's withdrawal slip and borrower's deposit slip

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			o Copy of donor's check to the closing agent • A settlement statement/CD showing receipt of the donor's gift check • Gift funds are not permitted to meet reserve requirements
	Gifts of Equity	Not Permitted	N/A
	Virtual Currency	Not Permitted	N/A

Reserves

- DSCR ≥ 1.0: 3 months PITIA for subject property
- DSCR < 1.0: 6 months PITIA for subject property
- Cash out may be utilized for reserves if FICO >700
- Gift funds are not permitted to meet reserve requirements
- Funds utilized for down payment and closing costs cannot be included in reserve funds
- Additional 6 months reserves are required for purchase of short term rental
- Additional reserves are required for refinance transactions due to vacancy of units as noted in the table below:

# Units in Subject Property	# Vacant Units	Additional 6 months PITIA Reserves Required
1	1	Y
2	1	Y
3	2	Y
4	3	Y

Interested Party Contributions

- Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender or their affiliates and/or any other party with an interest in the real estate transaction
- The following restrictions for interested party contributions apply:
  - May only be used for closing costs and prepaid expenses and may not be used for down payment or reserves
  - Maximum interested party contribution is limited to 3% of the purchase price

Seller Concessions

- All seller concessions must be addressed in the sales contract, appraisal and HUD-1/CD. A seller concession is defined as any interested party contribution beyond the stated limits (as shown in the prior section, Interested Party Contributions) or any amounts not being used for closing costs or prepaid expenses
- If a seller concession is present, both the appraised value and the sales price must be reduced by the concession amount for the purposes of calculating the LTV/CLTV/HCLTV

Personal Property

- Any personal property transferred with a property sale must be deemed to have zero transfer value as indicated by the sales contract and appraisal
- If any value is associated with the personal property, the sales price and the appraised value must be reduced by the personal property value for purposes of calculating the LTV/LTC

Subordinate Financing

Subordinate Financing	Not permitted

Down Payment/Closing Cost Assistance	Down payment and closing cost assistance subordinate financing is not permitted
Property/Appraisal	
Eligible Property Types	• 1-4 Unit residential investment properties leased as income producing properties to non-Borrower/Guarantor affiliated tenants • Attached and Detached • Planned Unit Developments (PUDs) • Condominiums (refer to section below) • Properties that are legal or legal-non-conforming use **Miscellaneous:** • Leasehold must meet Fannie Mae requirements • Properties with leased solar panels must meet Fannie Mae requirements • All units/properties must have a functioning kitchen • Properties must meet the following minimum square footage: o 1 unit: 700 sqft o Condominium: 500 sqft o 2-4 unit: 400 sqft per unit • 2-4 unit property with FICO ≤ 740 requires DSCR ≥1.0
Acceptable Forms of Ownership	• Fee Simple • Deed/Resale Restrictions must meet Fannie Mae requirements
Ineligible Property Types	• Assisted living facilities, nursing homes or any arrangement where the unit owner or tenant contracts for a commitment for resident or tenant care • Community Land Trusts • Property value <$100,000 • Cooperatives • Condotels or time-shares • Lease with purchase option properties • Manufactured/Modular/Mobile Homes • Mixed-Use Properties • Model Home Leasebacks • Multifamily (5+ units) • Rural Properties defined as properties classified as rural by the appraisal or with two of three comparable properties more than 5-miles from the subject property • Properties with atypical physical features for the neighborhood • Properties in areas where more than 10% of other properties within a 2-block radius are either clearly vacant, abandoned and/or boarded-up • Properties located in Hawaii in lava zones 1 & 2 • Properties located in areas where a valid security interest in the property cannot be obtained • Properties not configured or used for residential purpose properties on Native American reservations or properties not easily accessible by roads that meet local standards • Properties with known adverse environmental conditions (other than lead paint, radon or asbestos in each case which do not present a health hazard, do not require remediation and have been contained per EPA guidelines) • Properties which are not in compliance with local zoning regulations • Properties where the appraisal indicates any environmental concerns • Properties with condition rating of C5/C6 or not lease ready • Properties with construction rating of Q6

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<table>
<tr><td></td><td>

Properties with revolving credit facilities which permit the addition of additional collateral
Properties >2 acres
Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant
Single Room Occupancy (SROs) or former healthcare facilities
Tenants-in-Common projects (TICs)
Unique properties
Working farms, ranches or orchards

</td></tr>
<tr><td>Accessory Dwelling Unit (ADU) Requirements</td><td>
An ADU is typically an additional living area independent of the primary dwelling that may have been added to, created within, or detached from a primary one-unit dwelling.

Rental income from the ADU is not permitted
Only one ADU is permitted on the parcel of the primary one-unit dwelling and it must:

Be subordinate in size to the primary dwelling
Have the following separate features from the primary dwelling:

Means of ingress/egress,
Kitchen with cabinets, a countertop, a sink with running water and a stove
Sleeping area
Bathing area and bathroom facilities

Additionally, the appraiser must confirm that subject property is a one-unit property with an ADU and the appraisal must contain comparables with ADUs in the subject property's market area. The appraisal report must demonstrate that the improvements are acceptable for the market. An aged settled sale will qualify as a comparable, and an active listing or under contract sale will qualify as a supplemental exhibit to show marketability.
</td></tr>
<tr><td>Geographic Area</td><td>

The following states are not eligible: NY
Properties located outside of the United States or in a Territory, Province or Commonwealth; including, but not limited to properties in Guam, Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands or American Samoa are not permitted

</td></tr>
<tr><td>Condo Project Requirements</td><td>
If the property is part of a condominium association, the originator must obtain a condominium questionnaire and insurance certificate from the condominium association to ensure that it meets the eligibility criteria below. Condominiums must either meet FNMA requirements (inclusive of limited reviews) or the following warrantable guidelines as applicable. If neither set of guidelines is met, refer to the non-warrantable guideline requirements below.
<table>
<tr><th colspan="2">Warrantable Condominiums</th></tr>
<tr><th>Criteria</th><th>Requirement</th></tr>
<tr><td>HOA Delinquency</td><td>No more than 15% of tenants within an HOA may be delinquent more than 30 days</td></tr>
<tr><td>Capital Reserves/ Special Assessments</td><td>Must be the Greater of:
two years of planned capital reserves and any special assessments available for immediate use
<u>OR</u>
10% of the budget as long as the budget includes allocations for line items pertinent to the is type of condo project and provides for the funding of replacement reserves for capital expenditures and deferred maintenance that is as least 10% of the total budget</td></tr>
<tr><td>Conveyance</td><td>At least 90% of units have been sold to owners</td></tr>
<tr><td>Renter Concentration</td><td>No more than 50% of total units may be renter occupied unless Borrower/Guarantor owns 50% or more of total units or controls the association</td></tr>
</table>
</td></tr>
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Ownership Concentration	Units owned by a single entity (individual, investor group, partnership or corporation) represent no more than 25% of total units, or in projects with only 5 to 20 units – 2 units**,** other than the Borrower/Guarantor unless the Borrower/Guarantor is the largest single owner in the project
Project Status	Project is 100% complete and not subject to additional phasing
Insurance	The Condominium Association maintains a master insurance policy per FNMA guidelines
Non-Incidental Business	Income other than condo association fees may not make up more than 20% of total association income unless approved by Community Loan Servicing and must be excluded from use in the reserve requirement
Litigation	Association is not named as party to any material litigation, defined as litigation that would not be covered under current insurance policy or any reputational litigation as determined by Community Loan Servicing
Conveyance	Control of HOA has been turned over to unit owners
Commercial Component	No more than 35% of total square footage may be used for commercial purposes
Listed Securities	No projects may be listed securities (projects with documents on file with the SEC)
Ownership Interests	Units in the project must be held fee simple
Use Restrictions	The project must not restrict owner occupancy or the ability of new owners to rent units entirely
Significant Deferred Maintenance	Loans secured by units in condo and co-op projects with significant deferred maintenance or in projects that have received a directive from a regulatory authority or inspection agency to make repairs due to unsafe conditions are not eligible for purchase. These projects will remain ineligible until the required repairs have been made and documented. Acceptable documentation may include a satisfactory engineering or inspection report, certificate of occupancy, or other substantially similar documentation that shows the repairs have been completed in a manner that resolves the building's safety, soundness, structural integrity, or habitability concerns.
Special Assessments	Any current or planned special assessment, even if paid in full for the subject unit, must be reviewed to determine acceptability. The lender must document the loan file with the following: • the reason for the special assessment; • the total amount assessed and repayment terms; • documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project; and • Borrower qualification with any outstanding special assessment payment The lender is expected to obtain the financial documents necessary to confirm the association has the ability to fund any repairs. If the special assessment is related to safety, soundness, structural integrity, or habitability, all related repairs must be fully completed or the project is not eligible. Additionally, If the lender or appraiser is unable to determine that there is no adverse impact, the project is ineligible.

Non-Warrantable Condominiums	
Criteria	**Requirement**
LTV/LTC	Must reduce LTV/LTC from eligibility table by 10% with a Max LTV of 70% permitted
HOA Delinquency	No more than 15% of tenants within an HOA may be delinquent more than 30 days
Capital Reserves | Special Assessments*	<10% replacement, maintenance, and/or deductible
Conveyance*	At least 30% of units have been sold to owners or under contract

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	Renter Concentration*	No more than 55% of total units may be renter occupied
	Ownership Concentration*	Units owned by a single entity (individual, investor group, partnership or corporation) represent no more than 30% of total units, or in projects with only 5 to 20 units – 2 units**,** other than the Borrower/Guarantor unless the Borrower/Guarantor is the largest single owner in the project
	Significant Deferred Maintenance	Loans secured by units in condo and co-op projects with significant deferred maintenance or in projects that have received a directive from a regulatory authority or inspection agency to make repairs due to unsafe conditions are not eligible for purchase. These projects will remain ineligible until the required repairs have been made and documented. Acceptable documentation may include a satisfactory engineering or inspection report, certificate of occupancy, or other substantially similar documentation that shows the repairs have been completed in a manner that resolves the building's safety, soundness, structural integrity, or habitability concerns.
	Special Assessments	Any current or planned special assessment, even if paid in full for the subject unit, must be reviewed to determine acceptability. The lender must document the loan file with the following: • the reason for the special assessment; • the total amount assessed and repayment terms; • documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project; and • Borrower qualification with any outstanding special assessment payment The lender is expected to obtain the financial documents necessary to confirm the association has the ability to fund any repairs. If the special assessment is related to safety, soundness, structural integrity, or habitability, all related repairs must be fully completed or the project is not eligible. Additionally, If the lender or appraiser is unable to determine that there is no adverse impact, the project is ineligible.
	Non-Incidental Business	Income other than condo association fees may not make up more than 20% of total association income unless approved by Community Loan Servicing and must be excluded from use in the reserve requirement
	Litigation*	Association is not named as party to any material litigation, defined as: Structural/Functional litigation against developer Non-material litigation (Slip and fall/single unit complaints/3rd party claims) is permitted with adequate reserves Lender must provide verification of lawsuit amount and proof of sufficient insurance coverage.
	Conveyance	Control of HOA has been turned over to unit owners
	Commercial Component	No more than 35% of total square footage may be used for commercial purposes
	Miscellaneous	Newly converted Non-full gut rehab are ineligible All units/properties must have a functioning kitchen
	***Denotes a non-warrantable feature. No more than one non-warrantable feature may be present per property**	
Appraisal Requirements	• At minimum, a USPAP and FIRREA compliant interior appraisal from a state licensed appraiser who is independent of the originator and Borrower/Guarantor must be completed for the subject transaction. This appraisal must contain a customary independence certification by the appraiser. Re-use of a prior appraisal is not permitted regardless of the date of the appraisal. See below table for appraisal requirements based on loan amount. • Restricted appraisals are not permitted • The subject property must be appraised within 90 days prior to the Note • Appraisal must ensure that any and all additions or conversions have been completed according to code or lender must provide a recent certificate of occupancy validating code	

requirements have been met

- Appraisal assignments must be obtained in a manner that maintains appraiser independence and does not unduly influence the appraiser to meet a predetermined value.
  - In no event, are appraisals ordered or selected by Borrower/Guarantors, or other lenders acceptable
  - Sellers are responsible for reviewing the appraisal report for accuracy, completeness, and its assessment of the marketability of the subject property. The Seller needs to determine that the subject property provides acceptable collateral for the loan
  - A single appraiser cannot be used for more than 3 out of every 5 consecutive valuations in any specific county or for any one Borrower/Guarantor, managing member, or other related party

Standard DSCR Appraisal Requirements Based on Loan Amount:	
Loan Amount	**Appraisal Requirements**
≤ $2,000,000	1 Full Appraisal
> $2,000,000	2 Full Appraisals

Valuation Criteria:

- The interior appraisals must be on the applicable form required by the Fannie Mae Guidelines for 1-4 family properties or a form approved by Community Loan Servicing. Currently those forms are FNMA 1004/FH 70 (1 Family), FNMA 1073/FH 465 (Individual Condo), or FNMA 1025/FH 72 (2-4 Family)
- Appraisal market rent estimates must be based on an annual lease for residential purposes and must be on the applicable form required by the Fannie Mae Guidelines or a form approved by Community Loan Servicing. Currently those forms are FNMA 1007 (1 Family) or FNMA 1025 (2-4 Family). Short term or specialized use rental rates are not acceptable for use as market rent
- Condominium or townhouse properties must be valued on a rental basis whenever less than 50% of the properties in the building or same development are owned by individual homeowners
- There must be at least 3 comparables in the same zip code or within 1 mile of the subject property. One comparable must be within 1 mile of the subject property with limited net adjustments unless otherwise approved by Community Loan Servicing.
- The originator must review the valuation to ensure that the value is well supported by the evidence in the appraisal or residential evaluation and by the comparable transactions. Lender must take care to ensure that the property is not being “flipped” as property flipping is not acceptable.
  - The appraiser must inspect the exterior of the property and provide a photo
  - Appraiser must review current market data to determine whether the property has declined in value since the date of the original appraisal. If the value has declined since the original appraisal, a new full appraisal is required
- A market rent comparable schedule (FNMA 1007 or 1025) must be provided
- Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date
- Properties with condition rating of C5/C6 or not lease ready, and/or properties with construction rating of Q6 are ineligible
- See Property Flipping section for additional requirements

	• When two (2) appraisals are required, the following applies: o Appraisals must be completed by two (2) independent companies o The LTV will be determined by the lower of the two (2) appraised values if the lower appraisal supports the value conclusion o Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled o If the two (2) appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon **Third-Party Review** • Collateral Desktop Analysis (CDA) ordered from Clear Capital or a Collateral Underwriter (CU) score of 2.5 or less is required to support the value of the appraisal. The Seller is responsible for ordering the CDA if needed. o If the CDA returns a value that is "Indeterminate" then one (1) of the following requirements must be met: ▪ A Clear Capital BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation of the three Reports is required. The Value Reconciliation will be used for the appraised value of the property. ▪ A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. o If the CDA indicates a lower value than the appraised value that exceeds a 10% tolerance, the lower value of the two must be used. • Sellers must comply with all aspects of ECOA, including the Right to Receive a Copy of the Appraisal Report Disclosure • If two (2) full appraisals are provided on a standard DSCR loan, a CDA is not required Appraisal Transfers • Appraisal transfers are permitted. All appraisal transfers must meet the following requirements: o Appraisal must be in the name of the transferring lender o Transfer letter from transferring lender ▪ Must be on company letterhead ▪ Borrower name and address must be included ▪ Must be executed by an authorized member of the company. The printed name and signature of seller's representative, title and date is required. Appraisal transfer letters signed by loan officers or loan processors will not be acceptable o Statement from the transferring lender that the appraisal was prepared in compliance with Appraisal Independence Requirements o Paid invoice o Proof that original appraisal report was provided to the borrower o Maximum 75% LTV/LTC o CDA is required. A CU score is not permitted to be used to meet appraisal review requirements
Property Flips	A property is considered a "flip" if either of the following are true: • The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower's purchase agreement

	• The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower's purchase agreement If the property is a "flip" as defined above, the following additional requirements apply: • A second appraisal must be obtained and a copy of the second appraisal must be provided to the borrower • The second appraisal must be dated prior to the loan consummation/note date. • The property Seller on the purchase contract must be the owner of record. • Increases in value should be documented with commentary from the appraiser and recent comparable sales • Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable • There can be no pattern of previous flipping as evidenced by multiple transfers in the last 12 months • Non-Arm's Length transactions are not permitted. Client is responsible for reviewing chain of title. Particular due diligence should be exercised in cases of entity to entity transfers to ensure no red flags are present • The property must have been marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing. The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in-lieu
Insurance	• Proof of Rent loss Insurance/Renters Policy covering the property rent is required. o This is in addition to all other insurance requirements per the Special Products Selling Guide.
Disaster Area Requirements	• Refer to the Disaster Guidelines in the Special Products Seller Guide for requirements pertaining to properties impacted by a disaster in: o FEMA Major Disaster Declarations with designated counties eligible for **Individual Assistance (IA);** o Areas where FEMA has not made a disaster declaration, but Community Loan Servicing or an Investor (Fannie Mae, Freddie Mac, FHA, USDA or the Veterans Administration) has determined that there may be an increased risk of loss due to a disaster; o Areas where the Seller has reason to believe that a property might have been damaged in a disaster • Correspondent lenders are responsible for monitoring the Disaster Declaration File and the FEMA Website including the FEMA Declarations Summary on an ongoing basis to ensure that the property is not located in an area impacted by a disaster

Escrows	• Escrows for the payment of 1/12 of the annual taxes and required insurances are required and are collected at closing
	  o Escrow amounts should be collected in an amount sufficient to allow for timely payment of the property expenses plus a 2-month cushion
	  o Refer to the Special Products Selling Guide
	• Escrows for flood insurance, if applicable is required
	• The collection of escrow deposits for insurance on condominiums is not required if coverage is provided by a blanket insurance policy which the homeowner's association has purchased
	• Escrow waivers are permitted and must meet the below criteria:
	  o Minimum 720 FICO
	  o Minimum 12 month of reserves
	  o Pricing adjustment will be applied
	  o Present taxes and insurance payments must be current
	  o Flood insurance not eligible for escrow waiver

Escrow Holdbacks	Not allowed unless the holdback has been disbursed and a certification of completion has been issued prior to purchase
Assumability	Loans are not assumable
Pre-Payment Penalties	• Prepayment penalties are not allowed in New Mexico nor Alaska for any reason. • Prepayment penalties may be assessed as noted below for loans that prepay between the loan origination date and year five (5) in all states except: MI, MN, MS, NC, NJ, OH, PA, RI, TX and VA which must follow all state specific requirements as noted in the Appendix A. • The 7 year PPP option is not available in the following states: LA, MI, MN, MS, MO, OH (for 1-2 units), and RI • The 7 year PPP is not permitted to be paired with 5yr IO product.

