EXCELERATE CAPITAL

# FNMA High Balance Mortgage

| Topic | Product Guideline |
|---|---|
| **Program Description** | This is base Fannie Mae High Balance 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. |
| **Products** | Fannie Mae High Balance 30 yr fixed, 25 yr fixed, 20 yr fixed, 15 yr fixed, and 10 yr fixed<br>Fannie Mae High Balance Conforming 10/1 arm, 7/1arm, and 5/1 arm |
| **AUS method** | 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.** |
| **Eligible States** | All approved states within lending channel.<br>Geographic restrictions are listed under property types |
| **Maximum Loan Amounts**<br>**Agency Conforming Loan Limits** | (see table below) |

| Units | Continental U.S. | Alaska & Hawaii |
|---|---|---|
| 1 | $636,150 | $954,225 |
| 2 | $814,500 | $1,221,750 |
| 3 | $984,525 | $1,476,775 |
| 4 | $1,223,475 | $1,835,200 |
| 1-Unit includes Condos and PUDs | | |

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| **Maximum LTV/CLTV/HCLTV** | (see table below) |

| Transaction Type | # of Units | Maximum LTV, CLTV, HCLTV | |
|---|---|---|---|
| | | Fixed | ARM |
| **Principal Residence** | | | |
| Purchase/Limited Cash-Out Refinance | 1-Unit | 95% | 90% |
| | 2-Unit | 85% | 75% |
| | 3-4 Units | 75% | 65% |
| Cash-Out Refinance | 1-Unit | 80% | 75% |
| | 2-4 Units | 75% | 65% |
| **Second Home** | | | |
| Purchase/Limited Cash-Out Refinance | 1-Unit | 90% | 80% |
| Cash-Out Refinance | | 75% | 65% |
| **Investment Property** | | | |
| Purchase | 1-Unit | 85% | 75% |
| | 2-4 Units | 75% | 65% |
| Limited Cash-Out Refinance | 1-4 Units | 75% | 65% |
| Cash-Out Refinance | 1-Unit | 75% | 65% |
| | 2-4 Units | 70% | 60% |

| | |
|---|---|
| **Occupancy: Special Situations for Primary Residence** | • Parents providing housing for their adult physically handicapped or developmentally disabled child. Parent/borrower will be considered the owner occupant.<br>• Children providing housing for elderly parents. Child/borrower will be considered the owner occupant. |
| **Borrower Eligibility** | • US Citizens<br>• Perm Resident Aliens<br>• Non-Permanent Resident Aliens. |
| **Refinance-Listed Property** | Properties currently listed for sale are ineligible for financing<br>Properties listed for sale within the previous six months are limited to a lesser of 70% max LTV or product parameter limit. |
| **Refinance-Limited Cash Out** | Follow standard FNMA underwriting guidelines.<br>A limited cash out refinance may only include the following:<br>• 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) |

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|---|---|
| | • The payoff of the outstanding balance of an existing first mortgage.<br>• 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.<br>• The financing of closing costs (including prepaid expenses).<br>  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.<br>  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).<br>  o If an escrow account is not being established, the loan will be considered a cash out refinance.<br><br>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.<br><br>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:<br>• 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.<br>• 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).<br>  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.<br>• 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:<br>  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).<br>  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.<br>Requirements for Delayed Financing Exception<br>• The original purchase transaction was an arms-length transaction.<br>• 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:<br>  o a natural person;<br>  o an eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust;<br>  o an eligible land trust when the borrower is the beneficiary of the land trust; or<br>  o an LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%.<br>• 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 |

<table>
<tr><td></td><td>trustee's deed [or similar alternative] confirming the amount paid by the grantee to trustee may be substituted for a HUD-1 if a HUD-1 was not provided to the purchaser at time of sale.)<ul><li>The preliminary title search or report must confirm that there are no existing liens of the subject property.</li></ul></td></tr>
<tr><td>Minimum Loan Amount</td><td>$417,001</td></tr>
<tr><td>Eligible Property Types</td><td><ul><li>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).</li><li>Florida Condos subject to the following restrictions:</li></ul>
<table>
<tr><th colspan="4">Florida — Attached Units in New and Newly Converted Condo Projects<br>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<br>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>
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<tr><td>Principal Residence</td><td colspan="2">95% Manual<br>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>
<ul><li>MI: Detached/Attached SFR and PUDs, Warrantable Condos, and 2-unit properties</li></ul>*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<br>Deed Restrictions/Land Trusts/ Land Lease: Permitted if marketable for area, and lease term follows FNMA criteria<br>Illinois Land Trusts: Not Permitted<br>Rural Properties:<br>They are generally acceptable with the following conditions:<ul><li>Non-income producing only.</li><li>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.</li><li>The land is to be considered residential and not for potential future development.</li></ul></td></tr>
<tr><td>Index</td><td>One year LIBOR</td></tr>
<tr><td>Margin</td><td>2.25</td></tr>
<tr><td>Interest Rate Caps</td><td>5/1 arm 2/2/5<br>All the rest 5/2/5</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<br>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.)<br>Revocable Inter-Vivos trust: Permitted on Underwriting management approval<br>Non-Arm’s Length Transaction: Permitted – Except Fannie Mae will not purchase mortgage loans</td></tr>
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| | 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.<br>**HCML**: Not Permitted<br>**HPML**: Permitted<br>**Power of Attorney:** Fannie Mae allows for an attorney-in-fact to sign specific documents on the 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<br>• Private mortgage insurance premiums must always be escrowed, unless single premium<br>• For established escrow accounts flood insurance and HO6 must be escrowed, if required |
| **Assumability** | ARMs: post fixed rate period<br>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:<br><br>**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.<br><br>**Purchase Transactions:**<br>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.<br>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).<br>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.*<br>*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.<br><br>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.<br>The maximum amount of the curtailment cannot exceed the lesser of $2,500 or 2% of the original loan amount for the subject loan |

