EXCELERATE CAPITAL

FNMA Conforming Mortgage

<table>
<tr><th>Topic</th><th>Product Guideline</th></tr>
<tr><td>Program Description</td><td>This is base Fannie Mae mortgage parameters for primary, second and investor properties. These products adhere to the automated underwriting system “Desktop Underwriter” along with overlays that are created to the secondary market.</td></tr>
<tr><td>Products</td><td>Fannie Mae Conforming 30 yr fixed, 25 yr fixed, 20 yr fixed, 15 yr fixed, and 10 yr fixed
Fannie Mae Conforming 10/1 arm, 7/1arm, 5/1 arm</td></tr>
<tr><td>AUS method</td><td>DU 10.0 acceptable – Approve/Eligible. Manual Underwrites also acceptable without the use of Non-traditional credit. Click here to view FNMA Selling Guide for complete Underwriting details.</td></tr>
<tr><td>Eligible States</td><td>All approved states within lending channel
Geographic restrictions are listed under property types</td></tr>
<tr><td>Maximum Loan Amounts
Agency Conforming Loan Limits</td><td>
<table>
<tr><th>Units</th><th>Continential U.S.</th><th>Alaska & Hawaii</th></tr>
<tr><td>1</td><td>$424,100</td><td>$636,150</td></tr>
<tr><td>2</td><td>$543,000</td><td>$814,500</td></tr>
<tr><td>3</td><td>$656,350</td><td>$984,525</td></tr>
<tr><td>4</td><td>$815,650</td><td>$1,223,475</td></tr>
<tr><td colspan="3">1-Unit includes Condos and PUDs</td></tr>
</table>
</td></tr>
<tr><td>Maximum Fixed LTV/CLTV/HCLTV

(1) LTV, CLTV, and HCLTV Ratios Greater than 95%: These transactions are not permitted for high-balance loans or loans with a non-occupant borrower. For purchase transactions, at least one borrower must be a first-time homebuyer. For limited cash-out refinances, Fannie Mae must be the owner of the existing mortgage. See the Selling Guide for additional requirements.</td><td>
<table>
<tr><th rowspan="2">Transaction Type</th><th rowspan="2"># of Units</th><th colspan="2">Maximum LTV, CLTV, HCLTV</th></tr>
<tr><th>Fixed</th><th>ARM</th></tr>
<tr><td colspan="4">Principal Residence</td></tr>
<tr><td rowspan="3">Purchase/Limited Cash-Out Refinance</td><td>1-Unit</td><td>97% (1)</td><td>90%</td></tr>
<tr><td>2-Unit</td><td>85%</td><td>75%</td></tr>
<tr><td>3-4 Units</td><td>75%</td><td>65%</td></tr>
<tr><td rowspan="2">Cash-Out Refinance</td><td>1-Unit</td><td>80%</td><td>75%</td></tr>
<tr><td>2-4 Units</td><td>75%</td><td>65%</td></tr>
<tr><td colspan="4">Second Home</td></tr>
<tr><td>Purchase/Limited Cash-Out</td><td rowspan="2">1-Unit</td><td>90%</td><td>80%</td></tr>
<tr><td>Cash-Out Refinance</td><td>75%</td><td>65%</td></tr>
<tr><td colspan="4">Investment Property</td></tr>
<tr><td rowspan="2">Purchase</td><td>1-Unit</td><td>85%</td><td>75%</td></tr>
<tr><td>2-4 Units</td><td>75%</td><td>65%</td></tr>
<tr><td>Limited Cash-Out Refinance</td><td>1-4 Units</td><td>75%</td><td>65%</td></tr>
<tr><td rowspan="2">Cash-Out Refinance</td><td>1-Unit</td><td>75%</td><td>65%</td></tr>
<tr><td>2-4 Units</td><td>70%</td><td>60%</td></tr>
</table>
</td></tr>
<tr><td>Occupancy: Special Situations for Primary Residence</td><td>• Parents providing housing for their adult physically handicapped or developmentally disabled child. Parent/borrower will be considered the owner occupant.
• Children providing housing for elderly parents. Child/borrower will be considered the owner occupant.</td></tr>
<tr><td>Borrower Eligibility</td><td>• US Citizens
• Perm Resident Aliens
• Non-Permanent Resident Aliens.</td></tr>
<tr><td>Refinance-Listed Property</td><td>Properties currently listed for sale are ineligible for financing
Cash-out properties listed for sale within the previous six months are limited to a lesser of 70% max LTV or product parameter limit.</td></tr>
<tr><td>Refinance-Limited Cash Out</td><td>Follow standard FNMA underwriting guidelines.
A limited cash out refinance may only include the following:
• Maximum cash back to the borrower is limited to the lesser of 2% of the new loan amount or $2000. 00 (does not apply to owner occupied refinances of properties located in Texas)</td></tr>
</table>