Prepayment Penalty by Year

	Year 0-1	Year 1-2	Year 2-3	Year 3-4	Year 4-5	Year 5-6	Year 6-7
7-Year Option(s)	5.00%	5.00%	4.00%	4.00%	3.00%	2.00%	2.00%
5-Year Option(s)	5.00%	5.00%	5.00%	5.00%	5.00%	0.00%	0.00%
	5.00%	4.00%	3.00%	2.00%	1.00%	0.00%	0.00%
4-Year Option(s)	5.00%	5.00%	5.00%	5.00%	0.00%	0.00%	0.00%
	4.00%	3.00%	2.00%	1.00%	0.00%	0.00%	0.00%
3-Year Option(s)	5.00%	5.00%	5.00%	0.00%	0.00%	0.00%	0.00%
	3.00%	2.00%	1.00%	0.00%	0.00%	0.00%	0.00%
	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%

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	6 month's interest if pay down >20%			0.00%	0.00%	0.00%	0.00%
2-Year Option(s)	5.00%	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	2.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1-Year Option(s)	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
No PPP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Special Restrictions	
Maximum Financed Community Loan Servicing Exposure	Borrower/Guarantor(s)/entities are limited to a maximum $6,250,000 in aggregate with Community Loan Servicing
Properties Listed for Sale	• Properties currently listed for sale (at the time of application) are not eligible for refinance transactions. o If a property is discovered to be for sale prior to purchase, the loan will be deemed ineligible for purchase • Properties listed for sale within six (6) months of the application date are acceptable if the following requirements are met: o Documentation provided to show cancellation of listing o Acceptable letter of explanation from the Borrower/Guarantor detailing the rationale for cancelling the listing o Must include a minimum pre-payment penalty of two or more years (if a pre-payment penalty is not permitted due to state statutes, transaction would be ineligible until greater than six months since the cancellation of the listing)

Additional Requirements	
Bank Secrecy and USA Patriot Acts	The Bank Secrecy Act (BSA) requires financial institutions to assist U.S. government agencies to detect and prevent money laundering. Correspondents must have implemented anti-money laundering policies and procedures to comply with applicable federal law. As a part of this policy, correspondents must screen all Borrower/Guarantors and Guarantors against the list of specially designated nationals maintained by the U.S. Department of the Treasury and OFAC pursuant to the USA PATRIOT Act, amendments to the Bank Secrecy Act and its implementing regulation and investigate name matches as required by law. Community Loan Servicing does not acquire loans which are made to Borrower/Guarantors or Guarantors which are specially designated nationals.
Purchase approval	All loan purchases are contingent on Community Loan Servicing's satisfactory review of the loan, mutual execution of the purchase advice and the lender being in good standing at the time of loan purchase. Community Loan Servicing reserves the right to decline to purchase any loan for any reason

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Assignment Fees	Third party/arms-length assignment fees are permitted. Loan to Cost excluding assignment fees cannot exceed 90%
Seasoning	Loans must not be aged more than 45 days from the loan closing date until the time the loan is delivered to Community Loan Servicing for purchase. This includes the date the credit and closing file is received and the loan is eligible for purchase. All loans must be purchased by Community Loan Servicing within 60 days of the note date.
Interest Rate Restrictions	Interest rates must comply with all state usury law requirements.
Seller shall deliver loans that were originated in accordance with the Special Products Seller Guide unless otherwise stated with this product matrix	

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Appendix A
State Specific Pre-payment Penalty Requirements

State	PPP Permitted	Requirement
Alaska	No	No prepayment penalty shall be permitted
Louisiana	Yes with conditions	A mortgage lender may contract for and receive a prepayment penalty in an amount not to exceed: (a) Five percent of the unpaid principal balance if the loan is prepaid in full during the first year of its term. (b) Four percent of the unpaid principal balance if the loan is prepaid in full during the second year of its term. (c) Three percent of the unpaid principal balance if the loan is prepaid in full during the third year of its term. (d) Two percent of the unpaid principal balance if the loan is prepaid in full during the fourth year of its term. (e) One percent of the unpaid principal balance if the loan is prepaid in full during the fifth year of its term.
Michigan	Yes with conditions	Max 3YR at max 1% for SFR
Minnesota	No	No prepayment penalty shall be permitted
Mississippi	Yes with conditions	(i) Five percent (5%) of the unpaid principal balance if prepaid during the first year; (ii) Four percent (4%) of the unpaid principal balance if prepaid during the second year; (iii) Three percent (3%) of the unpaid principal balance if prepaid during the third year; (iv) Two percent (2%) of the unpaid principal balance if prepaid during the fourth year; (v) One percent (1%) of the unpaid principal balance if prepaid during the fifth year; and (vi) No penalty if prepaid more than five (5) years from date of the note creating the debt.
New Jersey	Yes with conditions	Permitted for business entity Borrowers. Pre-payment penalties cannot be charged to natural person Borrowers.
New Mexico	No	No prepayment penalty shall be permitted
North Carolina	Yes with conditions	Prepayment penalty may be charged only on loans greater than $150,000
Ohio	Yes with conditions	1-2 unit: maximum 1% within 5 years of execution date of the mortgage only if loan amount >=$107,633; No prepayment penalty permitted if loan amount < $107,633; 3-4 unit : prepayment penalty permitted without restriction
Pennsylvania	Yes with conditions	1-2 unit: only if loan balance >$301,022 No prepayment penalty permitted if balance <=$301,022 3-4 unit: prepayment penalty allowed without restriction
Rhode Island	Yes with conditions	Prepayment penalty max 2% of balance

Texas	Yes with conditions	Property cannot be owner-occupied
Virginia	Yes with conditions	Max 1% if balance < $75k

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Version Control			
Author	**Section**	**Date**	**Update**
AS	All	05.16.22	Matrix created
DM	Forbearance	06.03.22	Removed COVID Forbearance guidance and changed to: • Any forbearance resulting in subsequent loan modification/repayment plan is considered a significant derogatory credit event and subject to a three (3) year waiting period. • Any forbearance filed after 6/1/22 is considered a significant derogatory credit event and subject to a three (3) year waiting period. Forbearance on Subject and Non-subject property(s) tht do not fall into the above scenarios: • Any loan(s) that is shown to be in active forbearance is considered ineligible. • Any loan that is shown to be in a past forbearance is only permitted if the plan has been exited and all reported payments have been made on time since the exit. • Loan file must contain a letter of explanation from the Borrower/Guarantor detailing the reason for forbearance and that the hardship no longer exists.
DM	Appendix B	06.03.22	Updated PA and MNPPP amounts
DM	Appendix	06.03.22	Removed approved vendor list- incorporated required options into matrix in appropriate sections
DM	Assets	06.03.22	Added • Virtual currency is not permitted Added • Fannie Mae approved third party suppliers and distributors that generate asset verification reports are permitted for the purpose of verifying assets
DM	Rate and Term	06.03.22	Added: • If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC that has been in place for twelve (12) months and total draws do not exceed $2000 in the most recent twelve (12) months • A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months • A seasoned equity line is defined as not having draws totaling over $2000 in the most recent twelve (12) months. Withdrawal activity must be documented with a transaction history
DM	Lease Requirements	06.03.22	Added: Rent to own and/or contract for deeds are ineligible
DM	Delayed Purchase	06.03.22	Will be treated as a rate and term refinance
DM	LTV | LTC	06.03.22	LTV is calculated as: loan amount divided by the value of the mortgaged property. If property is owned less than six months, must use purchase price as value instead of the appraised value with the exception of below: Loan amount is less than or equal to the cost of the property plus all documented renovation costs.
DM	Loan Documentation Requirements	06.03.22	Clarified when the cash out explanation is required: Cash out explanation for natural person Borrowers (if not addressed on Business Purpose Affidavit)
DM	Assets	07.01.22	Added : gifts of equity not permitted
DM	Derogatory Credit	07.01.22	Added: • Multiple derogatory credit events require a 7 year seasoning period
DM	Appraisal	07.01.22	Clarified that third party rent estimates are only needed for refinance transactions on vacant properties
DM	Eligibility Grid	07.01.22	Expanded maximum loan amount to $ 2.5M on 2-4 units with 680+ FICO
DM	Cash out	07.01.22	Added consistent language on value for 0-6 mo transactions: If greater than 20% (based on original cost) of the rehabilitation work was completed on the property as evidenced by an as is appraisal, then the appraised value can be used to calculate the LTV, but the loan amount is limited to the cost basis plus the documented rehabilitation costs (100 LTC).
DM	Rate and Term	07.01.22	Added: If greater than 20% (based on original cost) of the rehabilitation work was completed on the property as evidenced by an as is appraisal, then the appraised value can be used to calculate the LTV, but the loan amount is limited to the cost basis plus the documented rehabilitation costs (100 LTC).
DM	Prepayment Penalty	07.15.22	Added new options

DM	Rate/Term refinance	07.15.22	• Added section to clarify:
			• Continuity of Obligation
			• When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements have been met. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible:
			• The borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements:
			  • Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months, or
			  • Is related to the borrower on the mortgage being refinanced

			• The borrower on the new refinance transaction was added to title twenty- four (24) months or more prior to the disbursement date of the new refinance transaction • The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership • The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply: • Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer • The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan NOTE: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement
DM	Eligible Property types	07.15.22	• Added leaseholds
DM	Acceptable Forms of Ownership:	07.15.22	• Added leaseholds
DM	Loan Documentation requirements	07.15.22	• Added clarification/reminder to obtain HMDA
DM	Loan Documentation	08.12.22	• Updated verbiage surrounding business purpose and non-owner occupancy
DM	Eligibility Grid	08.12.22	• Removed 85% LTV options for 720+FICO
DM	Blanket Mortgages	08.12.22	• Added: •Cannot use FNMA/FHLMC Notes and/or Security Agreements
DM	Appraisal	08.12.22	• Added clarifying language in bold: • A single appraiser cannot be used for more than 3 out of every 5 consecutive valuations in any specific county or for any one borrower/guarantor, managing member, or other related party **with the exception of blanket/multi-property loan transactions which will also require a third party rent estimate for each property with the same appraiser**
DM	Housing History	08.12.22	• Added clarifying language: • Credit supplement also acceptable
DM	Condo Project Requirements	09.09.22	• Added clarifying language: Condominiums must either meet FNMA requirements (inclusive of limited reviews) or the following warrantable guidelines as applicable. If neither set of guidelines is met, refer to the non-warrantable guideline requirements below.
DM	Credit Requirements	09.09.22	• Removed “criminal” search from background search requirements
DM	DSCR	09.09.22	• Added clarification that io loans must use **30 year** fully amortized payment in DSCR calculation • Added clarification that a lease is considered current per local/state statues or if month to month verbiage occurs
DM	Eligible Property	09.09.22	• Added that all units/properties must have fully functioning kitchens
DM	Age of Documents	09.09.22	• Added “appraisal” report as being acceptable per 120 days
DM	Prepay Penalty	09.23.22	• Added the 7 year PPP option
DM	LTV/LTC restrictions	10.07.22	• Removed: Interest-only loans must meet the following additional requirements: • If DSCR < 1.0, maximum LTV of 75% and minimum FICO of 700 • If DSCR ≥ 1.0, maximum LTV of 80% but a minimum FICO of 660
DM	DSCR	10.07.22	Removed: IO must meet the following additional requirements • If DSCR < 1.0, maximum LTV of 75% and minimum FICO of 700 • If DSCR ≥ 1.0, maximum LTV per eligibility table but a minimum FICO of 660
DM	Prepayment penalty	10.07.22	Clarified: *** 7 year PPP not permitted to be paired with 5yr IO product***
DM	DSCR Restrictions	10.07.22	Minimum DSCR of 1.25 required on loan amounts less than $150,000 Added: unless the transaction is a purchase loan with a minimum FICO of 700
DM	Eligibility	10.21.22	Replaced this language “The Guarantor(s) on the loan application must be the same as the managing member(s) and have documented authority to sign on behalf of the entity which includes joint and several liability as to the debt obligation of the borrowing entity” with this language to clarify.” • The guarantor(s) on the loan application must be a managing member(s) with documented authority to sign on behalf of the entity which includes joint and several liability as to the debt obligation of the borrowing entity.
DH	Eligibility Grid	11.4.22	Added Declining Market footnote
DH	Gift Funds	11.4.22	Added Gift Fund Documentation Specificity • Donor must be a family member, future spouse or domestic partner • Executed gift letter with gift amount and source, donor’s name, address, phone number and relationship • Seller must verify sufficient funds to cover the gift are either in the donor’s account or have been transferred to the borrower’s account • Acceptable documentation includes the following: o Copy of donor’s check and borrower’s deposit slip o Copy of donor’s withdrawal slip and borrower’s deposit slip o Copy of donor’s check to the closing agent • A settlement statement/CD showing receipt of the donor’s gift check
DH	Declining Markets	11.4.22	Added Declining Market section

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			• LTV/LTC must be **5%** below product maximum per product matrix eligibility grid for any loan where the appraisal indicates that the subject property is in a declining market *As an example:* *If the eligibility grid indicates a maximum of 75% LTV/LTC for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/LTC should be reduced to 70%*
DH	Appraisal Requirements	11.4.22	Removed • Appraisal Update (Form 1004D) is allowed for appraisals that are over 120 days aged but less than 180 days aged from the Note date Added • Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date • The subject property must be appraised within 90 days prior to the Note date • Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets. See Declining Market section for additional requirements
DH	Eligibility Grids	11.18.22	Re-named Footnote #2 to read See State/MSA LTV/CLTV/HCLTV Reduction Section
DH	Debt Service Coverage Ratio (DSCR)	11.18.22	Added • Short-term rentals require a DSCR ≥ 2.0
DH	DSCR Restrictions	11.18.22	Added • Short-term rentals require a DSCR ≥ 2.0
DH	Declining Market	11.18.22	Removed Declining Market Section
DH	Appraisal Requirements	11.18.22	Removed • Transferred appraisals are not permitted Added • Appraisal transfers are permitted. All appraisal transfers must meet the following requirements: o Appraisal must be in the name of the transferring lender o Transfer letter from transferring lender ▪ Must be on company letterhead ▪ Borrower name and address must be included ▪ Must be executed by an authorized member of the company. The printed name and signature of seller's representative, title and date is required. Appraisal transfer letters signed by loan officers or loan processors will not be acceptable o Statement from the transferring lender that the appraisal was prepared in compliance with Appraisal Independence Requirements o Paid invoice o Proof that original appraisal report was provided to the borrower o Maximum 75% LTV/LTC o CDA is required. A CU score is not permitted to be used to meet appraisal review requirements
DH	State/MSA LTV/CLTV/HCLTV Reduction	11.18.22	Added MSA LTV/CLTV/HCLTV Reduction Section • <u>In the states of GA, WA, KS, ND, OR, UT:</u> Reduce LTV/CLTV/HCLTV by 5% from the maximum allowed per the eligibility grid up to a maximum of 75% • <u>In the states of TX, AZ, ID, NC, DC, NV, SD:</u> Reduce LTV/CLTV/HCLTV by 10% from the maximum allowed per the eligibility grid up to a maximum of 70% • A 10% LTV/CLTV/HCLTV reduction from the maximum allowed per the eligibility grid applies to the Metropolitan Statistical Areas identified in the below table. An MSA Lookup tool by zip code is available on the <u>Lakeview Correspondent Portal</u> o If a property is in one of the states identified in the first two bullet points above AND is also in one of the MSAs in the table below then both LTV/CLTV/HCLTV reductions must be applied (See State/MSA LTV/CLTV/HCLTV Reduction Section to view table)
AS	DSCR – Gross Rents	11.18.22	Clarified Refinance Requirements: Previously • **Refinance**: o Obtain both a current lease agreement and Appraisal Form 1007/1025 as applicable. An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease once the initial lease/rental term expires or per local statutes is still current is allowed. o Gross rent used in the DSCR calculation must come from the lesser of the lease agreement or Appraisal Form 1007/1025 as applicable, except as noted below: • If the lease agreement is higher than the gross market rent on the appraisal, the actual rent from the lease agreement may be used up to 10% over the market rent on the appraisal. New: When the lease agreement is higher than the gross market rent on the appraisal, the following requirements apply: • The amount used for qualifying cannot exceed 10% over the market rent on the appraisal. • If the actual rent is greater than market rent, but is ≤ 10% over the market rent, then the lease amount can be used for qualifying.
DH	Declining Markets	11.21.22	Added Declining Market section • LTV/LTC must be **5%** below product maximum per product matrix eligibility grid for any loan where the appraisal indicates that the subject property is in a declining market

<table>
<tr><td></td><td></td><td></td><td>As an example:
If the eligibility grid indicates a maximum of 75% LTV/LTC for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/LTC should be reduced to 70%</td></tr>
<tr><td>DH</td><td>Appraisal Requirements</td><td>11.21.22</td><td>Added
Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets. See Declining Market section for additional requirements</td></tr>
<tr><td>DH</td><td>Eligibility Grids</td><td>11.23.22</td><td>Added LTV/LTC/CLTV/HCLTV Reduction Table</td></tr>
<tr><td>DH</td><td>Declining Markets</td><td>11.23.22</td><td>Updated Declining Market section to reflect specific LTV/LTC/CLTV/HCLTV reductions by category
<table>
<tr><th>Category</th><th>States</th><th>LTV/LTC/CLTV/HCLTV Reductions</th></tr>
<tr><td>Category 1</td><td>TX</td><td>20% LTV/LTC/CLTV/HCLTV reduction from the maximum above, up to a maximum of 60%</td></tr>
<tr><td>Category 2</td><td>AZ, ID</td><td>15% LTV/LTC/CLTV/HCLTV reduction from the maximum above, up to a maximum of 65%</td></tr>
<tr><td>Category 3</td><td>NC, DC, NV, SD, WA</td><td>10% LTV/LTC/CLTV/HCLTV reduction from the maximum above, up to a maximum of 70%</td></tr>
<tr><td>Category 4</td><td>CA, CO, TN, GA, KS, ND, OR, UT</td><td>5% LTV/LTC/CLTV/HCLTV reduction from the maximum above, up to a maximum of 75%</td></tr>
</table></td></tr>
<tr><td>DH</td><td>Appraisal Requirements</td><td>11.23.22</td><td>Removed
Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets</td></tr>
<tr><td>DH</td><td>Appendix B</td><td>11.23.22</td><td>Added Appendix B – Category 1</td></tr>
<tr><td>DH</td><td>Appendix C</td><td>11.23.22</td><td>Added Appendix C – Category 2</td></tr>
<tr><td>DH</td><td>Appendix D</td><td>11.23.22</td><td>Added Appendix D – Category 3</td></tr>
<tr><td>DH</td><td>Appendix E</td><td>11.23.22</td><td>Added Appendix E – Category 4</td></tr>
<tr><td>DH</td><td>Eligibility</td><td>02.15.23</td><td>Prior

<u>Experienced investors are defined as:</u>

Owning 2 properties for more than 12 months, or
Owning 1 investment property for 24 months, or
Owning a commercial property for 12 months, or
Ownership in commercial real estate or investment in a real estate investment trust for greater than the most current 12 months. or
Have had ownership in three or more properties over the past 24 months

<u>Inexperienced investors are defined as:</u>

Owning one property (primary or investment) for a minimum of the most recent 12 months; these loans must meet the additional criteria:

Minimum DSCR of 1.0
Maximum LTV 70%
Minimum loan amount of $150,000 and maximum loan of $1mil.

