

## NQHEM-Plus

FICO	Loan Amount	Purchase	R/T	Cash-Out
720	\$1,000,000	90%	85%	80%
	\$1,500,000	90%	85%	80%
	\$2,000,000	90%	80%	75%
	\$3,000,000	80%	75%	70%
	\$4,000,000	70%	70%	N/A
700	\$1,000,000	90%	85%	80%
	\$1,500,000	90%	85%	80%
	\$2,000,000	85%	80%	75%
	\$3,000,000	75%	70%	65%
	\$3,500,000	70%	65%	N/A
680	\$1,000,000	90%	85%	80%
	\$1,500,000	85%	85%	75%
	\$2,000,000	80%	80%	70%
	\$3,000,000	70%	65%	65%
660	\$1,000,000	80%	80%	75%
	\$1,500,000	80%	80%	75%
	\$2,500,000	70%	70%	65%
Housing History				
1x30x12				
Housing Event				
48 Months				

## NQHEM-Premier

FICO	Loan Amount	Purchase	Rate & Term	Cash-Out
720	\$1,000,000	90%	80%	80%
	\$2,000,000	80%	75%	75%
	\$2,500,000	75%	70%	70%
700	\$1,000,000	85%	75%	75%
	\$2,000,000	80%	70%	70%
	\$2,500,000	70%	65%	65%
680	\$1,000,000	80%	75%	75%
	\$2,000,000	75%	70%	70%
	\$2,500,000	70%	N/A	N/A
Housing History				
0x30x12				
Housing Event Seasoning				
48 Months				
Occupancy Restrictions – 2 <sup>nd</sup> Home & Investment				
Max LTV/CLTV				
<ul style="list-style-type: none"> <li>75% - Purchase</li> <li>70% - Refinance</li> </ul>				
Max loan amount - \$2,000,000				
Doc Type		Reserves		
1&2 Year Standard Doc		• LTV ≤ 85%: 6-months of PITIA		
12&24 Month Personal Bank Statement		• LTV > 85%: 12-months of PITIA		
12&24 Month Business Bank Statement		• Loan Amount > \$1.5 M: 9-months of PITIA		
		• Cash out may be used to satisfy requirement		

## NQHEM

FICO	Loan Amount	Purchase	R/T	Cash-Out
700	\$1,000,000	90%	85%	80%
	\$1,500,000	85%	85%	80%
	\$2,000,000	80%	80%	75%
	\$3,000,000	70%	65%	65%
680	\$1,000,000	90%	85%	80%
	\$1,500,000	80%	80%	75%
	\$2,000,000	80%	80%	70%
	\$3,000,000	70%	65%	65%
660	\$1,000,000	80%	80%	75%
	\$1,500,000	80%	80%	75%
	\$2,000,000	70%	70%	65%
620	\$1,000,000	80%	75%	70%
	\$1,500,000	70%	70%	65%
	\$2,000,000	65%	65%	N/A
Housing History				
	1x30x12	0x60x12	0x90x12	
Purchase	85%	80%	70%	
Refinance	80%	75%	N/A	
Max Loan Amount	\$3,000,000	\$1,500,000	\$1,000,000	
Housing Event				
BK/FC/SS/DIL/Mod	≥36 Mo	≥24 Mo	≥12 Mo	
Purchase	85%	80%	70%	
Refinance	80%	75%	N/A	
Max Loan Amount	\$3,000,000	\$1,500,000	\$1,000,000	

## Additional Overlays

Occupancy Restrictions – 2 <sup>nd</sup> Home / Investment	Reserves	Loan Exposure	State & County Restrictions
Max LTV/CLTV 85% - Purchase 80% - Rate/Term 75% - Cash-Out  Max Loan Amount: \$2,500,000  ** Applies to NQHEM-Plus & NQHEM **	LTV ≤ 75%: No reserves required LTV > 75%: 6-months of PITIA • Loan Amount > \$1.5M: 9-months of PITIA • Loan Amount > \$2.5M: 12-months of PITIA Cash out may be used to satisfy requirement  ** Applies to NQHEM-Plus & NQHEM **	Credit Committee approval is required when HEM exposure to a single borrower exceed 4 loans.  ** Applies to all products **	States: • AZ, CT, ID, IL, NJ & OR Cities/Countries: • Austin-Round Rock TX, San Francisco/San Jose CA, Sevierville TN, Herber City UT Restriction • FICO < 700 ○ Purchase 80% Max LTV ○ Refinance 75% Max LTV  ** Applies to all products **