	• The payoff of the outstanding balance of an existing first mortgage.
	• Pay off of subordinate financing that was used in whole to acquire the subject property. The file must be fully documented to evidence that the second lien was used solely as purchase money second. The following maybe used: copy of the HUD-1, Title report or Sales Contract from the original purchase transaction.
	• The financing of closing costs (including prepaid expenses).
	  o Financing the payment of closing costs, points, and prepaid items is eligible with the exception of real estate taxes that are more than 60 days delinquent.
	  o The borrower can include real estate taxes in the new loan amount as long as an escrow account is established, subject to applicable law or regulation. (For example, if a particular state law does not allow a lender to require an escrow account under certain circumstances, the loan would be eligible as a limited cash-out refinance without an escrow account).
	  o If an escrow account is not being established, the loan will be considered a cash out refinance.
	
	Subordinate financing that was used for the purpose of home improvement, paying off debt, or for any reason other than for the purpose of purchasing the subject property must be classified as a cash-out refinance regardless of seasoning.
	
	Borrowers who had a loan modification are eligible for a rate/term refinance after 2 years of on-time payments since the modification went into effect. Payments must be documented.

Refinance-Cash Out	Cash-out refinance transactions must meet the following requirements:
	• The transaction must be used to pay off existing mortgages by obtaining a new first mortgage secured by the same property or be a new mortgage on a property that does not have a mortgage lien against it.
	• Properties listed for sale in the six months preceding the disbursement date of the new mortgage loan are limited to 70% LTV/CLTV/HCLTV ratios (or less if mandated by the specific product, occupancy, or property type – for example, 65% for manufactured homes).
	Note: Properties that were listed for sale must have been taken off the market on or before the disbursement date of the new mortgage loan.
	• The property must have been purchased (or acquired) by the borrower at least six months prior to the disbursement date of the new mortgage loan except for the following:
	  o There is no waiting period if the lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership).
	  o The delayed financing requirements are met. See Delayed Financing Exception below.

Delayed Financing	Borrowers who purchased the subject property within the past six months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the following requirements are met.
	Requirements for Delayed Financing Exception
	• The original purchase transaction was an arms-length transaction.
	• For this refinance transaction, the borrower(s) must meet Fannie Mae's borrower eligibility requirements as described in B2-2-01, General Borrower Eligibility Requirements. The borrower(s) may have initially purchased the property as one of the following:
	  o a natural person;
	  o an eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust;
	  o an eligible land trust when the borrower is the beneficiary of the land trust; or
	  o a LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%.
	• The original purchase transaction is documented by a HUD-1 Settlement Statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed [or similar alternative] confirming the amount paid by the grantee to trustee