Updated

<u>Experienced investors are defined as:</u>

Owning two (2) or more properties for at least twelve (12) months within the most recent three (3) years, or
Owning one (1) investment property for at least twenty-four (24) months within the most recent three (3) years, or
Owning one (1) commercial property for at least twelve (12) months within the most recent three (3) years, or
Ownership in commercial real estate or investment in a real estate investment trust for greater than the most current 12 months. or
Have had ownership in three or more properties at least twelve (12) months over the past 24 months

<u>Inexperienced investors are defined as:</u>

Borrowers not meeting the definition of an experienced investor are considered to be inexperienced investors. These loans must meet the additional criteria:

Minimum DSCR of 1.0
Maximum LTV 70%
Minimum loan amount of $150,000 and maximum loan of $1mil.

Prior
The Operating Agreement for the LLC must be provided in order to confirm acceptability of the LLC
Updated
The Operating Agreement for the LLC must be provided in order to confirm acceptability of the LLC, including but not limited to granting authority to the signor to encumber indebtedness on behalf of the entity</td></tr>
</table>

DH	Lease Requirements	02.15.23	Added • All tenants on leases must be natural persons. Exceptions for other types of entities may be considered on a case by case basis
DH	Property Flips	02.15.23	Added New Section – Property Flips A property is considered a "flip" if either of the following are true: • The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower's purchase agreement • The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower's purchase agreement If the property is a "flip" as defined above, the following additional requirements apply: • A second appraisal must be obtained and a copy of the second appraisal must be provided to the borrower • The second appraisal must be dated prior to the loan consummation/note date. • The property Seller on the purchase contract must be the owner of record. • Increases in value should be documented with commentary from the appraiser and recent comparable sales • Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable • There can be no pattern of previous flipping as evidenced by multiple transfers in the last 12 months • Non-Arm's Length transactions are not permitted. Client is responsible for reviewing chain of title. Particular due diligence should be exercised in cases of entity to entity transfers to ensure no red flags are present • The property must have been marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing. The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in-lieu
DH	Appendix A State Specific Pre-payment Penalty Requirements	02.15.23	• Updated PPPs for PA, MN and OH for 2023
DH	Asset Requirements	03.08.23	Added to the gift section • Gift funds are not permitted to meet reserve requirements
DH	Reserves	03.08.23	Added • Gift funds are not permitted to meet reserve requirements
DH	Rate/Term Refinance Transactions	03.08.23	Added the below example to illustrate maximum LTV and loan amount calculations for properties owned 0-6 months Example: For illustrative purposes, the below assumptions will be made • Purchase Price: $200,000 • Appraised Value: $500,000 • Closing Costs: $4000 • Documented Renovations: $102,000 C) Cost Basis Determination (inclusive of closing costs and documented renovations) $200,000 (purchase price) + $4000 (closing costs) + $102,000 (documented renovations) = $306,000 D) Current Appraised Value $500,000 (assuming a maximum allowable LTV of 80% would yield a maximum loan amount of $400,000) In the above example, since greater than 20% of the renovation work was completed on the property, the current appraised value (B) can be used to calculate maximum LTV, however, the maximum loan amount is limited to the cost basis plus documented renovations (A) $306,000. Added Clarification in the Rate/Term Refinance Transactions section that properties owned 7-12 months can use the appraised value to calculate LTV

DH	Appraisal Requirements	03.08.23	Removed
			• Appraisals must be ordered by the lender through a state licensed Appraisal Management Company (AMC).
			• A third party rent estimate is required on refinance transactions from either RentRange or Summit Valuation Solutions for all Unoccupied/Unleased properties.
			  ○ If the variance between the market rent estimate included in the appraisal and the third party rent estimate is less than or equal to 10%, the market rent estimate in the appraisal will be used for loan qualification. In cases where there is a variance greater than 10%, the lower of the two values will be utilized.
			  ○ Sellers must comply with all aspects of ECOA including the Right to Receive a Copy of the Appraisal Report Disclosure
			
			Added
			
			• Appraisal assignments must be obtained in a manner that maintains appraiser independence and does not unduly influence

			the appraiser to meet a predetermined value. Sellers are responsible for reviewing the appraisal report for accuracy, completeness, and its assessment of the marketability of the subject property. The Seller needs to determine that the subject property provides acceptable collateral for the loan
DH	Declining Markets	03.20.23	• Removed declining markets requirements throughout product matrix
DH	Standard Eligibility Grid	04.24.23	• Updated to reflect changes to minimum FICO requirements: o 1-unit: Minimum 660 FICO o 2-4 units: Minimum 680 FICO
DH	******All Items below dated 05.10.23 are retroactive, applying to all pipeline loans******		
DH	Eligibility	05.10.23	• Redefined experienced investor requirements and clarified that the borrower/primary guarantor must meet those requirements
DH	Credit Requirements	05.10.23	• Removed "entity" from background check requirements • Added the below clarification o Background search may be from one of the suggested vendors below or another comparable provider. A combination of vendor reports may be used provided that together they fulfill the prescribed background search requirements listed above. ▪ Lexis Nexis (i.e, Smartlinks Person Report) ▪ Checkpoint (i.e., Investigative Instant and/or Non-Instant Search ▪ Pacer (Public Access to Court Electronic Records ▪ Fraud Guard ▪ DataVerify
DH	DSCR Restrictions	05.10.23	Updated • DSCR < 1.0 requires 6 months reserves
DH	Reserves	05.10.23	• Reduced reserve requirements on loans with DSCR < 1.0 from 12 months PITIA for subject property to 6 months PITIA for subject property
DH	Escrows	07.12.23	Added • Escrow waivers are permitted and must meet the below criteria: o Minimum 720 FICO o Minimum 12 month of reserves o Pricing adjustment will be applied o Present taxes and insurance payments must be current o Flood insurance not eligible for escrow waiver
DH	Appraisal Requirements	07.12.23	Added • Two full appraisals required for loan amounts > $2M for standard DSCR loans
DH	Appendix A	07.12.23	Updated the state of Minnesota • No Prepayment Penalties permitted

Non-Delegated Correspondent
Bayview Jumbo AUS

Non-Delegated Correspondent Jumbo AUS

Bayview Jumbo AUS Eligibility Matrix				
Fixed Rate				
Primary Residence | Purchase, Rate and Term Refinance				
Transaction Type	**Units**	**FICO**	**Maximum LTV/CLTV/HCLTV**[4]	**Maximum Loan Amount**[1]
Purchase or Rate and Term Refinance	1	740	89.99%[3]	$1,500,000
		720	85%[3]	$1,500,000
		700[2]	80%	$1,500,000
		720	75%	$2,000,000
		720	70%	$2,500,000
		680[2]	60%	$1,000,000
	2-4	700[2]	65%	$1,000,000
		720	60%	$1,500,000
Primary Residence | Cash-Out Refinance				
Transaction Type	**Units**	**FICO**	**Maximum LTV/CLTV/HCLTV**[4]	**Maximum Loan Amount**
Cash-Out Refinance	1	700[2]	75%	$1,000,000
		720	70%	$1,500,000
		720	60%	$2,000,000
		720	50%	$2,500,000
	2	700[2]	60%	$1,000,000
Second Home | Purchase, Rate and Term Refinance				
Transaction Type	**Units**	**FICO**	**Maximum LTV/CLTV/HCLTV**[4]	**Maximum Loan Amount**
Purchase	1	720	80%	$1,000,000
Purchase or Rate and Term Refinance	1	720	75%	$1,000,000
			70%	$1,500,000
			65%	$2,000,000
			50%	$2,500,000

Non-Delegated Correspondent Jumbo AUS

Second Home | Cash-Out Refinance				
Transaction Type	**Units**	**FICO**	**Maximum LTV/CLTV/HCLTV[4]**	**Maximum Loan Amount**
Cash-Out Refinance	1	740	60%	$1,500,000
			50%	$2,000,000
Investment | Purchase | Rate and Term Refinance				
Transaction Type	**Units**	**FICO**	**Maximum LTV/CLTV/HCLTV[4]**	**Maximum Loan Amount**
Purchase or Rate and Term Refinance	1-4	740	70%	$1,500,000
Investment | Cash-Out Refinance				
Transaction Type	**Units**	**FICO**	**Maximum LTV/CLTV/HCLTV[4]**	**Maximum Loan Amount**
Cash-Out Refinance	1-4	740	60%	$1,500,000

[1] First-Time Homebuyer maximum loan amount is $1,500,000.
[2] Self-Employment income: Minimum 720 FICO when any Self-Employment income is required for qualifying purposes. If the Self-Employment income is not needed for qualifying purposes, then the 720 FICO minimum is not applicable
[3] The following requirements apply for transactions with LTVs greater than 80%:

- MI not required
- Escrow/Impound accounts required for LTVs greater than 80% unless prohibited by applicable laws

[4] See Declining Market Section for LTV/CLTV reductions

Bayview Jumbo AUS Notes:

- Minimum loan amounts are $1 above the current FHFA Conforming loan limits. High balance loans are permitted
- Single loan variances may be granted on a case-by-case basis by Community Loan Servicing (at purchasing entity's sole determination) for loans with terms or characteristics that are outside of the Bayview Jumbo AUS Eligibility requirements. Approval of the single loan variance must be granted by purchasing entity prior to the delivery of the loan

Non-Delegated Correspondent Jumbo AUS

Loan Product	
Seller must ensure that each loan delivered to Community Loan Servicing in compliance with the Ability to Repay (ATR) and the Safe Harbor Qualified Mortgage (QM) rules established by the Consumer Financial Protection Bureau ("CFPB") with an APR not to exceed more than 1.5% above the average price offer rate ("APOR"). Seller shall deliver loans that were originated in accordance with the Special Products Seller Guide unless otherwise stated with this product matrix. Refer to Appendix A for a summary of overlays. For topics not specifically addressed in this product matrix or the Special Products Seller Guide, refer to the Fannie Mae Single Family Selling Guide.	
Eligible Products | Terms	• **PJF330** • Fixed Rate: 20, 25, 30 Year Terms
Ineligible Product Types	• Non-Standard to Standard Refinance Transactions (ATR Exempt) • Higher-Priced Mortgage Loans (HPML) • Higher-Priced Covered Transactions (HPCT QM-Rebuttable Presumption) • Balloons • Graduated Payments • Interest Only Products • Temporary Buydowns • Loans with Prepayment Penalties • Adjustable Rate Terms • Single Close Construction to Permanent Transactions
Loan Purpose	• Purchase • Rate/Term Refinance • Cash-Out
Rate/Term Refinance Transactions	• The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items o If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC that has been in place for twelve (12) months and total draws do not exceed $2000 in the most recent twelve (12) months o A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months o A seasoned equity line is defined as not having draws totaling over $2000 in the most recent twelve (12) months. Withdrawal activity must be documented with a transaction history o Max cash back at closing is limited to 1% of the new loan amount
Cash-Out Transactions	No maximum cash-out limit
Delayed Financing	• Follow Fannie Mae Single Family Selling Guide requirements • LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance except for primary residence transactions in Texas.

LTV/CLTV/HCLTV Calculation for Refinance Transactions	• If subject property is owned more than twelve (12) months, the LTV/CLTV/HCLTV is based on the current appraised value. The twelve (12) month time frame may be based on subject transaction Note date • If subject property is owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value. Documented improvements must be supported with receipts. The twelve (12) month time frame may be based on subject transaction Note date
Age of Documents	• Follow Fannie Mae Single Family Selling Guide Requirements • See Self-Employment section for restrictions
Higher Priced Mortgage Loans (HPML) **Higher Priced Covered Transactions (HPCT)**	• Loans that are Higher Priced Mortgage Loans (HPML) or Higher Priced Covered Transactions (HPCT) are not permitted. All Jumbo AUS loans must be Qualified Mortgages (QM) and within the QM Safe Harbor protection
Documentation	If subject property has a HELOC that is not included in the CLTV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed
Eligibility	
Texas 50(a)(6)	• Transactions in the state of Texas subject to 50(a)(6) are not permitted o Current 50(a)(6) loans may not be refinanced into a non-home equity loan

Borrower Eligibility	• US Citizens
	• Permanent Resident Aliens with evidence of lawful residency
	  o Must be employed in the US for the past twenty-four (24) months
	• Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions:
	  o Primary Residence Only
	  o Maximum LTV/CLTV/HCLTV 75%
	  o Unexpired H1B, H2B, E1, L1, and G Series VISAs only; G Series VISAs must have no diplomatic immunity
	  o Borrower must have a current twenty-four (24) month employment history in the US
	• Documentation evidencing lawful residency must be met (see Special Products Seller Guide for requirements)
	• Illinois Land Trust
	• Inter Vivos Revocable Trust
	• All borrowers must have a valid Social Security Number
	• Non-Occupant Borrower – Follow Fannie Mae Selling Guide requirements with exception of non-occupant relationship who must be a related family member of the borrower(s)

Ineligible Borrowers	• Foreign Nationals • Borrowers with Diplomatic Immunity status • Life Estates • Non-Revocable Trusts • Guardianships • LLCs, Corporations or Partnerships • Land Trusts, except for Illinois Land Trust

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	• Borrowers with **any** ownership in a business that is Federally illegal, regardless if the income is not being considered for qualifying
First-Time Homebuyer	• First-Time Homebuyer is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, First-Time Homebuyer requirements do not apply • Verification of rental history is not required • Maximum loan amount is $1,500,000 • Not allowed on investment property transactions • See Reserve Section for additional requirements
Non-Arm's Length Transactions	A non-arm's length transaction exists whenever there is a personal or business relationship with any parties to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company or other interested party. The following non-arm's length transactions are eligible: • Family sales or transfers • Property seller acting as their own real estate agent • Relative of the property seller acting as the seller's real estate agent • Borrower acting as their own real estate agent • Relative of the borrower acting as the borrower's real estate agent • Borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence of employee program to be included in loan file • Originator is related to the borrower • Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord) Gifts from relatives that are interested parties to the transaction are not allowed, unless it is a gift of equity. Real estate agents may apply their commission towards closing costs and/or prepaids if the amounts are within the interested party contribution limitations Investment property transactions must be arm's length Other non-arm's length transactions may be acceptable on an single loan variance basis

Continuity of Obligation	When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements have been met. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible:
	• The borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements:
	  o Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months, or
	  o Is related to the borrower on the mortgage being refinanced
	• The borrower on the new refinance transaction was added to title twenty- four (24) months or more prior to the disbursement date of the new refinance transaction
	• The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership
	• The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply:
	  o Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer
	  o The transferring entity and/or borrower has had a consecutive ownership (on title) for at least

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	the most recent six (6) months prior to the disbursement of the new loan **NOTE:** Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement
Credit	
Underwriting	• All loans must have Fannie Mae DU Findings included in the loan file o The DU recommendation may be either Approve/Ineligible due to loan amount or maximum cash-out on a rate/term refinance transaction or Approve/Eligible for High Balance loan amounts only o Lender is responsible for ensuring that all data and information provided in the final submission to DU matches the terms of the closed loan or is within the acceptable tolerances specified in the Fannie Mae Single Family Selling Guide o The loan delivery data must match the closed loan and the final data submitted to DU • Manual underwrite is not permitted • Second Home transactions – prudent underwriting must be exercised to determine the reasonableness of considering the property a second home
Credit Requirements	• Non-traditional credit is not allowed • All borrowers must have a minimum of two (2) credit scores • Disputed tradelines: o All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute o Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded • Frozen Credit: Follow Fannie Mae Single Family Selling Guide requirements except as noted below o All borrowers must have a minimum of two (2) credit scores that are generated from the unfrozen bureaus • Rapid credit rescores are permitted. A rapid rescore is a process that can quickly update a borrower's credit score by submitting proof of positive account changes to the three major credit repositories since the last reporting deadline in order to reflect the current credit status
Housing History	• Mortgage history requirements: o If the borrower(s) has a Mortgage in the most recent twenty-four (24) months, a mortgage rating must be obtained, reflecting 0x30 in the last twenty-four (24) months o The mortgage rating may be on the credit report or a VOM o Applicable to all borrowers on the loan o Sellers must review the borrower(s) credit report to determine status of all mortgage loans including verification mortgage is not subject to a loss mitigation program, repayment plan, loan modification or payment deferral plan. **In addition to reviewing the credit report**, the Seller must also apply due diligence for each mortgage loan on which a borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine the loan payments are current as of the Note date of the subject transaction. Current means the borrower has made all payments due in the month prior to the Note date of the subject transaction and no later than the last business day of that month. Acceptable documentation includes one of the following: ▪ Loan payment history from the servicer or third party verification service ▪ Payoff statement for loans being refinanced ▪ Current mortgage statement from the borrower ▪ Verification of mortgage (VOM)

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	o If the mortgage holder is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory mortgage history is required
Significant Derogatory Credit	• Bankruptcy, Chapter 7, 11, 13 - seven (7) years since discharge / dismissal date • Foreclosure - seven (7) years since completion date • Notice of Default - seven (7) years • Short Sale/Deed-in-Lieu - seven (7) years since completion / sale date • Forbearance resulting in subsequent loan modification - seven (7) years since exit from forbearance (see below Forbearance section for additional requirements) • Mortgage accounts that were settled for less, negotiated or short payoffs – seven (7) years since settlement date • Loan modifications: o Lender initiated modification will not be considered a derogatory credit event if the modification did not include debt forgiveness and was not due to hardship as evidenced by supporting documentation. No seasoning requirement would apply o If the modification was due to hardship or included debt forgiveness – seven (7) years since modification • Single loan variances for credit events will be considered on a case-by-case basis between four (4) and seven (7) years with extenuating circumstances subject to the following: o Extenuating circumstances are defined as non-recurring events that are beyond the borrower's control resulting in a sudden significant and prolonged reduction in income or catastrophic increase in financial obligations ▪ Examples would include death or major illness of a spouse or child but would not include divorce or job loss o Documentation must be provided to support the claim of extenuating circumstances and confirm the nature of the event that led to the credit event and illustrate the borrower has no reasonable option other than to default on their obligations o If the defaulted debt was assigned to an ex-spouse and the default occurred after the borrower was relieved of the obligation, the event may be considered on a single loan variance basis • Multiple derogatory credit events not allowed, regardless if seasoned over seven (7) years o A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event o A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event • Tax liens, judgments, charge-offs, and past-due accounts must be satisfied or brought current prior to or at closing • Cash-Out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts • Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full
Forbearance	Determining Eligibility for New Loan For borrowers who have entered into forbearance on any loan (including but not limited to the subject mortgage) between 01.01.2020 and 06.01.2022, the below listed criteria is to be used to determine eligibility. All other loans must follow the forbearance waiting period as required in the Significant Derogatory Credit section above. • Any loans that are shown to be in active or previous forbearance but where the borrower continued to make regularly scheduled payments and has made at least one (1) regularly scheduled payment since forbearance inception date are eligible o All payments must have been made within the month due