Full Doc 12 & 24 Mo Bank Statement P&L Gig Qualifier	<ul style="list-style-type: none"> <li>Maximum DTI is 50%</li> <li>DTI above 43 must meet residual income guidelines <ul style="list-style-type: none"> <li>See Underwriting Guidelines</li> </ul> </li> <li>DTI may be increased to 55 on NONQHEM only with the following: <ul style="list-style-type: none"> <li>Min FICO: 680</li> <li>Max LTV: 70</li> <li>Purchase or Rate/Term Refinance only</li> <li>Minimum Residual Income: <ul style="list-style-type: none"> <li>Greater of .5% of the loan amount or \$2k.</li> <li>Increased requirement may be waived with an additional 6 months PITIA reserves</li> </ul> </li> </ul> </li> </ul>	Asset Utilization	<ul style="list-style-type: none"> <li>Debt Ratio Calculation: <ul style="list-style-type: none"> <li>Minimum Eligible Assets required is the lower of \$1,000,000 or 150% of the loan balance.</li> <li>Qualifying income based upon Total Assets Eligible for Depletion, less down payment, less out of pocket closing costs, less required reserves, divided by 84.</li> <li>680 Min FICO</li> </ul> </li> </ul>
Other Requirements			
Interested Party Contributions	<ul style="list-style-type: none"> <li>6% - LTV <math>\leq</math> 70%</li> <li>4% - LTV &gt; 70%</li> <li>New Construction – 6% <math>\geq</math> 75% LTV. 9% &lt; 75% LTV</li> </ul>		<ul style="list-style-type: none"> <li></li> </ul>
Premier Program Requirements			
Product Type	<ul style="list-style-type: none"> <li>Fixed Rate Terms: 30 years; 7/6 ARM, 10/6 ARM</li> </ul>		
Interest Only	<ul style="list-style-type: none"> <li>Min Credit Score: 700</li> <li>Max LTV: 80%</li> <li>30-year total loan term, qualification based upon 20-year amortizing payment</li> </ul>		
Loan Amounts	<ul style="list-style-type: none"> <li>Minimum Loan Amount <ul style="list-style-type: none"> <li>\$150,000 Full Doc</li> <li>\$150,000 Alt Doc</li> </ul> </li> <li>Maximum Loan Amount: 2,500,000</li> </ul>		
Loan Purpose	<ul style="list-style-type: none"> <li>Purchase</li> <li>Rate/Term</li> <li>Cash Out</li> </ul>		
Occupancy	<ul style="list-style-type: none"> <li>Primary</li> <li>Second Home</li> <li>Investment</li> </ul>		
Property Type	<p>Eligible Property Types</p> <ul style="list-style-type: none"> <li>Single Family, Attached or Detached</li> <li>Condominium <ul style="list-style-type: none"> <li>Max LTV/CLTV 75%</li> </ul> </li> <li>2-4 units</li> </ul> <p>Not Eligible:</p> <ul style="list-style-type: none"> <li>Condotel</li> <li>Rural</li> </ul>		