<table>
<tr><td></td><td>may be substituted for a HUD-1 if a HUD-1 was not provided to the purchaser at time of sale.)
The preliminary title search or report must confirm that there are no existing liens of the subject property.</td></tr>
<tr><td>Minimum Loan Amount</td><td>$50,000, Wholesale: $75,000
*due to Section 32 and pricing concerns please consult with Management and Secondary before requesting a loan less than $50,000.</td></tr>
<tr><td>Eligible Property Types</td><td>Detached/Attached SFR and PUDs, Warrantable Condos, Factory Built -Modular/Pre-Cut/Panelized Housing, 2-4 Unit properties, Manufactured Housing (see Fannie Mae Selling Guide Chapter B5-2, Manufactured Housing for requirements).
Florida Condos subject to the following restrictions:
<table>
<tr><th colspan="4">Florida — Attached Units in New and Newly Converted Condo Projects
Maximum LTV Ratios</th></tr>
<tr><td>Transaction</td><td>PERS Approved</td><td>Full Review (w/ or w/o CPM)</td><td>Limited Review</td></tr>
<tr><td>Principal Residence</td><td>95% Manual
97% DU</td><td colspan="2" rowspan="3">Not eligible</td></tr>
<tr><td>Second Home</td><td>90%</td></tr>
<tr><td>Investor</td><td>85%</td></tr>
</table>
<table>
<tr><th colspan="4">Florida — Attached Units in Established Condo Projects</th></tr>
<tr><td></td><td colspan="2">Max LTV Ratios</td><td>Max LTV, CLTV, and HCLTV Ratios</td></tr>
<tr><td>Transaction</td><td>PERS Approved</td><td>Full Review (w/ or w/o CPM)</td><td>Limited Review</td></tr>
<tr><td>Principal Residence</td><td colspan="2">95% Manual
97% DU</td><td>75/90/90%</td></tr>
<tr><td>Second Home</td><td colspan="2">90%</td><td>70/75/75%</td></tr>
</table>
MI: Detached/Attached SFR and PUDs, Warrantable Condos, and 2-unit properties
*Please refer to MI Guidelines for property nuances and restrictions</td></tr>
<tr><td>Ineligible Property Types</td><td>Non-Warrantable Condos, Condotels, Co-op, Dome, Straw/Bale, Earth and Construction properties</td></tr>
<tr><td>Special Property Types</td><td>Leasehold Estates: Permitted if marketable for area, and lease term follows FNMA criteria
Deed Restrictions: Permitted if marketable for area, and lease term follows FNMA criteria
Illinois Land Trust: Not Permitted
Rural Properties:
They are generally acceptable with the following conditions:
Non-income producing only.
The appraisal and comparables must support the land/site-to-value ratio. The appraiser must determine if the property’s land/site-to-value ratio is typical for the area.
The land is to be considered residential and not for potential future development.</td></tr>
<tr><td>Recast Option</td><td>N/A</td></tr>
<tr><td>Prepayment Penalty Option</td><td>N/A</td></tr>
<tr><td>Conversion option</td><td>N/A</td></tr>
<tr><td>Terms</td><td>Fixed :360 months, 300 months, 240 months, 180 months, and 120 months
ARM: 360 months</td></tr>
<tr><td>Amortization</td><td>Fully Self amortizing,</td></tr>
<tr><td>Buy down, Temporary</td><td>Not Permitted</td></tr>
<tr><td>Special Features and Specifications</td><td>Construction to Perm post construction financing allowed. (Single close construction loans ineligible.)
Revocable Inter-Vivos trust: Permitted on Underwriting management approval
Non-Arm’s Length Transaction: Permitted – Except Fannie Mae will not purchase mortgage loans on newly constructed homes secured by a 2nd Home or Investment Property if the borrower has a relationship or business affiliation with the builder, developer, or seller of the property.
HPML: Permitted
Power of Attorney: Fannie Mae allows for an attorney-in-fact to sign specific documents on the</td></tr>
</table>

	borrower's behalf when certain conditions are met.
Escrow Waiver	LTV must be ≤ 90% LTV for California, ≤ 80% most all other states, for tax and hazard insurance • Private mortgage insurance premiums must always be escrowed, unless single premium • For established escrow accounts flood insurance and HO6 must be escrowed, if required
Assumability	On arms only, post fixed rate period Fixed: not permitted
Underwriting Procedure	Run FNMA DU For approval
Large Deposits	When bank statements (typically covering the most recent two months) are used, the lender must evaluate large deposits, which are defined as a single deposit that exceeds 50% of the total monthly qualifying income for the loan. Requirements for evaluating large deposits vary based on the transaction type, as shown below: **Refinance Transactions:** Documentation or explanation for large deposits is not required; however, the lender remains responsible for ensuring that any borrowed funds, including any related liability, are considered. **Purchase Transactions:** o If funds from a large deposit are needed to complete the purchase transaction (that is, are used for the down payment, closing costs, or financial reserves), the lender must document that those funds are from an acceptable source. Occasionally, a borrower may not have all of the documentation required to confirm the source of a deposit. In those instances, the lender must use reasonable judgment based on the available documentation as well as the borrower's debt-to-income ratio and overall income and credit profile. Examples of acceptable documentation include the borrower's written explanation, proof of ownership of an asset that was sold, or a copy of a wedding invitation to support receipt of gift funds. The lender must place in the loan file written documentation of the rationale for using the funds. o Verified funds must be reduced by the amount (or portion) of the undocumented large deposit (as defined above), and the lender must confirm that the remaining funds are sufficient for the down payment, closing costs, and financial reserves. When the lender uses a reduced asset amount, net of the unsourced amount of a large deposit, that reduced amount must be used for underwriting purposes (whether the mortgage loan is underwritten manually or through DU). o *Note: When a deposit has both sourced and unsourced portions, only the unsourced portion must be used to calculate whether or not it must be considered a large deposit.* o *Note: If the source of a large deposit is readily identifiable on the account statement(s), such as a direct deposit from an employer (payroll), the Social Security Administration, or IRS or state income tax refund, or a transfer of funds between verified accounts, and the source of the deposit is printed on the statement, the lender does not need to obtain further explanation or documentation. However, if the source of the deposit is printed on the statement, but the lender still has questions as to whether the funds may have been borrowed, the lender should obtain additional documentation.*
Second Home /Investment Properties	When an operating income statement is not required, the information will be reviewed on the application, separate statement from the borrower, or appraisal for the gross monthly rent for each non owner occupied unit.
Principal Curtailment	A principal curtailment may be applied to a loan to refund the overpayment of fees or charges paid by the borrower, in any amount, in accordance with applicable regulatory requirements. If the borrower receives more cash back than is permitted for limited cash-out refinances, a curtailment may be applied to reduce the amount of cash back to the borrower to bring the loan into compliance with the maximum cash-back requirement. The maximum amount of the curtailment cannot exceed the lesser of $2,500 or 2% of the original loan amount for the subject loan The amount and reason for the curtailment must be documented on the HUD-1 if done prior to close.
Documentation	Full Documentation