	- The forbearance plan must be terminated at or prior to closing and the loan file must contain documentation that the forbearance is no longer active (i.e. removal letter from servicer, etc.). • Any loans (including but not limited to the subject mortgage) where a mortgage reflects reduced or missed payments under a forbearance and borrower has accepted a payment deferral, initiated a repayment plan or has reinstated the mortgage to return to a current status must meet the requirements below: o Purchase & Rate/Term Refinance: ▪ Three (3) consecutive months of required payments since completed forbearance plan ▪ All payments must have been made within the month due o Cash-out Refinance: ▪ Twelve (12) consecutive months of required payments since completed forbearance plan ▪ All payments must have been made within the month due • Payment Deferral: The refinance of a loan that has a payment deferral and where the amount of the deferred payments is included in the new loan is eligible as a rate/term transaction. Funds applied to pay off the prior loan, including the deferred portion, are not considered cash out • Repayment Plan: The full amount of the repayment plan monthly payment must be considered in meeting the required consecutive payment requirements (Purchase/Rate Term or Cash-out) detailed above • A mortgage subject to forbearance must utilize the mortgage payment history in accordance with the forbearance plan in determining late housing payments • Loan file must contain a letter of explanation from the borrower detailing the reason for forbearance and that the hardship no longer exists • Forbearance resulting in subsequent loan modification is considered a significant derogatory credit event and subject to a seven (7) year waiting period
DTI	• LTVs ≤ 80% - 45% • LTVs > 80% - 36%
Lawsuit/Pending Litigation	If the 1003, title commitment or credit documents indicate that the borrower is party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower's ability to repay, assets or collateral
Liabilities	
Liabilities	Tax liens and Payment Plans • If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient liquid assets to pay the debt must be documented if the amount due is within ninety (90) days of loan application date or if the tax transcripts show an outstanding balance due: o A payment plan for the most recent tax year is allowed if the following requirements are met: ▪ Payment plan was setup at the time the taxes were due. Copy of the payment plan must be included in the loan file ▪ Payment is included in the DTI

<table>
<tr><td></td><td>
Satisfactory pay history based on terms of payment plan is provided
Payment plan is only allowed for taxes due for the most recent tax year, prior years not allowed. For example, borrower files their 2019 return or extension in April 2020, a payment plan would be allowed for taxes due for 2019 tax year. Payment plans for 2018 or prior years would not be allowed.
Borrower does not have a prior history of tax liens
• Alimony payments – follow Fannie Mae Selling Guide requirements
</td></tr>
<tr><th colspan="2">Employment/Income</th></tr>
<tr><td>Employment/Income</td><td>
• A two (2) year employment history is generally required
• If the borrower(s) have less than a two (2) year employment and income history, the lender must provide a written analysis to justify the determination that the income used to qualify the borrower is stable.
Declining Income: When the borrower has declining income, the most recent twelve (12) months should be used or the most conservative income calculation if the declining period is shorter than 12 months. Income must be stabilized and not subject to further decline in order to be considered for qualifying purposes
• The employer or the borrower should provide an explanation for the decline and the underwriter should provide a written justification for including the declining income in qualifying
</td></tr>
<tr><td>General Documentation Requirements</td><td>
• Borrower(s) must have a minimum of two (2) years employment and income history
• Tax transcripts for personal tax returns are required when tax returns are used to document borrower’s income or any loss and must match the documentation in the loan file. Tax transcripts must be obtained directly from the IRS via a third party except as indicated below.
o In the instance where there is an indication of possible identity theft or fraud and the transcript request has been rejected by the IRS with a Code 10 indicating that “Due to limitations, the IRS is unable to process this request”, online borrower obtained tax transcripts are permitted to validate income used for qualifying purposes. Evidence of the IRS transcript request rejection is required. Borrower obtained transcripts are not permitted due to IRS rejection because of missing, incomplete or altered information on the Form 4506-C (Codes 1-9).
• Social Security Income: Secondary validation is required when the income is documented via either an Award Letter or a 1099. Acceptable validation can be in the form of tax transcripts/1099 transcripts or a bank statement showing evidence of the SSI deposit and dated within 30 days of the application date
• A 4506-C form is required to be signed at closing by all borrowers for all transactions
• Taxpayer consent form signed by all borrowers
• Verification of the existence of borrower’s self-employment must be verified through a third-party source and no more than twenty (20) business days prior to the Note date. In addition, confirmation that the business is currently operating must be provided. Below are acceptable examples of documentation to confirm the business is currently operating:
o Evidence of current work (executed contracts or signed invoices) that indicate the business is operating on the day the lender verifies self-employment;
o Evidence of current business receipts within 10 days of the Note date (payment for services performed);
o Lender certification the business is open and operating (lender confirmed through a phone call or other means); or
o Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled
• Aggregate secondary and separate sources of self-employment losses reporting on 1040 tax transcripts greater than 5% of borrower’s total qualifying income must be deducted from
</td></tr>
</table>

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<table>
<tr><td></td><td>qualifying income. Additional self-employment documentation is not required
o K-1 losses where borrower owns less than 25% must be deducted from qualifying income when the aggregate loss is greater than 5% of borrowers total qualifying income
o Passive losses shown on K-1s, such as publicly traded companies or where ownership is under 5%, can be excluded from income on a case-by-case basis. Any passive K-1 losses excluded will not count toward the aggregate secondary and separate sources of self-employment losses and the 5% threshold for deducting the loss from income</td></tr>
<tr><td>Unacceptable Sources of Income</td><td>• Deferred compensation
• Retained earnings
• Education benefits
• Trailing spouse income
• Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations. Federal law restricts the following activities and therefore the income from these sources are not allowed for qualifying:
o Foreign shell banks
o Medical marijuana dispensaries if borrower has any ownership
o Any income resulting from ownership in a business related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law</td></tr>
<tr><td>Salaried, Bonus & Commission Income</td><td>• Salaried Borrowers:
o Income and Employment must be documented per the DU findings and all income sources and methods of income calculation must meet the requirements in chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 and the requirements below
o Secondary verification of the income documentation is required via W-2 transcripts or via Fannie Mae approved third party vendors (i.e., The Work Number) with separation of income types (base, bonus, OT, etc.). The number of years provided will be based on the DU findings
▪ Manual verification of employment, even if through a 3rd party are not permitted
▪ The IRS transcripts and the supporting income documentation must be consistent
▪ If 3rd party verification (i.e., The Work Number) is the source used to verify income, then W-2 transcripts are also required as the secondary verification of the income – see below table

<table><tr><th>Income Documentation Source</th><th>Allowable Secondary Verification</th></tr><tr><td>Paystub and W-2(s)</td><td>W-2 transcript(s) or Fannie approved 3rd party vendor (i.e., The Work Number)</td></tr><tr><td>Fannie approved 3rd party vendor (i.e., The Work Number)</td><td>W-2 transcript(s)</td></tr></table>
• Commission/Bonus Income:
o Follow requirements above for salaried borrowers, and
o Commission/Bonus income must be documented for the most recent 2 (two) years with a year-to-date paystub and W-2s</td></tr>
<tr><td>Retirement Income (Pension, Annuity, 401(k), IRA Distributions)</td><td>• Existing distribution of assets from an IRA, 401(k) or similar retirement asset must be sufficient to continue for a minimum of three (3) years
• If any retirement income will cease within the first three (3) years of the loan, the income may not be used</td></tr>
</table>

Trust income	• Income from trusts may be used if guaranteed and regular payments will continue for at least three (3) years • Regular receipt of trust income for the past twelve (12) months must be documented • Copy of trust agreement or trustee statement showing: o Total amount of borrower designated trust funds o Terms of payment o Duration of trust o Evidence the trust is irrevocable • If trust fund assets are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income
Restricted Stock and Stock Options	• May only be used as qualifying income if the income has been consistently received for two (2) years and is identified on the paystubs, W-2s and tax returns as income and the vesting schedule indicates the income will continue for a minimum of two (2) years at a similar level as prior two (2) years • A two (2) year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the lower of the current stock price or the 52-week average for the most recent twelve (12) months reporting at the time of application. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule. • Additional awards must be similar to the qualifying income and awarded on a consistent basis • There must be no indication the borrower will not continue to receive future awards consistent with historical awards received • Borrower must be currently employed by the employer issuing the RSUs/stock options for the RSUs/stock options to be considered in qualifying income • Stock must be a publicly traded stock • Vested restricted stock units and stock options cannot be used for reserves if using for income to qualify • RSU income must be entered into DU as bonus income • Incentive sign on income and future RSU's are limited to 50% of the total qualifying income; income calculation results may be reduced to meet the 50% restriction
Projected Income	Paystub (once borrower has started with new employer) must be provided prior to purchase of the loan by Community Loan Servicing
Asset Depletion	• Maximum 80% LTV/CLTV/HCLTV • Primary residence 1-2 units only and Second Homes are eligible • Primary residence 3-4 units are not eligible • Investment properties are not eligible • Purchase, Rate/Term and Cash-Out transactions are eligible • Eligible assets must be held in a US account • There are no age restrictions for the use of Asset Depletion as a source of qualifying income • Qualifying Asset Income = Net Eligible Assets divided by 240 • Asset Depletion may not be combined with employment related income to qualify (i.e., salaried income, self-employment income, etc.) for any Borrower that is an account holder of the assets used for Asset Depletion. If there is employment related income from a Borrower that is not a joint account holder of the account used for Asset Depletion, then this income may be eligible to be used for qualifying purposes

- Pension, Social Security or other annuity type income streams may be used and combined with Asset Depletion income as long as the assets generating that income are not used in the Asset Depletion income calculations
- Assets used as income can only be sourced from one income stream. As an example, an asset cannot be used as both capital gains income and asset depletion income
- Net Eligible Assets
    - Minimum Net Eligible Assets: Borrowers must have at least $1,000,000 of Net Eligible Assets
    - Net Eligible Assets equals Total Eligible Assets as defined in the below table (after any haircuts required for retirement assets per the Asset Requirements section of this product matrix) minus:
        - Funds required to be paid by borrower for closing (i.e., down payment, closing costs)
        - Gift and/or borrowed funds
        - Reserves
        - Any portion of assets pledged as collateral for a loan
    - Cash Out proceeds are not allowed to be used in the Asset Depletion calculation and are not an Eligible Asset
- Business funds not permitted to be included in net eligible asset amount
- Most recent two years of tax returns and corresponding tax transcripts are required
- Assets must meet the eligibility and documentation requirements outlined in the below table:

Asset Type	Asset Eligibility Requirements	Documentation Requirements
Retirement Assets	• The retirement assets must be in a retirement account recognized by the Internal Revenue Service (IRS) (e.g., 401(k), IRA) • Borrower must be the sole owner • The asset must not currently be used as a source of income by the Borrower, i.e. retirement distributions • The Borrower's rights to the funds in the account must be fully vested	• Most recent retirement asset account statement • Documentation evidencing asset eligibility requirements are met • Most recent two years tax returns and corresponding tax transcripts
Lump-sum distribution funds not deposited to an eligible retirement asset	• If the lump-sum distribution funds have been deposited to an eligible retirement asset, follow the requirements for retirement assets described above, otherwise: o Lump-sum distribution funds must be derived from a retirement account recognized by the IRS (e.g., 401(k), IRA) and must be deposited to a depository or non-retirement securities account o A Borrower must have been the recipient of the lump-sum distribution funds o Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the funds from the lump-sum distribution o The proceeds from the lump-sum distribution must be immediately accessible in their entirety o The proceeds from the lump-sum distribution must not have been or currently be subject to a penalty or early distribution tax	• Employer distribution letter(s) and/or check-stub(s) evidencing receipt and type of lump-sum distribution funds; IRS 1099-R (if it has been received) • Satisfactorily documented evidence of the following: o Funds verified in the non-retirement account and used for qualification must have been derived from eligible retirement assets o Lump-sum distribution funds must not have been or currently be subject to a penalty or early distribution tax • Most recent two years tax returns and corresponding tax transcripts
Depository accounts and Securities	• The Borrower must solely own assets or, if asset is owned jointly, each asset owner must be a Borrower on the Mortgage and /or on the title to the subject property • As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty • Account funds must be located in a United States- or State-regulated financial institution and verified in U.S. dollars	• Provide account statement(s) covering a two-month period • For securities only, if the Borrower does not receive a stock/security account statement o Provide evidence the security is owned by the Borrower, and o Verify value using stock prices from a financial publication or web site • Documentation evidencing asset eligibility requirements are met

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			• Sourcing deposits: o The Seller must document the source of funds for any deposit exceeding 10% of the Borrower's total eligible assets in depository accounts and securities, and verify the deposit does not include gifts or borrowed funds, or reduce the eligible assets used to qualify the Borrower by the amount of the deposit o When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file, the Seller is not required to obtain additional documentation • Most recent two years tax returns and corresponding tax transcripts
	Assets from the sale of the Borrower's business	• The Borrower(s) must be the sole owner(s) of the proceeds from the sale of the business that were deposited to the depository or non-retirement securities account • Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the proceeds from the sale of the Borrower's business • The proceeds from the sale of the business must be immediately accessible in their entirety • The sale of the business must not have resulted in the following: retention of business assets, existing secured or unsecured debt, ownership interest or seller-held notes to buyer of business	• Most recent three months' depository or securities account statements • Fully executed closing documents evidencing final sale of business to include sales price and net proceeds • Contract for sale of business • Most recent business tax return prior to sale of business • Satisfactorily documented evidence of the following: o Funds verified in the non-retirement account and used for qualification must have been derived from the sale of the Borrower's business • Most recent two years tax returns and corresponding tax transcripts

Self-Employment

Self-Employed borrowers are defined as having 25% or greater ownership

- Minimum 720 FICO when any Self-Employment income is required for qualifying purposes. If the Self-Employment income is not needed for qualifying purposes, then the 720 FICO minimum is not applicable
- In order to use self-employment income for qualifying purposes, the underwriter must consider the economic impacts on the business and the stability of income
- Aggregate secondary and separate sources of self-employment losses reporting on 1040 tax transcripts greater than 5% of borrowers' total qualifying income must be deducted from qualifying income. Additional self-employment documentation is not required
  - K-1 losses where borrower owns less than 25% must be deducted from qualifying income when the aggregate loss is greater than 5% of borrowers total qualifying income
  - Passive losses shown on K-1s, such as publicly traded companies or where ownership is under 5%, can be excluded from income on a case-by-case basis. Any passive K-1 losses excluded will not count toward the aggregate secondary and separate sources of self-employment losses and the 5% threshold for deducting the loss from income

Documentation Requirements

The requirements below apply for Self-Employed Borrowers with Self-Employment income used for qualifying:

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Follow the requirements per the DU findings and the requirements in chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 except as detailed below:
If DU returns a recommendation for one (1) year of tax returns, the most recent year's tax return must be provided. IRS extensions are not permitted
If borrower has filed an extension, the most recent prior two (2) years tax returns are required
Year-to-date (YTD) profit and loss (P&L) statement (audited or unaudited) is required up to and including the most recent month preceding the loan application date. YTD profit and loss statement must not be more than 90 days aged prior to the Note date
Unaudited P&L
An unaudited year-to-date profit and loss statement <u>signed by the borrower</u> reporting business revenue, expenses, and net income OR
Audited P&L
An audited year-to-date profit and loss statement reporting business revenue, expenses, and net income
If the borrower has filed an extension for the current tax year, the year-to-date profit and loss statement must be provided to cover the full year
If the year-to-date business income is less than the historically calculated income derived from the tax returns, the borrower may qualify by reducing the historical income to no more than the current level of stable monthly income using details from the year-to-date profit and loss statement

</td></tr>
<tr><th colspan="2">Assets/Reserves</th></tr>
<tr><td>Asset Requirements</td><td>

Beyond the minimum reserve requirements and to fully document the borrower's ability to meet their obligations, borrowers should disclose all liquid assets
Eligible assets must be held in a US account
Large deposits inconsistent with monthly income or deposits must be verified if using for down payment, reserves or closing costs
Lender is responsible for verifying large deposits did not result in any new undisclosed debt
Fannie Mae approved third party suppliers and distributors that generate asset verification reports are permitted for the purpose of verifying assets
Follow the DU and the requirements in chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 except as detailed below
A written VOD as a stand-alone document is not acceptable
A system generated automated VOD may be used as a stand-alone documentation if provided by a verifiable institutional bank
Stocks, bonds, and mutual funds do not require documentation of liquidation or of the borrower's actual receipt of funds when used for down payment or closing costs
Gift Funds
Gift funds may be used once borrower has contributed 5% of their own funds
Not permitted for reserves
LTVs greater than 80% - gift funds not permitted
Business Funds
Not permitted for reserves
Cash flow analysis required using most recent three (3) months business bank statements to determine no negative impact to business. Business bank statements must be no older than the latest three months represented on the year-to-date profit and loss statement
Business bank statements must not reflect any NSFs (non- sufficient funds) or overdrafts
If borrower(s) ownership in the business is less than 100%, the following requirements must be met:

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Borrower(s) must have majority ownership of 51% or greater
The other owners of the business must provide an access letter to the business funds
Borrower(s) % of ownership must be applied to the balance of business funds for use by borrower(s)

Retirement Accounts

Eligibility Percentage to meet reserve requirements

If borrower is ≥ 59 ½, then 70% of the vested value after the reduction of any outstanding loans
If borrower is < 59 ½, then 60% of the vested value after the reduction of any outstanding loans

Refer to Fannie Mae Selling Guide for liquidation of funds requirements

Stocks, bonds and mutual funds do not require documentation of liquidation or of the borrower’s actual receipt of funds when used for down payment or closing costs
Virtual Currency is an ineligible asset type. Virtual currency must be exchanged into U.S. dollars to be acceptable for use as down payment, closing costs or reserves. Refer to Fannie Mae Selling Guide for additional details

</td></tr>
<tr><td>Reserves</td><td>
<table>
<tr><th colspan="3">Reserve Requirements (# of Months of PITIA)</th></tr>
<tr><th>Occupancy</th><th>Loan Amount</th><th># of Months</th></tr>
<tr><td rowspan="6">Primary Residence</td><td>≤$1,000,000 with LTV ≤80%</td><td>6</td></tr>
<tr><td>$1,000,001-$1,500,000 with LTV ≤80%</td><td>9</td></tr>
<tr><td>≤$1,000,000 with LTV >80%</td><td>12</td></tr>
<tr><td>$1,000,001 - $1,500,000 with LTV >80%</td><td>15</td></tr>
<tr><td>$1,500,001-$2,000,000</td><td>12</td></tr>
<tr><td>$2,000,001-$2,500,000</td><td>24</td></tr>
<tr><td rowspan="4">Second Home</td><td>≤$1,000,000</td><td>12</td></tr>
<tr><td>$1,000,001-$1,500,000</td><td>18</td></tr>
<tr><td>$1,500,001-$2,000,000</td><td>24</td></tr>
<tr><td>$2,000,001-$2,500,000</td><td>36</td></tr>
<tr><td rowspan="2">Investment Property</td><td>≤$1,000,000</td><td>18</td></tr>
<tr><td>$1,000,001 - $1,500,000</td><td>24</td></tr>
<tr><td rowspan="4">First-Time Homebuyer</td><td>≤$1,000,000 with LTV ≤80%</td><td>12</td></tr>
<tr><td>≤$1,000,000 with LTV >80%</td><td>15</td></tr>
<tr><td>$1,000,001-$1,500,000 with LTV ≤80%</td><td>15</td></tr>
<tr><td>$1,000,001-$1,500,000 with LTV >80%</td><td>18</td></tr>
<tr><td rowspan="2">Additional 1-4 Unit Financed REO</td><td colspan="2">Additional six (6) months reserves PITIA for each property is required based on the PITIA of the additional REO</td></tr>
<tr><td colspan="2">If eligible to be excluded from the count of multiple financed properties, reserves are not required</td></tr>
<tr><td>Borrowed funds</td><td colspan="2">Borrowed funds (secured or unsecured) are not allowed for reserves</td></tr>
</table>
</td></tr>
<tr><th colspan="2">Subordinate Financing</th></tr>
<tr><td>Subordinate Financing</td><td>