Florida Condos	<ul style="list-style-type: none"> <li>A structural inspection is required if the project is: <ul style="list-style-type: none"> <li>Over 30 years old or 25 years old if within 3 miles of the coast and</li> <li>Greater than 5 stories high</li> </ul> </li> <li>Projects with an acceptable inspection, max LTV is reduced 5%.</li> <li>Projects with an unacceptable or no inspection are not eligible.</li> </ul>
Acreage	<ul style="list-style-type: none"> <li>Max 20-acres <ul style="list-style-type: none"> <li>Cannot be rural or cannot meet the definition of rural</li> </ul> </li> </ul>
Cash--In-Hand	<ul style="list-style-type: none"> <li>Max Cash in hand: \$1,000,000 (not applicable for delayed financing)</li> </ul>
Appraisals	<ul style="list-style-type: none"> <li>FNMA Form 1004, 1073 with interior/exterior inspection.</li> <li>CDA required on all appraisal unless a 2<sup>nd</sup> appraisal is required</li> <li>2nd Appraisal required for loans &gt; \$2,000,000.</li> </ul>
Income – Full Doc	<p>Wage/Salary:</p> <ul style="list-style-type: none"> <li>Paystubs</li> <li>W-2's</li> <li>2-year or 1-Year of Tax Returns</li> <li>IRS Form 4506-C,</li> <li>Verbal VOE</li> </ul> <p>Self-Employed</p> <ul style="list-style-type: none"> <li>2-years or 1-Year of Personal and Business Tax Returns</li> <li>YTD P&amp;L</li> <li>2-monthly bank statements</li> <li>IRS Form 4506-C</li> </ul>
Income – Personal Bank Statement	<ul style="list-style-type: none"> <li>24 or 12-months of Personal and 2-months of business bank statements.</li> <li>Qualifying income is determined by the total eligible deposits from the 24 or 12-months of personal statements divided by the number of statements.</li> <li>The business bank statements must reflect business activity and transfers to the personal account.</li> </ul>
Reserves	<ul style="list-style-type: none"> <li>6-months of PITIA</li> <li>Loan Amount &gt; \$1.5M: 9-months of PITIA</li> <li>Cash out may be used to satisfy requirements</li> </ul>
DTI Requirements	<ul style="list-style-type: none"> <li>Max 43%</li> </ul>
Gift Funds	<ul style="list-style-type: none"> <li>Min contribution <ul style="list-style-type: none"> <li>5% primary</li> <li>10% Investment</li> </ul> </li> </ul>
Tradelines	<ul style="list-style-type: none"> <li>Min: 2 reporting 24-months w/activity in last 12- months or 3 reporting 12-months w/recent activity.</li> <li>If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived</li> </ul>