Requirements	Standard Agency documents apply Tax Transcripts are required for the number of years of income documented required by AUS
Minimum Credit Score	620 min credit score
Credit History	Acceptable credit history determined by AUS (need a minimum of two credit scores, all borrowers) Disputes: Follow AUS Findings. If not mentioned on AUS, nor further action is required **Significant Derogatory Credit Events- Waiting Periods and Re-establishing Credit** The presence of significant derogatory credit events dramatically increases the likelihood of a future default and represents a significantly higher level of default risk. Examples of significant derogatory credit events include bankruptcies, foreclosures, deeds-in-lieu of foreclosure, preforeclosure sales, short sales, and charge-offs of mortgage accounts. The lender must determine the cause and significance of the derogatory information, verify that sufficient time has elapsed since the date of the last derogatory information, and confirm that the borrower has re-established an acceptable credit history. The lender must make the final decision about the acceptability of a borrower's credit history when significant derogatory credit information exists. The waiting period commences on the completion, discharge, or dismissal date (as applicable) of the derogatory credit event and ends on the disbursement date of the new loan for manually underwritten loans

Derogatory Event	Waiting Period Requirements	Waiting Period w/ Extenuating Circumstances * Second signature required by Corporate Underwriting for use of extenuating circumstances
BK 7 or 11	4-year waiting period is required, measured from the discharge or dismissal date of the bankruptcy action.	2-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the discharge or dismissal date of the bankruptcy action.
BK 13	• 2-years from the discharge date, or • 4years from the dismissal date.	2-year waiting period is permitted after a Chapter 13 dismissal, if extenuating circumstances can be documented. There are no exceptions permitted to the two-year waiting period after a Chapter 13 discharge.
Multiple BK Filings	For a borrower with more than one bankruptcy filing within the past seven years, a 5-year waiting period is required, measured from the most recent dismissal or discharge date.	3-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the most recent bankruptcy discharge or dismissal date. The most recent BK filing must have been the result of extenuating circumstances.
Foreclosure	A seven-year waiting period is required, and is measured from the completion date of the foreclosure action as reported on the credit report or other foreclosure documents provided by the borrower.	3-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the completion date of the foreclosure action. Additional requirements apply between 3 & 7 years, which include: • Max LTV, CLTV, or HCLTV ratios of the lesser of 90% or the maximum LTV, CLTV, or HCLTV ratios for the transaction per the Eligibility Matrix. • The purchase of a principal residence is permitted. • Limited cash-out refinances are

		permitted for all occupancy types pursuant to the eligibility requirements in effect at that time.
Foreclosure & BK on the same mortgage	If a mortgage debt was discharged through BK, the BK waiting periods may be applied if the lender obtains the appropriate documentation to verify that the mortgage obligation was discharged in the BK. Otherwise the greater of the applicable BK or foreclosure waiting periods must be applied.	Greater of the applicable Derogatory Event if extenuating circumstances can be documented.
Deed-in-Lieu, Preforeclosure Sale, & Charge-Off of a Mortgage Account	A four-year waiting period is required from the completion date of the deed-in-lieu of foreclosure, preforeclosure sale, or charge-off as reported on the credit report or other documents provided by the borrower.	A 2: year waiting period is permitted if extenuating circumstances can be documented.