Allowed up to maximum CLTV per matrix
Secondary financing term must conform to Fannie Mae guidelines
If subject property has a HELOC that is not included in the CLTV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed
Shared equity finance agreements are an ineligible source of subordinate financing

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Non-Delegated Correspondent Jumbo AUS

Down Payment/Closing Cost Assistance	Down payment and closing cost assistance subordinate financing is not permitted
Property/Appraisal	

Eligible Property Types	• 1-4 Unit Owner Occupied Properties
	• 1 Unit Second Homes
	• 1-4 Unit Investment Properties
	• Condominiums – Must be Fannie Mae warrantable and meet Fannie Mae guidelines and project standards
	  o Florida New Construction: Full Review or PERS permitted
	• Modular homes
	• Planned Unit Developments (PUDs)
	• Leaseholds
	• Properties with ≤40 Acres
	  o Properties >10 acres ≤40 acres must meet the following:
	    ▪ Maximum land value 35%
	    ▪ No income producing attributes
	    ▪ Transaction must be 10% below maximum LTV/CLTV/HCLTV as allowed on Bayview Jumbo AUS for transactions over twenty (20) acres. For example, if borrower qualifies for a loan at 80% LTV based on transaction, FICO score, loan amount and reserves, then the maximum allowed would be 70%
	• Properties Subject to Existing Oil/Gas Leases must meet the following:
	  o Title endorsement providing coverage to the lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease
	  o No active drilling; Appraiser to comment or current survey to show no active drilling
	  o No lease recorded after the home construction date; Re-recording of a lease after the home was constructed is permitted
	  o Must be connected to public water
	NOTE: Properties that fall outside these parameters can be considered on a single loan variance basis

Ineligible Property Types	• 2-4 unit second home properties • Condotels/Condo Hotels • Manufactured Homes/Mobile Homes • Mixed-Use Properties • Model Home Leasebacks • Non-Warrantable Condominiums • Properties with condition rating of C5/C6 • Properties with quality rating of Q6 • Properties located in Hawaii in lava zones 1 & 2 • Properties located in areas where a valid security interest in the property cannot be obtained • Properties >40 acres • Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant • Tenants-in-Common projects (TICs) • Unique properties • Working farms, ranches or orchards • Cooperatives

<table>
<tr><td>Declining Markets</td><td>
LTV/CLTV/HCLTV must be 10% below product maximum per product matrix eligibility grid up to a maximum 75% LTV/CLTV/HCLTV
As an example:
If the eligibility grid indicates a maximum of 89.99% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 75%
OR
If the eligibility grid indicates a maximum of 80% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 70%
</td></tr>
<tr><td>Appraisal Requirements</td><td>

Full appraisal is required regardless of the DU Findings
Property inspection waivers are not permitted
Transferred appraisals are not allowed
The subject property must be appraised within 90 days prior to the Note date
Collateral Underwriter (CU) with a score of 2.5 or less is allowed in lieu of a CDA
Maximum LTV 80%
Maximum Loan amount $1,500,000
Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets. See Declining Market section for additional requirements
Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date
Collateral Desktop Analysis (CDA) ordered from Clear Capital is required to support the value of the appraisal. The Seller is responsible for ordering the CDA. See above for the allowance of CU score in lieu of CDA
If the CDA returns a value that is “Indeterminate” or if the CDA indicates a lower value than the appraised value that exceeds a 10% tolerance, then one (1) of the following requirements must be met:
A Clear Capital BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation of Three Reports is required. The Value Reconciliation will be used for the appraised value of the property. The Seller is responsible for ordering the BPO and Value Reconciliation through Clear Capital
A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. The Seller is responsible for providing the field review or 2nd full appraisal
If two (2) full appraisals are provided, a CDA is not required

<table>
<tr><th colspan="2">Appraisal Requirements Based on Loan Amount:</th></tr>
<tr><th>First Lien Amount</th><th>Appraisal Requirements</th></tr>
<tr><th colspan="2">Purchase Transactions</th></tr>
<tr><td>≤ $2,000,000</td><td>1 Full Appraisal</td></tr>
<tr><td>> $2,000,000</td><td>2 Full Appraisals</td></tr>
<tr><th colspan="2">Refinance Transactions</th></tr>
<tr><td>≤ $1,500,000</td><td>1 Full Appraisal</td></tr>
<tr><td>> $1,500,000</td><td>2 Full Appraisals</td></tr>
</table>
When two (2) appraisals are required, the following applies:
Appraisals must be completed by two (2) independent companies
The LTV will be determined by the lower of the two (2) appraised values if the lower
</td></tr>
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	appraisal supports the value conclusion o Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled o If the two (2) appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon
Construction to Permanent Financing	• The borrower must hold title to the lot which may have been previously acquired or purchased as part of the transaction • LTV/CLTV/HCLTV is determined based on the length of time the borrower has owned the lot. The time frame is defined as the date the lot was purchased to the Note date of the subject transaction o For lots owned twelve (12) months or more, the appraised value can be used to calculate the LTV/CLTV/HCLTV o For lots owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the current appraised value of the property or the total acquisition costs (documented construction costs plus documented purchase price of lot)
Disaster Area Requirements	• Refer to the Disaster Guidelines in the Special Products Seller Guide for requirements pertaining to properties impacted by a disaster in: o FEMA Major Disaster Declarations with designated counties eligible for **Individual Assistance (IA);** o Areas where FEMA has not made a disaster declaration, but Community Loan Servicing or an Investor (Fannie Mae, Freddie Mac, FHA, USDA or the Veterans Administration) has determined that there may be an increased risk of loss due to a disaster; o Areas where there is reason to believe that a property might have been damaged in a disaster • Correspondent Lenders are responsible for monitoring the Disaster Declaration File and the FEMA Website including the FEMA Declarations Summary on an ongoing basis to ensure that the property is not located in an area impacted by a disaster
Escrow Holdbacks	Not allowed unless the holdback has been disbursed and a certification of completion has been issued prior to purchase
Special Restrictions	
Multiple Financed Properties	• Maximum number of financed properties – follow Fannie Mae Single Family Selling Guide Requirements • All financed 1-4 unit residential properties require an additional six (6) months reserves for each property, unless the exclusions below apply • 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage • Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation
Geographic Restrictions	• The following states are not eligible: NY • Properties located outside of the United States or in a Territory, Province or Commonwealth; including, but not limited to properties in Guam, Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands or American Samoa are not permitted

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Version Control			
Author	Section	Date	Update
AS	ALL	05.16.22	• Matrix created
AS	Restricted Stock and Stock Options	05.20.22	Added • Incentive sign on income and future RSU's are limited to 50% of total qualifying income. Income calculation results may be reduced to meet the 50% restriction
AS	Asset Requirements	05.20.22	Added • Virtual Currency is an ineligible asset type. Virtual currency must be exchanged into U.S. dollars to be acceptable for use as down payment, closing costs or reserves. Refer to Fannie Mae Selling Guide for additional details
AS	Subordinate Financing	05.20.22	Added • Shared equity finance agreements are an ineligible source of subordinate financing
AS	Forbearance	06.03.22	Added <u>For borrowers who have entered into forbearance on any loan (including but not limited to the subject mortgage) between 01.01.2020 and 06.01.2022, the below listed criteria is to be used to determine eligibility. All other loans must follow the forbearance waiting period as required in the Significant Derogatory Credit section above.</u>
AS	Asset Requirements	07.01.22	Removed • Retirement Accounts In cases where the account holder is not of retirement age and funds are being used for down payment or closing costs, evidence of liquidation of retirement funds is required
AS	Credit Requirements	07.01.22	Added • Rapid credit rescores are permitted. A rapid rescore is a process that can quickly update a borrower's credit score by submitting proof of positive account changes to the three major credit repositories since the last reporting deadline in order to reflect the current credit status.
AS	General Documentation Requirements	07.01.22	Added • Social Security Income: Secondary validation is required when the income is documented via either an Award Letter or a 1099. Acceptable validation can be in the form of tax transcripts/1099 transcripts or a bank statement showing evidence of the SSI deposit and dated within 30 days of the application date.
DH	First-Time Homebuyer	07.15.22	Added • First-Time Homebuyer is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, First-Time Homebuyer requirements do not apply • Verification of rental history is not required
DH	Eligibility Grid	11.04.22	Added Declining Market footnote
DH	Declining Market	11.04.22	Added Declining Market Section • LTV/CLTV/HCLTV must be 10**%** below product maximum per product matrix eligibility grid up to a maximum 75% LTV/CLTV/HCLTV *As an example:* *If the eligibility grid indicates a maximum of 89.99% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 75%* *OR* *If the eligibility grid indicates a maximum of 80% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 70%*
DH	Appraisal Requirements	11.04.22	Removed Appraisal Update (Form 1004D) is allowed for appraisals that are over 120 days aged Added • Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date • The subject property must be appraised within 90 days prior to the Note date • Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets
AS	Geographic Restrictions	01.03.23	Removed additional states and left only NY

Appendix A - Summary of Program Overlays to Fannie Mae Guidelines

Below is a summary of the Jumbo AUS program overlays to Fannie Mae guidelines. Please refer to the Jumbo AUS product matrix for complete details and requirements on the below topics as well as for LTV, FICO and loan amount requirements. This summary is intended for reference only. In the event of any conflict with this document, the product matrix and seller guide will govern.

- **Borrower Eligibility**
  - First Time Homebuyer:
    - Maximum loan amount $1,500,000
    - Not permitted on investment properties
  - Permanent and Non-Permanent Resident Aliens must be employed in the U.S. for the past 24 months
  - Non-Permanent Resident Aliens
    - Maximum LTV/CLTV/HCLTV 75%
    - Primary residence only
  - Non-Occupant Co-Borrower must be a related family member of the borrower(s)
  - All borrowers must have a valid Social Security Number
- **Continuity of Obligation**
  - On a refinance transaction, there must be a continuity of obligation of the outstanding lien that will be paid through the refinance transaction. See Continuity of Obligation section for full requirements
- **Credit Requirements**
  - Non-traditional credit not permitted
  - All borrowers must have a minimum of two (2) credit scores
  - Manual underwrite is not permitted
- **Mortgage History**:
  - 0x30x24
  - The borrower(s) credit report must be reviewed to determine status of all mortgage loans including verification mortgage is not subject to a loss mitigation program, repayment plan, loan modification or payment deferral plan. **In addition to reviewing the credit report**, due diligence must also be applied for each mortgage loan on which a borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine the loan payments are current as of the Note date of the subject transaction. Current means the borrower has made all payments due in the month prior to the Note date of the subject transaction and no later than the last business day of that month. Acceptable documentation includes one of the following:
    - Loan payment history from the servicer or third party verification service
    - Payoff statement for loans being refinanced
    - Current mortgage statement from the borrower
    - Verification of mortgage (VOM)
  - If the mortgage holder is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory mortgage history is required
- **Significant Derogatory Credit**: At least seven (7) years must have elapsed since bankruptcy discharge/dismissal, foreclosure, NOD, Short Sale/DIL or forbearance resulting in a subsequent loan modification. Multiple derogatory credit events not permitted

- **Forbearance**
  - Any loans (including but not limited to the subject mortgage) where a mortgage reflects reduced or missed payments under a forbearance and borrower has accepted a payment deferral, initiated a repayment plan or has reinstated the mortgage to return to a current status must meet the requirements below:
    - Cash-out Refinance:
      - Twelve (12) consecutive months of required payments since completed forbearance plan

- **DTI**:
  - LTVs ≤ 80% = Max 45%
  - LTVs > 80% = Max 36%

- **Employment/Income**
  - General Requirements: Tax transcripts for personal tax returns are required when tax returns are used to document borrower's income or any loss and must match the documentation in the loan file. The number of years of transcripts required will be based on the DU findings
  - Salaried Borrowers: Secondary verification of the income documentation is required via W-2 transcripts or 3rd party verification (i.e., The Work Number) with separation of income types (base, bonus, OT, etc.). The number of years provided will be based on the DU findings
    - Manual verification of employment, even if through a 3rd party are not permitted
    - Borrower pulled transcripts are not acceptable
    - The IRS transcripts and the supporting income documentation must be consistent
    - If 3rd party verification (i.e., The Work Number) is the source used to verify income, then W-2 transcripts are also required as the secondary verification of the income
  - Commission/Bonus: Income must be documented for the most recent 2 (two) years with a year-to-date paystub and W-2s
  - Projected Income: Paystub (once borrower has started with new employer) must be provided prior to closing
  - Asset Depletion:
    - Maximum 80% LTV/CLTV/HCLTV
    - Primary residence 1-2 units and Second Homes are eligible
      - Primary residence 3-4 units are not eligible
      - Investment properties are not eligible
    - Eligible assets must be held in a US account
    - Purchase, Rate/Term and Cash-Out transactions are eligible
    - There are no age restrictions for the use of Asset Depletion as a source of qualifying income
    - Minimum Net Eligible assets of $1,000,000 are required
      - Retirement Accounts: Eligibility percentage must be applied as defined in the Asset Requirements Section of this product matrix
      - Cash-Out from the transaction may not be used to meet minimum post-closing asset requirements
    - Qualifying Asset Income = Net Eligible Assets divided by 240
      - Asset Depletion may not be combined with employment related income to qualify (i.e., salaried income, self-employment income, etc.,) for any Borrower that is an account holder of the assets used for Asset Depletion. If there is employment related income from a Borrower that is not a joint account holder of the account used for Asset Depletion, then this income can be used for qualifying purposes
      - Pension, Social Security or other annuity type income streams may be used and combined with Asset Depletion income as long as the assets generating that income are not used in the Asset Depletion income calculations

        - Assets used as income can only be sourced from one income stream. As an example, an asset cannot be used as both capital gains income and asset depletion income
    - Net Eligible Assets equals Total Eligible Assets as defined in the below table (after any haircuts required for retirement assets per the Asset Requirements section of this product matrix) minus:
        - Funds required to be paid by borrower for closing (i.e., down payment, closing costs)
        - Gift and/or borrowed funds
        - Reserves
        - Any portion of assets pledged as collateral for a loan
    - Business funds not permitted to be included in total asset amount
    - Asset eligibility and documentation requirements as per table within Asset Depletion section of the product matrix
    - Most recent tax returns and corresponding tax transcripts are required

  - Self-Employment:
    - Self-Employment income: Minimum 720 FICO when any Self-Employment income is required for qualifying purposes. If the Self-Employment income is not needed for qualifying purposes, then the 720 FICO minimum is not applicable
    - If DU returns a recommendation for one (1) year of tax returns, the most recent year's tax return must be provided and IRS extensions are not permitted
        - If borrower has filed an extension, the most recent prior two (2) years tax returns are required
    - If the borrower has filed an extension for the current tax year, the YTD profit and loss statement must be provided to cover the full year

- **Assets**
  - A written VOD as a stand-alone document is not acceptable
  - Gift Funds
    - Gift funds may be used once borrower has contributed 5% of their own funds
    - Not permitted for reserves
    - LTVs greater than 80% - gift funds not permitted
  - Business Funds
    - Not permitted for reserves
    - Cash flow analysis required using *most recent three (3) months business bank statements* to determine no negative impact to business. Business bank statements must be no older than the latest three months represented on the year-to-date profit and loss statement
    - Business bank statements must not reflect any NSFs (non- sufficient funds) or overdrafts
    - If borrower(s) ownership in the business is less than 100%, the following requirements must be met:
        - Borrower(s) must have majority ownership of 51% or greater
        - The other owners of the business must provide an access letter to the business funds
        - Borrower(s) % of ownership must be applied to the balance of business funds for use by borrower(s)
  - Reserves – Refer to Reserve section of the product matrix for overlay reserve requirements
  - Retirement Accounts
    - Eligibility Percentage to meet reserve requirements
        - If borrower is >59 ½, then 70% of the vested value after the reduction of any outstanding loans
        - If borrower is <59 ½, then 60% of the vested value after the reduction of any outstanding loans

- **Subordinate Financing**
  - Secondary financing not permitted on LTVs > 80%
  - Down payment and closing cost assistance subordinate financing is not permitted

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Non-Delegated Correspondent Jumbo AUS

- **Maximum Acreage**
  - Maximum ≤ 40 acres
    - Properties >10 acres ≤40 acres must meet the following:
      - Maximum land value 35%
      - No income producing attributes
      - Transaction must be 10% below maximum LTV/CLTV/HCLTV as allowed on Jumbo AUS for transactions over twenty (20) acres. For example, if borrower qualifies for a loan at 80% LTV based on transaction, FICO score, loan amount and reserves, then the maximum allowed would be 70%

- **Ineligible Property Types**
  - Manufactured Homes/Mobile Homes
  - Mixed-Use Properties
  - Model Home Leasebacks
  - Properties with condition rating of C5/C6
  - Properties with quality rating of Q6
  - Unique properties
  - Co-ops

- **Declining Markets**
  - LTV/CLTV/HCLTV must be 10**%** below product maximum per product matrix eligibility grid up to a maximum 75% LTV/CLTV/HCLTV

- **Appraisal Requirements**
  - Transferred appraisals are not permitted
  - Collateral Desktop Analysis (CDA) ordered from Clear Capital or CU score ≤ 2.5 is required to support the value of the appraisal. CDA not required if two full appraisals provided.
  - Purchase > $2M = 2 Full appraisals required
  - Refi >$1.5 M = 2 Full appraisals required
  - Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date
  - The subject property must be appraised within 90 days prior to the Note date
  - Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets

- **Escrow Holdbacks** – Not permitted

- **Geographic Restrictions** –
  - The following states are not eligible: MA, CT, NY, UT, HI, MO, NV
  - Properties located outside of the United States or in a Territory, Province or Commonwealth; including, but not limited to properties in Guam, Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands or American Samoa are not permitted