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| | The amount and reason for the curtailment must be documented on the HUD-1 if done prior to close. |
| **Documentation Requirements** | Full Documentation<br>Standard Agency documents apply<br>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)<br>Disputes: Follow AUS Findings. If not mentioned on AUS, nor further action is required<br><br>**Significant Derogatory Credit Events- Waiting Periods and Re-establishing Credit**<br>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.<br><br>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.<br><br>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 * 2nd 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<br>• 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:<br>• 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.<br>• The purchase of a principal residence is permitted.<br>• 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%

<table>
<tr><td></td><td>Loan casefiles that do not meet these guidelines will receive an “Out of Scope” recommendation.<br>The use of Non-Traditional Credit will not be accepted with manual underwrites.<br><br>Additional Documentation Requirements<br>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:<br><br>
<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>
</table>
Ineligible MI types: Financed, Reduced, Split Coverage, and LPMI - Monthly<br>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.<br>LPMI loans: not permitted
<ul>
<li>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.</li>
<li>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).</li>
<li>Maturity date of the subordinate must be five years or greater if the terms contain a balloon or call option.</li>
<li>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</li>
<li>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 may be used.</li>
<li>If the subordinate is an equity line of credit, use the line limit to calculate the LTV/CLTV.</li>
</ul></td></tr>
<tr><td>Project Eligibility</td><td>Condominium and Attached PUDs: Must meet FNMA Criteria. Use CPM for warranty.<br>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.<br><br>Additional requirements for Property Inspection Waiver:
<ul>
<li>$75 fee must be disclosed</li>
<li>PIW Borrower Disclosure must be signed by the borrower(s). Form is located on the Custom Forms Tab of Encompass.</li>
<li>Special Feature Code: 296 must be used</li>
</ul>
All Appraisals must be ordered by the Appraisal order desk and must be AIR compliant.
<ul>
<li>An interior inspection appraisal is required.</li>
<li>A Certified Appraiser must perform and execute the appraisal. Trainee or provisional appraisers may not perform nor contribute in any manner to the appraisal.</li>
<li>Field review (2000 or 2000A) is required if :
<ul><li>appraised value is >= $1,000,000 and the LTV/CLTV is > 75%</li></ul></li>
<li>Condition rates greater than C4 are not eligible</li>
</ul></td></tr>
<tr><td>Qualifying Ratios</td><td>Maximum Qualifying Ratio: AUS determination<br>Qualify using the greater of the fully indexed or note rate on 10/1 arm and 7/1 arm<br>Qualify using the greater of the fully indexed, fully amortizing rate or note rate + 2.0 on the 5/1</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.<br>
* 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<br><br>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<br><br>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>Multiple Properties</td><td>Owner Occupied property: no limit to the additional financed properties the borrower may have.<br><br>
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.<br><br>
Calculation of Reserves for Multiple Financed Properties<br>
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:
<ul>
<li>2% of the aggregate UPB if the borrower has one to four financed properties,</li>
<li>4% of the aggregate UPB if the borrower has five to six financed properties, or</li>
<li>6% of the aggregate UPB if the borrower has seven to ten financed properties (DU only).</li>
</ul>
The aggregate UPB calculation does not include the mortgages and HELOCs that are on
<ul>
<li>the subject property,</li>
<li>the borrower’s principal residence,</li>
<li>properties that are sold or pending sale, and</li>
<li>accounts that will be paid by closing (or omitted in DU on the online loan application).</li>
</ul>
</td></tr>
</table>

**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** |

**Anything not specifically addressed here, follow the more restrictive of Fannie Mae or MI guidelines**