Requirements for Re-establishing Credit

After a bankruptcy, foreclosure, deed-in-lieu of foreclosure, preforeclosure sale, or charge-off of a mortgage account, the borrower's credit will be considered re-established if all of the following are met:

- The waiting period and the related additional requirements are met.
- The loan receives a recommendation from DU that is acceptable for delivery to Fannie Mae or, if manually underwritten, meets the minimum credit score requirements based on the parameters of the loan and the established eligibility requirements.
- The borrower has traditional credit as outlined in Section B3–5.3, Traditional Credit History of the Fannie Mae Single Family Selling Guide. Nontraditional credit or "thin files" are not acceptable.

Trended Credit Data

The AUS will use trended credit data in the credit risk assessment, which provides access to historical monthly data (when available) on several factors, including: balance, scheduled payment, and actual payment amount that a borrower has made on the account.

Non-Traditional Credit

- DU will ensure the overall risk assessment is appropriate for loans involving borrowers without established traditional credit, DU will apply the following additional underwriting guidelines:
- Principal residence transaction where all borrowers will occupy the property
- One-unit property (may not be a manufactured home)
- Purchase or limited cash-out refinance transaction
- Fixed-rate mortgage
- Loan amount must meet the general loan limits (may not be a high-balance mortgage loan)
- LTV, CLTV, and HCLTV ratios may be no more than 90%
- Debt-to-income ratio must be less than 40%

Loan casefiles that do not meet these guidelines will receive an "Out of Scope" recommendation. **The use of Non-Traditional Credit will not be accepted with manual underwrites.**

<table>
<tr><td></td><td>Additional Documentation Requirements
DU will require the verification of at least two non-traditional credit sources for each borrower that does not have traditional credit, one of which must be housing-related. A 12 month payment history is required for each source of nontraditional credit, which must be documented in accordance with the Selling Guide.</td></tr>
<tr><td>Mortgage Insurance</td><td>The following coverage is required:

<table>
<tr><th>LTV</th><th>30-Years MI coverage</th></tr>
<tr><td>80.01-85%</td><td>12% >20 years 6% < 20 years</td></tr>
<tr><td>85.01-90%</td><td>25% > 20 years 12% < 20 years</td></tr>
<tr><td>90.01-95%</td><td>30% > 20 years 25% < 20years</td></tr>
<tr><td>95.01-97%</td><td>35%</td></tr>
</table>

Ineligible MI types: Financed, Reduced, Split Coverage, and LPMI - Monthly
LPMI: Only as a single premium LPMI policy, LPMI disclosure signed by the borrower is required.</td></tr>
<tr><td>Subordinate Financing</td><td>Permitted, but must conform to the above CLTV limitations.
LPMI loans: not permitted

No negative amortization on the subordinate financing. The repayment terms of the subordinate must provide for regular payments that cover no less than interest due.
The interest rate on the subordinate should generally be at market rate, but may be less if seller financed (no less than 2% below market rate if not an equity line of credit).
Maturity date of the subordinate must be five years or greater if the terms contain a balloon or call option.
Variable payments are acceptable unless the first mortgage involves an interest rate buy down, in which case, the subordinate financing must be a fixed amount. Unless the variable rate subordinate is an equity line of credit, the monthly payment must remain the same for each 12-month period and may adjust no more than 1% in the interest rate each 12 months. If the subordinate does not fully amortize, it cannot mature or balloon in less than five years
The payment for the subordinate financing must be included in the total monthly housing expense and the P/I and D/I ratios. Payment from credit report maybe used
If the subordinate is an equity line of credit, use the line limit to calculate the LTV/CLTV.
</td></tr>
<tr><td>Project Eligibility</td><td>Condominium and Attached PUDs: Must meet FNMA Criteria. Use CPM for warranty.
Co-ops: Not Permitted</td></tr>
<tr><td>Appraisal</td><td>Standard Full Appraisal is required, unless transaction is eligible for consideration for a Property Inspection Waiver. Recommendation must be received by DU.