Non-Delegated Correspondent
Bayview Jumbo Plus AUS

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Bayview Jumbo Plus AUS

Bayview Jumbo Plus AUS Eligibility Matrix				
Fixed Rate				
Primary Residence | Purchase, Rate and Term Refinance				
Transaction Type	**Units**	**FICO[1]**	**Maximum LTV/CLTV/HCLTV[4,5]**	**Maximum Loan Amount[3]**
Purchase or Rate and Term Refinance	1-2	700	89.99%[2]	$1,500,000
		680	85%[2]	$1,500,000
		661	80%	$1,500,000
		680	75%	$2,000,000
	1-4	680	70%	$2,000,000
Primary Residence | Cash-Out Refinance				
Transaction Type	**Units**	**FICO[1]**	**Maximum LTV/CLTV/HCLTV[4,5]**	**Maximum Loan Amount[3]**
Cash-Out Refinance	1	680	80%	$1,000,000
	1-2	680	75%	$1,500,000
	1-4	661	60%	$2,000,000
Second Home | Purchase, Rate and Term Refinance				
Transaction Type	**Units**	**FICO[1]**	**Maximum LTV/CLTV/HCLTV[4,5]**	**Maximum Loan Amount[3]**
Purchase or Rate and Term Refinance	1	680	80%	$1,500,000
		661	70%	$1,500,000
		680	65%	$2,000,000
Second Home | Cash-Out Refinance				
Transaction Type	**Units**	**FICO[1]**	**Maximum LTV/CLTV/HCLTV[4,5]**	**Maximum Loan Amount**
Cash-Out Refinance	1	680	70%	$1,000,000
			65%	$1,500,000
Investment | Purchase | Rate and Term Refinance				
Transaction Type	**Units**	**FICO[1]**	**Maximum LTV/CLTV/HCLTV[4,5]**	**Maximum Loan Amount**
Purchase Rate or Term Refinance	1-4	680	75%	$1,500,000
Investment | Cash-Out Refinance				
Transaction Type	**Units**	**FICO[1]**	**Maximum LTV/CLTV/HCLTV[4,5]**	**Maximum Loan Amount**
Cash-Out Refinance	1-4	680	60%	$1,500,000

[1]Self-Employment income: Minimum 720 FICO when any Self-Employment income is required for qualifying purposes. If the Self-Employment income is not needed for qualifying purposes, then the 720 FICO minimum is not applicable

[2]The following requirements apply for transactions with LTVs greater than 80%:

- MI not required
- Escrow/Impound accounts required for LTVs greater than 80% unless prohibited by applicable laws

[3]First time homebuyer maximum loan amount is $1,500,000

[4]Non-Warrantable Condominiums: LTV/CLTV must be 10% below product/program maximum up to a maximum of 70% LTV/CLTV

[5] See Declining Market Section for LTV/CLTV reductions

Bayview Jumbo Plus AUS Notes:

- Minimum loan amounts down to $300,000 are permitted; High Balance loans are permitted

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- Single loan variances may be granted on a case-by-case basis (at purchasing entity's sole determination) for loans with terms or characteristics that are outside of Bayview's Jumbo Plus AUS Eligibility requirements. Approval of the single loan variance must be granted by purchasing entity prior to the delivery of the loan

Loan Product	
Seller must ensure that each loan delivered to Community Loan Servicing is in compliance with the Ability to Repay (ATR) and General Qualified Mortgage rules established by the Consumer Financial Protection Bureau ("CFPB"). Seller shall deliver loans that were originated in accordance with the Special Products Seller Guide unless otherwise stated with this product matrix. For topics not specifically addressed in this product matrix or the Special Products Seller Guide, refer to the Fannie Mae Single Family Selling Guide. Refer to Appendix A for a summary of overlays.	
Eligible Products | Terms	• **PJF311** • Fixed Rate: 20, 25, 30 Year Terms
Ineligible Product Types	• High Cost Loans (Federal, State or Local) • Non-Standard to Standard Refinance Transactions (ATR Exempt) • Balloons • Graduated Payments • Interest Only Products • Temporary Buydowns • Loans with Prepayment Penalties • Adjustable Rate Terms • Single Close Construction to Permanent Transactions
Loan Purpose	• Purchase • Rate/Term Refinance • Cash-Out
Minimum Loan Amount	Minimum loan amounts down to $300,000 are permitted; High Balance loan amounts are permitted
Rate/Term Refinance Transactions	• The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items o If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC that has been in place for twelve (12) months and total draws do not exceed $2000 in the most recent twelve (12) months o A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months o A seasoned equity line is defined as not having draws totaling over $2000 in the most recent twelve (12) months. Withdrawal activity must be documented with a transaction history o Max cash back at closing is limited to 1% of the new loan amount
Cash-Out Transactions	No maximum cash-out limit
Delayed Financing	• Follow Fannie Mae Single Family Selling Guide requirements • LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance except for primary residence transactions in Texas.

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LTV/CLTV/HCLTV Calculation for Refinance Transactions	• If subject property is owned more than twelve (12) months, the LTV/CLTV/HCLTV is based on the current appraised value. The twelve (12) month time frame may be based on subject transaction Note date • If subject property is owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value. Documented improvements must be supported with receipts. The twelve (12) month time frame may be based on subject transaction Note date
Age of Documents	• Follow Fannie Mae Single Family Selling Guide Requirements • See Self-Employment section for restrictions
QM Designation	• QM designation must be provided in the loan file o QM designation is QM Safe Harbor if the loan is not a Higher Priced Covered Transaction (HPCT) o QM designation is QM Rebuttable Presumption if the loan is a Higher Priced Covered Transaction (HPCT) o QM designation is Exempt for investment property transactions when the transaction is exclusively for business purposes. (Refer to §1026.3(a) and the Official Interpretation to §1026(a)) • Loan file must meet and document the eight (8) Ability to Repay (ATR) rules under the federal Truth-in-Lending Act, as implemented by Regulation Z
Higher Priced Mortgage Loans (HPML)	• Higher Priced Mortgage Loans (HPML) are allowed if the following requirements are met: o Loan must have an escrow account for a minimum of 5 years o 1002.14(a)(1) allowing the consumer to waive the requirement that the appraisal copy be provided three (3) business days before consummation, does not apply to Higher Priced Mortgage Loans subject to §1026.35(c). A Consumer of a Higher Priced Mortgage Loan subject to §1026.35(c) may not waive the timing requirement to receive a copy of the appraisal under §1026.35(c)(6)(i) • Appraisal Requirements o If the property was acquired by the seller less than 90 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 10% then a second full appraisal is required. Bank owned properties are not exempt. o If the property was acquired by the seller between 91-180 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 20%, then a second full appraisal is required. Bank owned properties are not exempt o If a second appraisal is required for one of the above two reasons, the borrower may only be charged for one of the appraisals
Eligibility	
Texas 50(a)(6)	• Transactions in the state of Texas subject to 50(a)(6) are not permitted • Current 50(a)(6) loans may not be refinanced into a non-home equity loan
Borrower Eligibility	• US Citizens • Permanent Resident Aliens with evidence of lawful residency o Must be employed in the US for the past twenty-four (24) months • Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions: o Primary Residence Only

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	◦ Unexpired H1B, H2B, E1, L1, and G Series VISAs only; G Series VISAs must have no diplomatic immunity ◦ Borrower must have a current twenty-four (24) month employment history in the US • Documentation evidencing lawful residency must be met (see Special Products Seller Guide for requirements) • Illinois Land Trust • Inter Vivos Revocable Trust • All borrowers must have a valid Social Security Number • Non-Occupant Borrower – Follow Fannie Mae Single Family Selling Guide requirements with exception of non-occupant relationship who must be a related family member of the borrower(s)
Ineligible Borrowers	• Foreign Nationals • Borrowers with Diplomatic Immunity status • Life Estates • Non-Revocable Trusts • Guardianships • LLCs, Corporations or Partnerships • Land Trusts, except for Illinois Land Trust • Borrowers with **any** ownership in a business that is Federally illegal, regardless if the income is not being considered for qualifying
First-Time Homebuyer	• First-Time Homebuyer is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, First-Time Homebuyer requirements do not apply • Verification of rental history is not required • Maximum loan amount of $1,500,000 • Not allowed on investment property transactions • See Reserve Section for additional requirements
Non-Arm's Length Transactions	A non-arm's length transaction exists whenever there is a personal or business relationship with any parties to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company or other interested party. The following non-arm's length transactions are eligible: • Family sales or transfers • Property seller acting as their own real estate agent • Relative of the property seller acting as the seller's real estate agent • Borrower acting as their own real estate agent • Relative of the borrower acting as the borrower's real estate agent • Borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence of employee program to be included in loan file • Originator is related to the borrower • Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord) Gifts from relatives that are interested parties to the transaction are not allowed, unless it is a gift of equity. Real estate agents may apply their commission towards closing costs and/or prepaids if the amounts are within the interested party contribution limitations Investment property transactions must be arm's length Other non-arm's length transactions may be acceptable on an single loan variance basis

<table>
<tr><td>Continuity of Obligation</td><td>When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements have been met. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible:

The borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements:

Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months, or
Is related to the borrower on the mortgage being refinanced

The borrower on the new refinance transaction was added to title twenty- four (24) months or more prior to the disbursement date of the new refinance transaction
The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership
The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply:

Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer
The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan

NOTE: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement
</td></tr>
<tr><th colspan="2">Credit</th></tr>
<tr><td>Underwriting</td><td>

All loans must have Fannie Mae DU Findings included in the loan file

The DU recommendation may be in accordance with the below table:

<table>
<tr><th>Approve/Ineligible Reasons</th><th>Approve/Eligible Reasons</th></tr>
<tr><td>Loan amount
Maximum Cash-Out on a R/T refinance transaction – see Rate/Term Refinance section of product matrix
2 unit primary residence purchase or rate/term refinance transaction >85% LTV</td><td>Loan amount down to $300,000
High Balance loan amount</td></tr>
</table>

<li style="list-style:none">
Lender is responsible for ensuring that all data and information provided in the final submission to DU matches the terms of the closed loan or is within the acceptable tolerances specified in the Fannie Mae Single Family Selling Guide
Manual underwrite is not permitted
Second Home Transactions – prudent underwriting must be exercised to determine the reasonableness of considering the property a second home
</td></tr>
<tr><td>Credit Requirements</td><td>

Non-traditional credit is not allowed
All borrowers must have a minimum of two (2) credit scores
<u>Disputed tradelines</u>:

All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute
Derogatory accounts must be considered in analyzing the borrower’s willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded

</td></tr>
</table>

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	• Frozen Credit: Follow Fannie Mae Single Family Selling Guide requirements except as noted below o All borrowers must have a minimum of two (2) credit scores that are generated from the unfrozen bureaus • Rapid credit rescores are permitted. A rapid rescore is a process that can quickly update a borrower's credit score by submitting proof of positive account changes to the three major credit repositories since the last reporting deadline in order to reflect the current credit status

Housing History	• Mortgage history requirements:
	  o If the borrower(s) has a Mortgage in the most recent twenty-four (24) months, a mortgage rating must be obtained
	  o The mortgage rating may be on the credit report or a VOM
	  o Applicable to all borrowers on the loan
	  o No more than 1x30 in the last twelve (12) months or 2x30 in the last twenty-four (24) months
	  o Mortgage lates must not be within the most recent three (3) months of the subject transaction
	  o 0x60 and 0x90 required in the most recent twenty-four (24) months
	  o A satisfactory explanation letter from the borrower(s) must be provided for any mortgage lates within the most recent twenty-four (24) months
	  o Sellers must review the borrower(s) credit report to determine status of all mortgage loans including verification mortgage is not subject to a loss mitigation program, repayment plan, loan modification or payment deferral plan. **In addition to reviewing the credit report**, the Seller must also apply due diligence for each mortgage loan on which a borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine the loan payments are current as of the Note date of the subject transaction. Current means the borrower has made all payments due in the month prior to the Note date of the subject transaction and no later than the last business day of that month. Acceptable documentation includes one of the following:
	    ▪ Loan payment history from the servicer or third party verification service
	    ▪ Payoff statement for loans being refinanced
	    ▪ Current mortgage statement from the borrower
	    ▪ Verification of mortgage (VOM)
	  o If the mortgage holder is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory mortgage history is required

Significant Derogatory Credit	• Follow Fannie Mae Single Family Selling Guide requirements (See below Single Loan Variance requirement for credit events between two (2) and four (4) years)
	• Forbearance resulting in subsequent loan modification - four (4) years since exit from forbearance (See below Forbearance section for additional requirements)
	• Mortgage accounts that were settled for less, negotiated or short payoffs – four (4) years since settlement date
	• Loan modifications:
	  o Lender initiated modification will not be considered a derogatory credit event if the modification did not include debt forgiveness and was not due to hardship as evidenced by supporting documentation. No seasoning requirement would apply
	  o If the modification was due to hardship or included debt forgiveness – four (4) years since modification
	• Single loan variances for credit events will be considered on a case-by-case basis between two (2) and four (4) years with extenuating circumstances subject to the following:
	  o Must be approved by Bayview

	o Extenuating circumstances are defined as non-recurring events that are beyond the borrower's control resulting in a sudden significant and prolonged reduction in income or catastrophic increase in financial obligations ▪ Examples would include death or major illness of a spouse or child but would not include divorce or job loss o Documentation must be provided to support the claim of extenuating circumstances and confirm the nature of the event that led to the credit event and illustrate the borrower has no reasonable option other than to default on their obligations o If the defaulted debt was assigned to an ex-spouse and the default occurred after the borrower was relieved of the obligation, the event may be considered on a single loan variance basis • Multiple derogatory credit events not allowed, regardless if seasoned over four (4) years o A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event o A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event • Tax liens, judgments, charge-offs, and past-due accounts must be satisfied or brought current prior to or at closing • Cash-Out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts • Payment plans on <u>prior year</u> tax liens/liabilities are not allowed, must be paid in full. See Liabilities Section for additional guidance regarding payment plan for current tax year
Forbearance	<u>Determining Eligibility for New Loan</u> For borrowers who have entered into forbearance on any loan (including but not limited to the subject mortgage) between 01.01.2020 and 06.01.2022, the below listed criteria is to be used to determine eligibility. All other loans must follow the forbearance waiting period as required in the Significant Derogatory Credit section above. • Any loans that are shown to be in active or previous forbearance but where the borrower continued to make regularly scheduled payments and has made at least one (1) regularly scheduled payment since forbearance inception date are eligible o All payments must have been made within the month due o The forbearance plan must be terminated at or prior to closing and the loan file must contain documentation that the forbearance is no longer active (i.e. removal letter from servicer, etc.). • Any loans (including but not limited to the subject mortgage) where a mortgage reflects reduced or missed payments under a forbearance and borrower has accepted a payment deferral, initiated a repayment plan or has reinstated the mortgage to return to a current status must meet the requirements below: o <u>Purchase & Rate/Term Refinance:</u> ▪ Three (3) consecutive months of required payments since completed forbearance plan ▪ All payments must have been made within the month due o <u>Cash-out Refinance:</u> ▪ Twelve (12) consecutive months of required payments since completed forbearance plan

	▪ All payments must have been made within the month due • <u>Payment Deferral:</u> The refinance of a loan that has a payment deferral and where the amount of the deferred payments is included in the new loan is eligible as a rate/term transaction. Funds applied to pay off the prior loan, including the deferred portion, are not considered cash out • <u>Repayment Plan:</u> The full amount of the repayment plan monthly payment must be considered in meeting the required consecutive payment requirements (Purchase/Rate Term or Cash-out) detailed above • A mortgage subject to forbearance must utilize the mortgage payment history in accordance with the forbearance plan in determining late housing payments • Loan file must contain a letter of explanation from the borrower detailing the reason for forbearance and that the hardship no longer exists • Forbearance resulting in subsequent loan modification is considered a significant derogatory credit event and subject to a four (4) year waiting period
DTI	• Up to 49.99% • DTI > 45% require the following: o Maximum 80% LTV, and o Minimum 700 FICO, and o Minimum six (6) months reserves
Lawsuit/Pending Litigation	If the Uniform Residential Loan Application, title commitment or credit documents indicate that the borrower is party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower's ability to repay, assets or collateral
Liabilities	
Liabilities	• <u>Tax liens and Payment Plans</u> o If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient liquid assets to pay the debt must be documented if the amount due is within ninety (90) days of loan application date or if the tax transcripts show an outstanding balance due: ▪ A payment plan for the most recent tax year is allowed if the following requirements are met: • Payment plan was setup at the time the taxes were due. Copy of the payment plan must be included in the loan file • Payment is included in the DTI • Satisfactory pay history based on terms of payment plan is provided • Payment plan is only allowed for taxes due for the <u>most recent</u> tax year, prior years not allowed. For example, borrower files their 2019 return or extension in April 2020 A payment plan would be allowed for taxes due for 2019 tax year. Payment plans for 2018 or prior years would not be allowed • Borrower does not have a prior history of tax liens • Alimony Payments – follow Fannie Mae Single Family Selling Guide requirements
Employment/Income	
Employment/Income	• A two-year employment history is generally required • If the borrower(s) have less than a two-year employment and income history, the lender must provide a written analysis to justify the determination that the income used to qualify the borrower is stable. **Declining Income:** When the borrower has declining income, the most recent twelve (12) months should be used or the most conservative income calculation if the declining period is shorter than 12 months. Income must be stabilized and not subject to further decline in order

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	to be considered for qualifying purposes • The employer or the borrower should provide an explanation for the decline and the underwriter should provide a written justification for including the declining income in qualifying

General Documentation Requirements	• Borrower(s) must have a minimum of two (2) years employment and income history
	• Tax transcripts obtained for personal tax returns are required when tax returns are used to document borrower's income or any loss and must match the documentation in the loan file. Tax transcripts must be obtained directly from the IRS via a third party except as indicated below
	  o In the instance where there is an indication of possible identity theft or fraud and the transcript request has been rejected by the IRS with a Code 10 indicating that "Due to limitations, the IRS is unable to process this request", online borrower obtained tax transcripts are permitted to validate income used for qualifying purposes. Evidence of the IRS transcript request rejection is required. Borrower obtained transcripts are not permitted due to IRS rejection because of missing, incomplete or altered information on the Form 4506-C (Codes 1-9)
	• A 4506-C form is required to be signed at closing by all borrowers for all transactions
	• Taxpayer consent form signed by all borrowers
	• Social Security Income: Secondary validation is required when the income is documented via either an Award Letter or a 1099. Acceptable validation can be in the form of tax transcripts/1099 transcripts or a bank statement showing evidence of the SSI deposit and dated within 30 days of the application date
	• Verification of the existence of borrower's self-employment must be verified through a third-party source and no more than twenty (20) business days prior to the Note date. In addition, confirmation that the business is currently operating must be provided. Below are acceptable examples of documentation to confirm the business is currently operating:
	  o Evidence of current work (executed contracts or signed invoices) that indicate the business is operating on the day the lender verifies self-employment;
	  o Evidence of current business receipts within 10 days of the Note date (payment for services performed);
	  o Lender certification the business is open and operating (lender confirmed through a phone call or other means); or
	  o Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled
	• Aggregate secondary and separate sources of self-employment losses reporting on 1040 tax transcripts greater than 5% of borrower's total qualifying income must be deducted from qualifying income. Additional self-employment documentation is not required
	  o K-1 losses where borrower owns less than 25% must be deducted from qualifying income when the aggregate loss is greater than 5% of borrowers total qualifying income
	  o Passive losses shown on K-1s, such as publicly traded companies or where ownership is under 5%, can be excluded from income on a case-by-case basis. Any passive K-1 losses excluded will not count toward the aggregate secondary and separate sources of self-employment losses and the 5% threshold for deducting the loss from income

Unacceptable Sources of Income	• Deferred compensation • Retained earnings • Education benefits • Trailing spouse income • Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations. Federal law restricts the following activities and therefore the income