Additional requirements for Property Inspection Waiver:

$75 fee must be disclosed
PIW Borrower Disclosure must be signed by the borrower(s). Form is located on the Custom Forms Tab of Encompass.
Special Feature Code: 296 must be used

All Appraisals must be ordered by the Appraisal order desk and must be AIR compliant.

An interior inspection appraisal is required.
A Certified Appraiser must perform and execute the appraisal. Trainee or provisional appraisers may not perform nor contribute in any manner to the appraisal.
Condition rates greater than C4 are not eligible
</td></tr>
<tr><td>Qualifying Ratios</td><td>Maximum Qualifying Ratio: AUS determination
Qualify using the greater of the fully indexed or note rate on 10/1 arm and 7/1 arm
Qualify using the greater of the fully indexed, fully amortizing rate or note rate + 2.0, 5/1 arm</td></tr>
</table>

<table>
<tr><td>Contributions to Closing Costs</td><td>
<table>
<tr><th colspan="3">Primary Residence & 2nd Vacation Home</th><th>Non-Owner Occupied</th></tr>
<tr><td>Greater than 90%</td><td>LTV/CLTV > 75%</td><td>LTV/CLTV ≤ 75%</td><td>All CLTV Ratios</td></tr>
<tr><td>3% *</td><td>6%</td><td>9%</td><td>2%</td></tr>
</table>
May include seller paid prepaid items and other costs (may not exceed the allowed percentage as dictated by the LTV/CLTV). The CLTV limitations include secondary financing from all sources. * See

B5-4-03, Loans Secured by HomePath Properties for an exception to this limit for principal residence transactions.
</td></tr>
<tr><td>Down Payment/Gift Rules</td><td>
<table>
<tr><th>LTV, CLTV, or HCLTV Ratio</th><th colspan="2">Minimum Borrower Contribution Requirement from Borrower's Own Funds</th></tr>
<tr><td>80% or less</td><td>1-4 unit principal residence

Second Home</td><td>A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.</td></tr>
<tr><td rowspan="2">Greater than 80%</td><td>1-unit principal residence</td><td>A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.</td></tr>
<tr><td>2-4 unit principal residence

Second Home</td><td>The borrower must make a 5% minimum borrower contribution from his or her own funds. After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves.</td></tr>
</table>
Investment Properties gifts not permitted
</td></tr>
<tr><td>Reserves</td><td>Per DU AUS findings. See Multiple Property Ownership</td></tr>
<tr><td>Non-Occupying Co-Borrower</td><td>Permitted. DU will consider the income and liabilities of all borrowers on all principal residence mortgage transactions, including two- to four-unit properties. No separate calculation of the DTI ratio for the occupying borrower will be required, as the DTI ratio calculation will be based on the income and liabilities of all borrowers on the mortgage loan.</td></tr>
<tr><td>Trailing Co-Borrower</td><td>Not permitted</td></tr>
<tr><td>Foreign Borrower</td><td>Non-residents not permitted</td></tr>
<tr><td>Pre-Purchase Home Ownership Education</td><td>For the following transactions, at least one borrower on the mortgage loan must complete pre-purchase homeownership education prior to loan closing:
• if all borrowers on the loan are relying solely on nontraditional credit to qualify, regardless of the loan product or whether the borrowers are first-time home buyers; or
• for HomeReady purchase transactions. See HomeReady section below.</td></tr>
<tr><td>Multiple Properties</td><td>Owner Occupied property: No limit to the additional financed properties the borrower may have

2nd Home and Investment properties: Limited to a total of 10 financed properties including the primary residence. Minimum credit score requirement of 720 when the borrower will have more than six finance properties. There are also additional reserve requirements.

Calculation of Reserves for Multiple Financed Properties
If the borrower owns other financed properties (determined in accordance with B2-2-03, Multiple Financed Properties for the Same Borrower), additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's principal residence. The other financed properties reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties:
• 2% of the aggregate UPB if the borrower has one to four financed properties,
• 4% of the aggregate UPB if the borrower has five to six financed properties, or
• 6% of the aggregate UPB if the borrower has seven to ten financed properties (DU only).</td></tr>
</table>

The aggregate UPB calculation does not include the mortgages and HELOCs that are on

- the subject property,
- the borrower's principal residence,
- properties that are sold or pending sale, and
- accounts that will be paid by closing (or omitted in DU on the online loan application).