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<table>
<tr><td></td><td>from these sources are not allowed for qualifying:
Foreign shell banks
Medical marijuana dispensaries if borrower has any ownership
Any income resulting from ownership in a business related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law</td></tr>
<tr><td>Salaried, Bonus & Commission Income</td><td>Salaried Borrowers:
Income and Employment must be documented per the DU findings and all income sources and methods of income calculation must meet the requirements in chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 and the requirements below
Secondary verification of the income documentation is required via W-2 transcripts or via Fannie Mae approved third party vendors (i.e., The Work Number) with separation of income types (base, bonus, OT, etc.). The number of years provided will be based on the DU findings
Manual verification of employment, even if through a 3rd party are not permitted
The IRS transcripts and the supporting income documentation must be consistent
If 3rd party (i.e., The Work Number) is the source used to verify income, then W-2 transcripts are also required as the secondary verification of the income – see below table
<table>
<tr><th>Income Documentation Source</th><th>Allowable Secondary Verification</th></tr>
<tr><td>Paystub and W-2(s)</td><td>W-2 transcript(s) or Fannie approved 3rd party vendor (i.e., The Work Number)</td></tr>
<tr><td>Fannie approved 3rd party vendor (i.e., The Work Number)</td><td>W-2 transcript(s)</td></tr>
</table>
Commission/Bonus Income:
Follow requirements above for salaried borrowers, and
Commission/Bonus income must be documented for the most recent 2 (two) years with a year-to-date paystub and W-2s</td></tr>
<tr><td>Retirement Income (Pension, Annuity, 401(k), IRA Distributions)</td><td>Existing distribution of assets from an IRA, 401(k) or similar retirement asset must be sufficient to continue for a minimum of three (3) years
If any retirement income will cease within the first three (3) years of the loan, the income may not be used</td></tr>
<tr><td>Trust income</td><td>Income from trusts may be used if guaranteed and regular payments will continue for at least three (3) years
Regular receipt of trust income for the past twelve (12) months must be documented
Copy of trust agreement or trustee statement showing:
Total amount of borrower designated trust funds
Terms of payment
Duration of trust
Evidence the trust is irrevocable
If trust fund assets are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income</td></tr>
</table>

Restricted Stock and Stock Options	• May only be used as qualifying income if the income has been consistently received for two (2) years and is identified on the paystubs, W-2s and tax returns as income and the vesting schedule indicates the income will continue for a minimum of two (2) years at a similar level as prior two (2) years • A two (2) year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the lower of the current stock price or the 52-week average for the most recent twelve (12) months reporting at the time of application. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule. • Additional awards must be similar to the qualifying income and awarded on a consistent basis • There must be no indication the borrower will not continue to receive future awards consistent with historical awards received • Borrower must be currently employed by the employer issuing the RSUs/stock options for the RSUs/stock options to be considered in qualifying income • Stock must be a publicly traded stock • Vested restricted stock units and stock options cannot be used for reserves if using for income to qualify • Incentive sign on income and future RSU's are limited to 50% of total qualifying income. Income calculation results may be reduced to meet the 50% restriction • RSU income must be entered into DU as bonus income
Projected Income	Paystub (once borrower has started with new employer) must be provided prior to purchase of the loan by Community Loan Servicing
Asset Depletion	• Maximum 80% LTV/CLTV/HCLTV • Primary residence 1-2 units only and Second Homes are eligible • Primary residence 3-4 units are not eligible • Investment properties are not eligible • Purchase, Rate/Term and Cash-Out transactions are eligible • Eligible assets must be held in a US account • There are no age restrictions for the use of Asset Depletion as a source of qualifying income • Qualifying Asset Income = Net Eligible Assets divided by 240 • Asset Depletion may not be combined with employment related income to qualify (i.e., salaried income, self-employment income, etc.,) for any Borrower that is an account holder of the assets used for Asset Depletion. If there is employment related income from a Borrower that is not a joint account holder of the account used for Asset Depletion, then this income may be eligible to be used for qualifying purposes • Pension, Social Security or other annuity type income streams may be used and combined with Asset Depletion income as long as the assets generating that income are not used in the Asset Depletion income calculations • Income from assets may not be double counted. For example, income derived from assets generating capital gains, interest income or note income from assets may not also be included in those assets in the Asset Depletion income calculation • Net Eligible Assets o Minimum Net Eligible Assets: Borrowers must have at least $1,000,000 of Net Eligible Assets o Net Eligible Assets equals Total Eligible Assets as defined in the below table (after any haircuts required for retirement assets per the Asset Requirements section of this product matrix) minus:

- Funds required to be paid by borrower for closing (i.e., down payment, closing costs)
- Gift and/or borrowed funds
- Reserves
- Any portion of assets pledged as collateral for a loan

  - Cash Out proceeds are not allowed to be used in the Asset Depletion calculation and are not an Eligible Asset

- Business funds not permitted to be included in total asset amount
- Most recent two years of tax returns and corresponding tax transcripts are required
- Assets must meet the eligibility and documentation requirements outlined in the below table:

Asset Type	Asset Eligibility Requirements	Documentation Requirements
Retirement Assets	• The retirement assets must be in a retirement account recognized by the Internal Revenue Service (IRS) (e.g., 401(k), IRA) • Borrower must be the sole owner • The asset must not currently be used as a source of income by the Borrower • As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty or an additional early distribution tax • The Borrower's rights to the funds in the account must be fully vested	• Most recent retirement asset account statement • Documentation evidencing asset eligibility requirements are met • Most recent two years tax returns and corresponding tax transcripts
Lump-sum distribution funds not deposited to an eligible retirement asset	• If the lump-sum distribution funds have been deposited to an eligible retirement asset, follow the requirements for retirement assets described above, otherwise: o Lump-sum distribution funds must be derived from a retirement account recognized by the IRS (e.g., 401(k), IRA) and must be deposited to a depository or non-retirement securities account o A Borrower must have been the recipient of the lump-sum distribution funds o Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the funds from the lump-sum distribution o The proceeds from the lump-sum distribution must be immediately accessible in their entirety o The proceeds from the lump-sum distribution must not have been or currently be subject to a penalty or early distribution tax	• Employer distribution letter(s) and/or check-stub(s) evidencing receipt and type of lump-sum distribution funds; IRS 1099-R (if it has been received) • Satisfactorily documented evidence of the following: o Funds verified in the non-retirement account and used for qualification must have been derived from eligible retirement assets o Lump-sum distribution funds must not have been or currently be subject to a penalty or early distribution tax • Most recent two years tax returns and corresponding tax transcripts
Depository accounts and Securities	• The Borrower must solely own assets or, if asset is owned jointly, each asset owner must be a Borrower on the Mortgage and /or on the title to the subject property • As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty • Account funds must be located in a United States- or State-regulated financial institution and verified in U.S. dollars	• Provide account statement(s) covering a two-month period • For securities only, if the Borrower does not receive a stock/security account statement o Provide evidence the security is owned by the Borrower, and o Verify value using stock prices from a financial publication or web site • Documentation evidencing asset eligibility requirements are met • Sourcing deposits: o The Seller must document the source of funds for any deposit exceeding 10% of the Borrower's total eligible assets in depository accounts and securities, and verify the deposit does not include gifts or borrowed funds, or reduce the eligible assets used to

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			qualify the Borrower by the amount of the deposit o When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file, the Seller is not required to obtain additional documentation • Most recent two years tax returns and corresponding tax transcripts
	Assets from the sale of the Borrower's business	• The Borrower(s) must be the sole owner(s) of the proceeds from the sale of the business that were deposited to the depository or non-retirement securities account • Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the proceeds from the sale of the Borrower's business • The proceeds from the sale of the business must be immediately accessible in their entirety • The sale of the business must not have resulted in the following: retention of business assets, existing secured or unsecured debt, ownership interest or seller-held notes to buyer of business	• Most recent three months' depository or securities account statements • Fully executed closing documents evidencing final sale of business to include sales price and net proceeds • Contract for sale of business • Most recent business tax return prior to sale of business • Satisfactorily documented evidence of the following: o Funds verified in the non-retirement account and used for qualification must have been derived from the sale of the Borrower's business • Most recent two years tax returns and corresponding tax transcripts

Self-Employment

Self-Employed borrowers are defined as having 25% or greater ownership

- Minimum 720 FICO when any Self-Employment income is required for qualifying purposes. If the Self-Employment income is not needed for qualifying purposes, then the 720 FICO minimum is not applicable
- In order to use self-employment income for qualifying purposes, the underwriter must consider the economic impacts to the business and determine the stability of income

- Aggregate secondary and separate sources of self-employment losses reporting on 1040 tax transcripts greater than 5% of borrower’s total qualifying income must be deducted from qualifying income. Additional self-employment documentation is not required
  - K-1 losses where borrower owns less than 25% must be deducted from qualifying income when the aggregate loss is greater than 5% of borrowers total qualifying income
  - Passive losses shown on K-1s, such as publicly traded companies or where ownership is under 5%, can be excluded from income on a case-by-case basis. Any passive K-1 losses excluded will not count toward the aggregate secondary and separate sources of self-employment losses and the 5% threshold for deducting the loss from income

<u>Documentation Requirements</u>
The requirements below apply for Self-Employed Borrowers with Self-Employment income used for qualifying:

- Follow the requirements per the DU findings and the requirements in chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 except as detailed below:
  - o If DU returns a recommendation for one (1) year of tax returns, the most recent year’s tax return must be provided. IRS extensions are not permitted

	▪ If borrower has filed an extension, the most recent prior two (2) years tax returns are required • YTD profit and loss statement (audited or unaudited) is required up to and including the most recent month preceding the loan application date and must not be more than 90 days aged prior to the Note date o Unaudited P&L ▪ An unaudited year-to-date profit and loss statement <u>signed by the borrower</u> reporting business revenue, expenses, and net income; **OR** o Audited P&L ▪ An audited year-to-date profit and loss statement reporting business revenue, expenses, and net income o If the borrower has filed an extension for the current tax year, the year-to-date profit and loss statement must be provided to cover the full year If the year-to-date business income is less than the historically calculated income derived from the tax returns, the borrower may qualify by reducing the historical income to no more than the current level of stable monthly income using details from the year-to-date profit and loss statement
Assets/Reserves	
Asset Requirements	• Beyond the minimum reserve requirements and to fully document the borrower's ability to meet their obligations, borrowers should disclose all liquid assets • Eligible assets must be held in a US account • Large deposits inconsistent with monthly income or deposits must be verified if using for down payment, reserves or closing costs • Lender is responsible for verifying large deposits did not result in any new undisclosed debt • Fannie Mae approved third party suppliers and distributors that generate asset verification reports are permitted for the purpose of verifying assets • Follow the DU and the requirements in chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 except as detailed below • A written VOD as a stand-alone document is not acceptable o A system generated automated VOD may be used as a stand-alone documentation if provided by a verifiable institutional bank • Stocks, bonds and mutual funds do not require documentation of liquidation or of the borrower's actual receipt of funds when used for down payment or closing costs • Gift Funds o Gift funds may be used once borrower has contributed 5% of their own funds o Not permitted for reserves o LTVs greater than 80% - gift funds not permitted • Business Funds o Not permitted for reserves o Cash flow analysis required using most recent three (3) months business bank statements to determine no negative impact to business. Business bank statements must be no older than the latest three months represented on the year-to-date profit and loss statement o Business bank statements must not reflect any NSFs (non- sufficient funds) or overdrafts o If borrower(s) ownership in the business is less than 100%, the following requirements must be met: ▪ Borrower(s) must have majority ownership of 51% or greater ▪ The other owners of the business must provide an access letter to the business funds

<table>
<tr><td></td><td>
<li style="list-style:none">
Borrower(s) % of ownership must be applied to the balance of business funds for use by borrower(s)
Retirement Accounts
Eligibility Percentage to meet reserve requirements
If borrower is ≥ 59 ½, then 70% of the vested value after the reduction of any outstanding loans
If borrower is < 59 ½, then 60% of the vested value after the reduction of any outstanding loans
Refer to Fannie Mae Single Family Selling Guide for liquidation of funds requirements
Virtual Currency is an ineligible asset type. Virtual currency must be exchanged into U.S. dollars to be acceptable for use as down payment, closing costs or reserves. Refer to Fannie Mae Selling Guide for additional details
</td></tr>
<tr><td>Reserves</td><td>
<table>
<tr><th colspan="3">Reserve Requirements (# of Months of PITIA)</th></tr>
<tr><th>Occupancy</th><th>Loan Amount</th><th># of Months</th></tr>
<tr><td rowspan="5">Primary Residence</td><td>≤$1,000,000 and FICO ≥ 700 and LTV ≤ 80%</td><td>3</td></tr>
<tr><td>≤$1,000,000 and FICO < 700</td><td>6</td></tr>
<tr><td>≤$1,000,000 and LTV > 80%</td><td>6</td></tr>
<tr><td>$1,000,001-$1,500,000</td><td>6</td></tr>
<tr><td>$1,500,001-$2,000,000</td><td>9</td></tr>
<tr><td rowspan="3">Second Home</td><td>≤$1,000,000</td><td>6</td></tr>
<tr><td>$1,000,001-$1,500,000</td><td>12</td></tr>
<tr><td>$1,500,001-$2,000,000</td><td>15</td></tr>
<tr><td rowspan="2">Investment Property</td><td>≤$1,000,000</td><td>6</td></tr>
<tr><td>$1,000,001 - $1,500,000</td><td>12</td></tr>
<tr><td rowspan="2">First-Time Homebuyer</td><td>≤$1,000,000</td><td>6</td></tr>
<tr><td>$1,000,001 - $1,500,000</td><td>9</td></tr>
<tr><td>DTI > 45%</td><td colspan="2">Minimum six (6) months reserves required</td></tr>
<tr><td>Additional 1-4 Unit Financed REO</td><td colspan="2">Additional six (6) months reserves PITIA for each property is required based on the PITIA of the additional REO

If eligible to be excluded from the count of multiple financed properties, reserves are not required</td></tr>
<tr><td>Borrowed Funds</td><td colspan="2">Borrowed funds (secured or unsecured) are not allowed for reserves</td></tr>
</table>
</td></tr>
<tr><th colspan="2">Subordinate Financing</th></tr>
<tr><td>Subordinate Financing</td><td>
Allowed up to maximum CLTV per matrix. Secondary financing term must conform to Fannie Mae Single Family Selling Guide requirements
If subject property has a HELOC that is not included in the CLTV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed
Shared equity finance agreements are an ineligible source of subordinate financing
</td></tr>
<tr><td>Down Payment/Closing Cost Assistance</td><td>Down payment and closing cost assistance subordinate financing is not permitted</td></tr>
</table>

Property/Appraisal	

Eligible Property Types	• 1-4 Unit Owner Occupied Properties
	• 1 Unit Second Homes
	• 1-4 Unit Investment Properties
	• Condominiums – Must be Fannie Mae warrantable and meet Fannie Mae Single Family Selling Guide requirements and project standards
	  o Florida New Construction – full review or PERS permitted
	• Condominiums – Non-Warrantable (see Non-Warrantable Condominiums section below)
	  o Must meet Fannie Mae Single Family Selling Guide requirements and project standards
	• Modular homes
	• Planned Unit Developments (PUDs)
	• Leaseholds
	• Properties with ≤40 Acres
	  o Properties >10 acres ≤40 acres must meet the following:
	    ▪ Maximum land value 35%
	    ▪ No income producing attributes
	    ▪ Transaction must be 5% below maximum LTV/CLTV/HCLTV as allowed on Bayview Jumbo Plus AUS for transactions over twenty (20) acres. For example, if borrower qualifies for a loan at 80% LTV based on transaction, FICO score, loan amount and reserves, then the maximum allowed would be 75%
	• Properties Subject to Existing Oil/Gas Leases must meet the following:
	  o Title endorsement providing coverage to the lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease
	  o No active drilling; Appraiser to comment or current survey to show no active drilling
	  o No lease recorded after the home construction date; Re-recording of a lease after the home was constructed is permitted
	  o Must be connected to public water
	NOTE: Properties that fall outside these parameters can be considered on a single loan variance basis

Non-Warrantable Condominiums	**Only one (1) non-warrantable feature is allowed and LTV/CLTV must be 10% below product/program maximum up to a maximum of 70% LTV/CLTV.** *For example, if borrower qualifies for a loan at 70% LTV based on transaction, FICO score, loan amount and reserves, then the maximum allowed would be 60%*
	
	• Commercial Space
	  o Includes space above and below grade
	  o Must be compatible with the residential use of the project; for example, restaurants, small shops, business offices, small market/grocery store that complements the neighborhood
	  o Maximum 50% commercial space allowed
	• Maximum Ownership by one (1) entity is 25% for projects with more than ten (10) units
	  o Units owned by the developer, sponsor, or succeeding developer that are vacant and being actively marketed for sale are not included in the calculation
	  o Units currently leased must be included in the calculation
	  o For projects with ten (10) units or less, Fannie Mae guidelines apply for the number of units owned by one (1) entity and would not be considered non-warrantable
	• Presale
	  o New projects or converted projects (as defined by Fannie Mae Single Family Selling Guide) must have at least 30% of the units sold or under contract to owner occupants or second

	home purchasers for the subject phase o Common areas/amenities must be complete for the subject phase • Budget – for projects with line item for replacement reserves of less than 10% o Less than 10% but greater than 7% replaced reserves allowed if current reserve balance exceeds 10% of operating expenses o Less than 7% replacement reserves allowed if current reserve balance exceeds 20% operating expenses o Project balance sheet must be provided and within 120 days of the Note date The subject legal phase and any other prior legal phases in which units have been offered for sale are substantially complete (common elements complete and units complete subject to selection of buyer upgrades/preference items) o Primary residence and second home only o All other Fannie Mae Single Family Selling Guide condo requirements met o Loan must be locked as a non-warrantable condominium with applicable pricing adjustments applied Loans outside of these parameters with strong compensating factors may be considered on a single loan variance basis **Condotel Projects – LTV/CLTV must be 10% below product/program maximum up to a maximum of 70% LTV/CLTV.** For example, if borrower qualifies for a loan at 70% LTV based on transaction, FICO score, loan amount and reserves, then the maximum allowed would be 60% • Rental income may not be used for qualifying • If subject unit appears on Schedule E of the borrower's tax returns, there must be a minimum of thirty (30) days the unit is used for personal use • No fractional ownership allowed in the project • Subject unit must not be subject to a mandatory rental pool; it must be for the borrower's exclusive use and enjoyment • Project must have no more than 50% investor concentration • Commercial space is limited to 50% o Commercial space does not need to include square footage from parking garage • Minimum square footage of 500 square feet and unit must have a fully functioning kitchen • Housekeeping, front desk, card key access and daily rentals allowed • Property must be in a resort area or metropolitan area with a project associated with luxury high-end hotel brands • Primary residence and second home only • Appraisal must include similar Condotel comps All other Fannie Mae condominium requirements met Loan must be locked as a Condotel with applicable pricing applied
Ineligible Property Types	• 2-4 unit second home properties • Manufactured Homes/Mobile Homes • Mixed-Use Properties • Model Home Leasebacks • Properties with condition rating of C5/C6 • Properties with quality rating of Q6