Note: DU will also include in the UPB calculation open mortgages and HELOCs on the credit report that are not disclosed on the online loan application.

Simultaneous Second Home or Investment Property Transactions

If a lender is processing multiple second home or investment property applications simultaneously, the same assets may be used to satisfy the reserve requirements for both mortgage applications. Reserves are not cumulative for multiple applications.

Example: A lender is simultaneously processing two refinance applications for two investment properties owned by the borrower. The application for property A requires reserves of $5,000. The application for property B requires reserves of $10,000. Because the reserves are covering the same properties, the lender does not have to verify $15,000 in reserves, but only those required per each application.

Example 1: Three Financed Properties

Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations	
Subject: Second Home	$78,750	$776	2	$1,552
Principal	$0	$179	N/A	$0
Investor	*$87,550*	$787	$230,050 x 2% =	$4,601
Investor	*$142,500*	$905		
	$230,050		**Total =**	**$6,153**

Example 2: Six Financed Properties

Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations	
Subject: Investor	$78,750	$776	6 Months	$4,656
Principal	$133,000	$946	N/A	$0
Investor	*$87,550*	$787	$345,030 x 4% =	$13,801
Investor	*$142,500*	$905		
Investor	*$84,950*	$722		
Investor	*$30,030*	$412		
	$345,030		**Total =**	**$18,457**

Example 3: Eight Financed Properties (DU ONLY)

Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations	
Subject: Investor	$78,750	$776	6	$4,656
Principal	$133,000	$946	N/A	$0
Investor	*$87,550*	$787	$629,530 x 6% =	$37,772
Investor	*$142,500*	$905		
Investor	*$84,950*	$722		
Investor	*$30,030*	$412		
Second Home	*$124,500*	$837		
Investor	*$160,000*	$1,283		
	$629,530		**Total =**	**$42,427**

HomeReady	
Encompass Plan Codes	see table below

Type	Description	Plan Code
Fixed	Conv 30yr HomeReady FNMA Direct	CF30HR37
	Conv 15yr HomeReady FNMA Direct	CF15HR37
ARM	Conv 10/1 LIBOR HomeReady FNMA Direct	CA10LHR37
	Conv 7/1 LIBOR HomeReady FNMA Direct	CA71LHR37
	Conv 5/1 LIBOR HomeReady FNMA Direct	CA51LHR37

Maximum LTV/CLTV

[1] The maximum allowable LTV, CLTV, and HCLTV ratios will be increased from 95% to 97% for 1-unit limited cash-out refi transactions underwritten by DU when the mortgage being refinanced is owned by FNMA (in alignment with standard DU eligibility).

Transaction Type	# of Units	Maximum LTV, CLTV, HCLTV	
		Fixed	ARM
Principal Residence			
Purchase/Limited Cash-Out Refinance	1-Unit *	97% [1]	90%
	2-Unit **	85%	75%
	3-4 Unit **	75%	N/A
* 1-unit principal residence including eligible condos, co-ops, PUDs, and manufactured housing			
** 2-4 unit principal residence (no condos, co-ops, or manufactured housing)			

# of Units	1-unit	2- to 4-unit
Borrower Income Limits	• No income limits in low-income census tracts • 100% of area median income (AMI) in high-minority census tracts or designated disaster areas	
Min. Borrower Contribution (own funds)	$0	$0 for LTV/CLTV/HCLTV of 80% or less; 3% for LTV /CLTV/HCLTV > 80%
	3% required if sweat equity is being used	
Acceptable Sources of Funds for Down Payment & Closing Costs	Gifts, grants, and Community Seconds®. Cash-on-hand for 1-unit properties only. Any eligible loan may have more than one Community Seconds (i.e., third lien) up to the maximum 105% CLTV (see Community Seconds fact sheet). Sweat equity is acceptable in accordance with the Selling Guide.	
CLTV	• CLTV up to 105% with eligible Community Seconds (Refer to Eligibility Matrix for details) • Other subordinate financing per the Selling Guide	
Ownership of Other Property	Occupant borrower(s) may not have an ownership interest in any other residential property at the time of closing.	
Non-Occupant Borrowers	Non-occupant borrowers permitted to maximum 95% LTV in DU; 90% LTV manual with max 43% DTI for occupying borrower. Income considered as part of qualifying income and subject to income limits.	
Mortgage Insurance Coverage	• 25% MI coverage for LTVs 90.01–97% • Standard MI coverage for LTVs of 90% or less • MI may be financed up to the maximum LTV for the transaction, including the financed MI	
Underwriting Method	• Based on the census tract and borrower income, DU will notify users when a loan casefile appears to be eligible for HomeReady but the lender has not underwritten the loan casefile as HomeReady. Resubmit the loan casefile as a HomeReady loan to obtain the appropriate HomeReady messaging. The Additional Data screen field will allow the lender to enter census tract information if DU is unable to geocode the property address. • DU recommendation of Approve/Eligible required. DU will determine qualifying ratios and reserves. • May be eligible in DU if at least one borrower has traditional credit and contributes more than 50% of qualifying income.	

<table>
<tr><td rowspan="2">Other Income</td><td>Boarder income (relatives or non-relatives): Up to 30% of qualifying income; documentation for at least 9 of the most recent 12 months (averaged over 12 months) and documentation of shared residency for the past 12 months</td><td>Not eligible</td></tr>
<tr><td>Accessory dwelling units: Rental income may be considered in qualifying the borrower per rental income guidelines.</td><td>Rental income may be used as qualifying income per rental income guidelines.</td></tr>
<tr><td>Non-Borrower Household Income</td><td colspan="2">Permitted as a compensating factor in DU only to allow a debt-to-income (DTI) ratio >45% up to 50% (non-borrower income is not considered qualifying income and is not applied to income limits). The following additional requirements apply:
Non-borrower income must total at least 30% of the total monthly qualifying income being used by the borrower(s). (Note: Income from more than one non-borrower household member may be considered.)
Non-borrower household members may be relatives or non-relatives.
Non-borrower household income must be documented in accordance with standard Selling Guide policy based on the income type.
Non-borrowers must sign a statement of intent to reside with the borrower for a minimum of 12 months. (See optional Fannie Mae Form 1019.)
The income must be reflected in DU as an Other Income type of “Non-Borrower Household Income” (new income type will be added with DU implementation). This income will not be included as qualifying income, and would not impact the DTI ratio used in the risk assessment or displayed on the DU Underwriting Findings report.</td></tr>
<tr><td>Pre-purchase Homeownership Education</td><td colspan="2">At least one borrower on each HomeReady purchase mortgage must do one of the following prior to the note date:
complete the Framework homeownership education course ($75 fee paid by the borrower to Framework); or
receive pre-purchase housing advising from a HUD-approved nonprofit housing counseling agency (as evidenced by a signed Certificate of Completion of Pre-purchase Housing Counseling (Form 1017)); or
complete a homeownership education course required by a Community Seconds or Down Payment Assistance Program that is provided by a HUD-approved agency, if the HomeReady loan involves a Community Seconds or down payment assistance program.
Lenders may choose to provide a credit against closing costs for the $75 Framework fee in accordance with Selling Guide section B3-4.1-02 (Lender Incentives for Borrowers).
Homeownership education certificate must be retained in the mortgage file.</td></tr>
<tr><td>Post-Purchase Support</td><td colspan="2">To support sustainability, borrowers will have access to post-purchase homeownership support for the life of the loan through Framework's homeownership advisor service.</td></tr>
<tr><td>Special Borrower Considerations for Online Homeownership Education</td><td colspan="2">Framework’s online education may not be appropriate for all potential home buyers. The presence of a disability, lack of Internet access, and other issues may indicate that a consumer is better served through other education modes (e.g., in-person classroom education, telephone conference call, etc.). In these situations, consumers should be directed to Framework’s toll-free customer service line, from which they can be directed to a HUD-approved counseling agency that can meet their needs. The counseling agency that handles the referral must provide a certificate of completion, and the lender must retain a copy of the certificate in the loan file.</td></tr>
<tr><td>Previous Home Buyer Education</td><td colspan="2">In lieu of the Framework course, Fannie Mae will allow lenders to accept a certificate of pre-purchase education/counseling from a HUD-approved counseling agency dated within the previous six months before the loan application date and before September 30, 2016.</td></tr>
<tr><td colspan="3">Anything not specifically addressed here, follow the more restrictive of Fannie Mae or MI guidelines</td></tr>
</table>

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EQUAL HOUSING LENDER