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Properties located in Hawaii in lava zones 1 & 2
Properties located in areas where a valid security interest in the property cannot be obtained
Properties >40 acres
Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant
Tenants-in-Common projects (TICs)
Unique properties
Working farms, ranches or orchards
Cooperatives

</td>
</tr>
<tr>
<td>Declining Markets</td>
<td>

LTV/CLTV/HCLTV must be 10% below product maximum per product matrix eligibility grid up to a maximum 75% LTV/CLTV/HCLTV

As an example:
If the eligibility grid indicates a maximum of 89.99% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 75%
OR
If the eligibility grid indicates a maximum of 80% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 70%

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<tr>
<td>Appraisal Requirements</td>
<td>

Full appraisal is required regardless of the DU Findings
Property inspection waivers are not permitted
Transferred appraisals are not allowed
The subject property must be appraised within 90 days prior to the Note date
Collateral Underwriter (CU) with a score of 2.5 or less is allowed in lieu of a CDA

Maximum LTV 80%
Maximum Loan amount $1,500,000
Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets. See Declining Market section for additional requirements

Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from the Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date
Collateral Desktop Analysis (CDA) ordered from Clear Capital is required to support the value of the appraisal. The Seller is responsible for ordering the CDA. See above for the allowance of CU score in lieu of CDA

If the CDA returns a value that is “Indeterminate” or if the CDA indicates a lower value than the appraised value that exceeds a 10% tolerance, then one (1) of the following requirements must be met:

A Clear Capital BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation of Three Reports is required. The Value Reconciliation will be used for the appraised value of the property. The Seller is responsible for ordering the BPO and Value Reconciliation through Clear Capital
A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. The Seller is responsible for providing the field review or 2nd full appraisal

If two (2) full appraisals are provided, a CDA is not required

<table>
<tr><th colspan="2">Appraisal Requirements Based on Loan Amount:</th></tr>
<tr><th>First Lien Amount</th><th>Appraisal Requirements</th></tr>
<tr><th colspan="2">Purchase Transactions</th></tr>
<tr><td>≤ $2,000,000</td><td>1 Full Appraisal</td></tr>
<tr><td>> $2,000,000</td><td>2 Full Appraisals</td></tr>
</table>
</td>
</tr>
</table>

Refinance Transactions	
≤ $1,500,000	1 Full Appraisal
> $1,500,000	2 Full Appraisals

- When two (2) appraisals are required, the following applies:
  - Appraisals must be completed by two (2) independent companies
  - The LTV will be determined by the lower of the two (2) appraised values if the lower appraisal supports the value conclusion
  - Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled
  - If the two (2) appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon
- If the date of the appraisal report is more than 120 days from the date of the Mortgage Note, the original appraiser must provide an update to the appraisal based on his or her exterior inspection of the Mortgaged Property and knowledge of current market conditions and in accordance with Fannie Mae Single Family Selling Guide age of document requirements
- Higher Priced Mortgage Loans (HPML)
  - If the property was acquired by the seller less than 90 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 10% then a second full appraisal is required. Bank owned properties are not exempt.
  - If the property was acquired by the seller between 91-180 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 20%, then a second full appraisal is required. Bank owned properties are not exempt
  - If a second appraisal is required for one of the above two reasons, the borrower may only be charged for one of the appraisals

Construction to Permanent Financing

- The borrower must hold title to the lot which may have been previously acquired or purchased as part of the transaction
- LTV/CLTV/HCLTV is determined based on the length of time the borrower has owned the lot. The time frame is defined as the date the lot was purchased to the Note date of the subject transaction
  - For lots owned twelve (12) months or more, the appraised value can be used to calculate the LTV/CLTV/HCLTV
  - For lots owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the current appraised value of the property or the total acquisition costs (documented construction costs plus documented purchase price of lot)

Disaster Area Requirements

- Refer to the Disaster Guidelines in the Special Products Seller Guide for requirements pertaining to properties impacted by a disaster in:
  - FEMA Major Disaster Declarations with designated counties eligible for **Individual Assistance (IA);**
  - Areas where FEMA has not made a disaster declaration, but Bayview or an Investor (Fannie Mae, Freddie Mac, FHA, USDA or the Veterans Administration) has determined that there may be an increased risk of loss due to a disaster;
  - Areas where the Seller has reason to believe that a property might have been damaged in a disaster
- Correspondent lenders are responsible for monitoring the Disaster Declaration File and the FEMA Website including the FEMA Declarations Summary on an ongoing basis to ensure that the property is not located in an area impacted by a disaster

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Escrow Holdbacks	Not allowed unless the holdback has been disbursed and a certification of completion has been issued prior to purchase
Special Restrictions	
Multiple Financed Properties	• Maximum number of financed properties – follow Fannie Mae Single Family Selling Guide requirements • All financed 1-4 unit residential properties require an additional six (6) months reserves for each property, unless the exclusions below apply • 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage • Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation
Geographic Restrictions	• The following states are not eligible: CT, HI, MA, MO, NV, NY, UT • Properties located outside of the United States or in a Territory, Province or Commonwealth; including, but not limited to properties in Guam, Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands or American Samoa are not permitted

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Version Control			
Author	**Section**	**Date**	**Update**
AS	ALL	05.16.22	• Matrix created
AS	Restricted Stock and Stock Options	05.20.22	Added • Incentive sign on income and future RSU's are limited to 50% of total qualifying income. Income calculation results may be reduced to meet the 50% restriction
AS	Asset Requirements	05.20.22	Added • Virtual Currency is an ineligible asset type. Virtual currency must be exchanged into U.S. dollars to be acceptable for use as down payment, closing costs or reserves. Refer to Fannie Mae Selling Guide for additional details
AS	Subordinate Financing	05.20.22	Added • Shared equity finance agreements are an ineligible source of subordinate financing
AS	Forbearance	06.03.22	Added: <u>For borrowers who have entered into forbearance on any loan (including but not limited to the subject mortgage) between 01.01.2020 and 06.01.2022, the below listed criteria is to be used to determine eligibility. All other loans must follow the forbearance waiting period as required in the Significant Derogatory Credit section above.</u>
AS	Asset Requirements	07.01.22	Removed • Retirement Accounts o In cases where the account holder is not of retirement age and funds are being used for down payment or closing costs, evidence of liquidation of retirement funds is required
AS	Credit Requirements	07.01.22	Added • Rapid credit rescores are permitted. A rapid rescore is a process that can quickly update a borrower's credit score by submitting proof of positive account changes to the three major credit repositories since the last reporting deadline in order to reflect the current credit status.
AS	General Documentation Requirements	07.01.22	Added • Social Security Income: Secondary validation is required when the income is documented via either an Award Letter or a 1099. Acceptable validation can be in the form of tax transcripts/1099 transcripts or a bank statement showing evidence of the SSI deposit and dated within 30 days of the application date.
DH	First-Time Homebuyer	07.15.22	Added • First-Time Homebuyer is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, First-Time Homebuyer requirements do not apply • Verification of rental history is not required
DH	Eligibility Grid	11.04.22	Added Declining Market footnote
DH	Declining Market	11.04.22	Added Declining Market Section • LTV/CLTV/HCLTV must be 10**%** below product maximum per product matrix eligibility grid up to a maximum of 75% LTV/CLTV/HCLTV *As an example:* *If the eligibility grid indicates a maximum of 89.99% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 75%* *OR* *If the eligibility grid indicates a maximum of 80% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 70%*
DH	Appraisal Requirements	11.04.22	Removed Appraisal Update (Form 1004D) is allowed for appraisals that are over 120 days aged Added • Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date • The subject property must be appraised within 90 days prior to the Note date • Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets
AS	Geographic Restrictions	12.09.22	• Updated section to include additional States: CT, HI, MA, MO, NV, UT

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Appendix A - Summary of Program Overlays to Fannie Mae Guidelines

Below is a summary of the Bayview Jumbo Plus AUS program overlays to Fannie Mae guidelines. Please refer to the Jumbo Plus AUS product matrix for complete details and requirements on the below topics as well as for LTV, FICO and loan amount requirements. This summary is intended for reference only. In the event of any conflict with this document, the product matrix and Special Products Seller Guide will govern.

- **Ineligible Product Types**
  - High Cost Loans (Federal, State or Local)
  - Non-Standard to Standard Refinance Transactions (ATR Exempt)
  - Balloons
  - Graduated Payments
  - Interest Only Products
  - Temporary Buydowns
  - Loans with Prepayment Penalties
  - Adjustable Rate Terms
  - Single Close Construction to Permanent Transactions
-
- **Borrower Eligibility**
  - First Time Homebuyer:
    - Maximum loan amount of $1,500,000
    - Not permitted on investment properties
  - Permanent and Non-Permanent Resident Aliens must be employed in the U.S. for the past 24 months
  - Non-Permanent Resident Aliens
    - Primary residence only
  - Non-Occupant Co-Borrower must be a related family member of the borrower(s)
  - All borrowers must have a valid Social Security Number
- **LTV/CLTV/HCLTV Calculation for Refinance Transactions**
  - If subject property is owned more than twelve (12) months, the LTV/CLTV/HCLTV is based on the current appraised value. The twelve (12) month time frame may be based on subject transaction Note date
  - If subject property is owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value. Documented improvements must be supported with receipts. The twelve (12) month time frame may be based on subject transaction Note date
- **Continuity of Obligation**
  - On a refinance transaction, there must be a continuity of obligation of the outstanding lien that will be paid through the refinance transaction. See Continuity of Obligation section for full requirements
- **Credit Requirements**
  - Non-traditional credit not permitted
  - All borrowers must have a minimum of two (2) credit scores
  - Manual underwrite is not permitted

- **Mortgage History**:
  - No more than 1x30 in the last twelve (12) months or 2x30 in the last twenty-four (24) months
  - Mortgage lates must not be within the most recent three (3) months of the subject transaction
  - 0x60 and 0x90 required in the most recent twenty-four (24) months
  - A satisfactory explanation letter from the borrower(s) must be provided for any mortgage lates within the most recent twenty-four (24) months

- **Significant Derogatory Credit**: Single loan variances for credit events will be considered on a case-by-case basis between two (2) and four (4) years with extenuating circumstances and must be approved by Bayview

- **Forbearance**
  - Any loans (including but not limited to the subject mortgage) where a mortgage reflects reduced or missed payments under a forbearance <u>and borrower has accepted a payment deferral, initiated a repayment plan or has reinstated the mortgage to return to a current status</u> must meet the requirements below:
    - <u>Cash-out Refinance:</u>
      - Twelve (12) consecutive months of required payments since completed forbearance plan

- **DTI**:
  - Up to 49.99%
  - DTI > 45% requires the following:
    - Maximum 80% LTV, and
    - Minimum 700 FICO, and
    - Minimum six (6) months reserves

- **Employment/Income**
  - <u>General Requirements</u>: Tax transcripts for personal tax returns are required when tax returns are used to document borrower's income or any loss and must match the documentation in the loan file. The number of years of transcripts required will be based on the DU findings
  - <u>Salaried Borrowers</u>: Secondary verification of the income documentation is required via W-2 transcripts or via Fannie Mae approved third party vendors (i.e., The Work Number) with separation of income types (base, bonus, OT, etc.). The number of years provided will be based on the DU findings
    - Manual verification of employment, even if through a 3rd party are not permitted
    - Tax transcripts must be obtained directly from the IRS via a third party except as indicated below:
      - In the instance where there is an indication of possible identity theft or fraud and the transcript request has been rejected by the IRS with a Code 10 indicating that "Due to limitations, the IRS is unable to process this request", online borrower obtained tax transcripts are permitted to validate income used for qualifying purposes. Evidence of the IRS transcript request rejection is required. Borrower obtained transcripts are not permitted due to IRS rejection because of missing, incomplete or altered information on the Form 4506-C (Codes 1-9)
    - The IRS transcripts and the supporting income documentation must be consistent
    - If Fannie Mae approved third party vendor (i.e., The Work Number) is the source used to verify income, then W-2 transcripts are also required as the secondary verification of the income
  - <u>Commission/Bonus</u>: Income must be documented for the most recent 2 (two) years with a year-to-date paystub and W-2s
  - <u>Projected Income:</u> Paystub (once borrower has started with new employer) must be provided prior to purchase of the loan by Community Loan Servicing
  - <u>Asset Depletion:</u>
    - Maximum 80% LTV/CLTV/HCLTV

- Primary residence 1-2 units only and Second Homes are eligible
- Primary residence 3-4 units are not eligible
- Investment properties are not eligible
- Purchase, Rate/Term and Cash-Out transactions are eligible
- Eligible assets must be held in a US account
- There are no age restrictions for the use of Asset Depletion as a source of qualifying income
- Qualifying Asset Income = Net Eligible Assets divided by 240
- Asset Depletion may not be combined with employment related income to qualify (i.e., salaried income, self-employment income, etc.,) for any Borrower that is an account holder of the assets used for Asset Depletion. If there is employment related income from a Borrower that is not a joint account holder of the account used for Asset Depletion, then this income may be eligible to be used for qualifying purposes
- Pension, Social Security or other annuity type income streams may be used and combined with Asset Depletion income as long as the assets generating that income are not used in the Asset Depletion income calculations
- Income from assets may not be double counted. For example, income derived from assets generating capital gains, interest income or note income from assets may not also be included in those assets in the Asset Depletion income calculation
- Net Eligible Assets
  - Minimum Net Eligible Assets: Borrowers must have at least $1,000,000 of Net Eligible Assets
  - Net Eligible Assets equals Total Eligible Assets as defined in the below table (after any haircuts required for retirement assets per the Asset Requirements section of this product matrix) minus:
    - Funds required to be paid by borrower for closing (i.e., down payment, closing costs)
    - Gift and/or borrowed funds
    - Reserves
    - Any portion of assets pledged as collateral for a loan
  - Cash Out proceeds are not allowed to be used in the Asset Depletion calculation and are not an Eligible Asset
- Business funds not permitted to be included in total asset amount
- Most recent two years of tax returns and corresponding tax transcripts are required

- Trust Income
  - Income from trusts may be used if guaranteed and regular payments will continue for at least three (3) years
  - Regular receipt of trust income for the past twelve (12) months must be documented
  - Copy of trust agreement or trustee statement showing:
    - Total amount of borrower designated trust funds
    - Terms of payment
    - Duration of trust
    - Evidence the trust is irrevocable
  - If trust fund assets are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income
- Projected Income
  - Paystub (once borrower has started with new employer) must be provided prior to purchase of the loan by Bayview
- Self-Employment:
  - Self-Employment income: Minimum 720 FICO when any Self-Employment income is required for qualifying purposes. If the Self-Employment income is not needed for qualifying purposes, then the 720 FICO minimum is not applicable
  - If DU returns a recommendation for one (1) year of tax returns, the most recent year's tax return must be provided and IRS extensions are not permitted
    - If borrower has filed an extension, the most recent prior two (2) years tax returns are required

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        - If the borrower has filed an extension for the current tax year, the YTD profit and loss statement must be provided to cover the full year
        - Aggregate secondary and separate sources of self-employment losses reporting on 1040 tax transcripts greater than 5% of borrowers total qualifying income must be deducted from qualifying income. Additional self-employment documentation is not required
            - K-1 losses where borrower owns less than 25% must be deducted from qualifying income when the aggregate loss is greater than 5% of borrowers total qualifying income
            - Passive losses shown on K-1s, such as publicly traded companies or where ownership is under 5%, can be excluded from income on a case-by-case basis. Any passive K-1 losses excluded will not count toward the aggregate secondary and separate sources of self-employment losses and the 5% threshold for deducting the loss from income
        - YTD profit and loss statement <u>(audited or unaudited)</u> is required up to and including the most recent month preceding the loan application date and must not be more than 90 days aged prior to the Note date
            - Unaudited P&L
                - An unaudited year-to-date profit and loss statement <u>signed by the borrower</u> reporting business revenue, expenses, and net income; **OR**
            - Audited P&L
                - An audited year-to-date profit and loss statement reporting business revenue, expenses, and net income
            - If the borrower has filed an extension for the current tax year, the year-to-date profit and loss statement must be provided to cover the full year
        - If the year-to-date business income is less than the historically calculated income derived from the tax returns, the borrower may qualify by reducing the historical income to no more than the current level of stable monthly income using details from the year-to-date profit and loss statement

- **Assets**
    - A written VOD as a stand-alone document is not acceptable
    - <u>Gift Funds</u>
        - Gift funds may be used once borrower has contributed 5% of their own funds
        - Not permitted for reserves
        - LTVs greater than 80% - gift funds not permitted
    - <u>Business Funds</u>
        - Not permitted for reserves
        - Cash flow analysis required using <u>*most recent three (3) months business bank statements*</u> to determine no negative impact to business. Business bank statements must be no older than the latest three months represented on the year-to-date profit and loss statement
        - Business bank statements must not reflect any NSFs (non- sufficient funds) or overdrafts
        - If borrower(s) ownership in the business is less than 100%, the following requirements must be met:
            - Borrower(s) must have majority ownership of 51% or greater
            - The other owners of the business must provide an access letter to the business funds
            - Borrower(s) % of ownership must be applied to the balance of business funds for use by borrower(s)
    - <u>Reserves</u> – Refer to Reserve section of the product matrix for overlay reserve requirements
    - Retirement Accounts
        - Eligibility Percentage to meet reserve requirements
            - If borrower is ≥ 59 ½, then 70% of the vested value after the reduction of any outstanding loans
            - If borrower is < 59 ½, then 60% of the vested value after the reduction of any outstanding loans

- **Subordinate Financing**
    - Down payment and closing cost assistance subordinate financing is not permitted

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- **Maximum Acreage**
  - Maximum ≤ 40 acres
    - Properties >10 acres ≤40 acres must meet the following:
      - Maximum land value 35%
      - No income producing attributes
      - Transaction must be 5% below maximum LTV/CLTV/HCLTV as allowed on Bayview Jumbo Plus AUS for transactions over twenty (20) acres. For example, if borrower qualifies for a loan at 80% LTV based on transaction, FICO score, loan amount and reserves, then the maximum allowed would be 75%

- **Ineligible Property Types**
  - Manufactured Homes/Mobile Homes
  - Mixed-Use Properties
  - Model Home Leasebacks
  - Properties with condition rating of C5/C6
  - Properties with quality rating of Q6
  - Unique properties
  - Cooperatives

- **Declining Markets**
  - LTV/CLTV/HCLTV must be 10**%** below product maximum per product matrix eligibility grid up to a maximum 75% LTV/CLTV/HCLTV

- **Appraisal Requirements**
  - Transferred appraisals are not permitted
  - Collateral Desktop Analysis (CDA) ordered from Clear Capital or CU score ≤ 2.5 is required to support the value of the appraisal.
  - Purchase > $2M = 2 Full appraisals required
  - Refi >$1.5 M = 2 Full appraisals required
  - Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date
  - The subject property must be appraised within 90 days prior to the Note date
  - Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets

- **Escrow Holdbacks** – Not allowed unless the holdback has been disbursed and a certification of completion has been issued prior to purchase

- **Geographic Restrictions** –
  - The following states are not eligible: NY
  - Properties located outside of the United States or in a Territory, Province or Commonwealth; including, but not limited to properties in Guam, Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands or American Samoa are not permitted

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