Document Age

- 90-days as of the note date

## Non-QHEM+ &amp; Non-QHEM Program Requirements

Alimony & child support	<ul style="list-style-type: none"> <li>• Must be included in the DTI.</li> </ul>
Installment Debt	<ul style="list-style-type: none"> <li>• Installment loans must be included in the DTI.</li> <li>• Installment debt with less than 10 months' worth of payments remaining may be excluded, provided there are assets to make the remaining payments.</li> <li>• Borrower may pay down the debt to less than the sum of 10 months' worth of payments. <ul style="list-style-type: none"> <li>◦ The assets used must be sourced.</li> </ul> </li> <li>• Loans secured by financial assets (margin loan, 401(K) loan, etc.) do not need to be included in the debt service provided the asset balance exceeds the loan balance.</li> </ul>
Appraisals	<ul style="list-style-type: none"> <li>• Loan amounts <math>\leq</math> \$2MM, one appraisal required</li> <li>• Loan amounts <math>&gt;</math> \$2MM, two appraisals required</li> <li>• In instances where one appraisal is required, said appraisal must have a CU score less than or equal to 2.5.</li> <li>• If the CU score exceeds 2.5 or is unavailable, a CDA with a variance less than 10% is required.</li> <li>• Loan amounts above \$1.5MM and up to \$2MM may not utilize the CU score in lieu of obtaining a CDA.</li> </ul> <p>Purchases</p> <ul style="list-style-type: none"> <li>• Use the lesser of purchase price or appraised value</li> </ul> <p>Refinances</p> <ul style="list-style-type: none"> <li>• If owned less than 12 months <ul style="list-style-type: none"> <li>◦ Use the lesser of the purchase price or appraised value</li> <li>◦ Exception <ul style="list-style-type: none"> <li>▪ Current value must be supported by a CDA with a variance <math>\leq</math> 10%</li> <li>▪ Properties in Geographical Restriction Area 2 are not eligible for the exception</li> </ul> </li> </ul> </li> </ul>
Reserves	<ul style="list-style-type: none"> <li>• DTI <math>&gt;</math> 50 and increased residual income requirement not met: <ul style="list-style-type: none"> <li>◦ additional 6 months PITIA</li> </ul> </li> </ul>
Title & Vesting	<ul style="list-style-type: none"> <li>• Individual names as joint tenants, community property, or tenants in common</li> <li>• Living trusts meeting FNMA's requirements</li> <li>• Blind Trusts-see Underwriting Guidelines for requirements</li> <li>• Limited Liability Corporations-see Underwriting Guidelines for requirements</li> <li>• Partnerships/Corporations-see Underwriting Guidelines</li> </ul>
Arm Terms	<ul style="list-style-type: none"> <li>• Margin = 5.00%</li> <li>• Index = 30 Day Average of SOFR</li> <li>• Caps = 5/1/5</li> <li>• Floor Rate = Note Rate</li> <li>• Adjustment Period = 6 Months</li> </ul>
Interest Only	<ul style="list-style-type: none"> <li>• Interest Only features are allowed on ARMs and FRMs</li> <li>• The IO period is 10 years.</li> <li>• Standard guidelines apply.</li> <li>• Min Credit Score: 700</li> <li>• Max LTV: 80%</li> </ul>
Qualifying Payment	<p>To determine the P&amp;I component of the Qualifying Payment, utilize the below (except as otherwise specified):</p> <ul style="list-style-type: none"> <li>• Fixed Rate: <ul style="list-style-type: none"> <li>◦ Utilize the start rate over the amortizing term</li> </ul> </li> <li>• Amortizing ARM: <ul style="list-style-type: none"> <li>◦ Utilize the greater of the start rate or the index plus margin, amortized over full term of the loan</li> </ul> </li> <li>• FRM/ARM with IO Feature: <ul style="list-style-type: none"> <li>◦ Utilize the greater of the start rate or the index plus margin, amortized over 20 years</li> </ul> </li> </ul>

Pre-Payment Penalties	<ul style="list-style-type: none"> <li>Prepayment penalties may be placed on investment properties for a period of at least one year in an amount equal to two percent of the original principal balance <ul style="list-style-type: none"> <li>See Underwriting Guidelines for requirements.</li> </ul> </li> <li>Price implications apply for prepayment penalty terms less than three years, including no prepayment penalty.</li> </ul>
Minimum Loan Amount	<ul style="list-style-type: none"> <li>\$100,000</li> </ul>
Rural Properties	<ul style="list-style-type: none"> <li>Primary and 2<sup>nd</sup> home only</li> <li>10 acres maximum</li> <li>No ranches, ag or farm use</li> <li>Max LTV of 80%</li> </ul>
Acreage	<ul style="list-style-type: none"> <li>Maximum 20 Acres</li> </ul>
<b>Eligibility Requirements</b>	
Borrower Eligibility	<ul style="list-style-type: none"> <li>US Citizen</li> <li>Permanent Resident Alien</li> <li>Non-Permanent Resident Alien with the following visas: E, G, H, L, O, P, and TN <ul style="list-style-type: none"> <li>Gifts not allowed</li> <li>EAD Only is OK</li> <li>See guidelines for additional details</li> </ul> </li> <li>First time home buyer-see Housing Payment History guideline below</li> <li>Non-Occupant Co-Borrowers-see Underwriting Guidelines</li> </ul>
Product Types	<ul style="list-style-type: none"> <li>Fixed Rate Terms: 30 &amp; 40 year</li> <li>7/6 ARM, 10/6 ARM</li> </ul>
Occupancy	<ul style="list-style-type: none"> <li>Primary</li> <li>Second Home</li> <li>Investment Properties</li> </ul>
Property Types	<ul style="list-style-type: none"> <li>1-4 unit attached and detached properties</li> <li>Warrantable Condos</li> <li>Non-Warrantable Condos</li> <li>Condotels</li> <li>PUDs</li> <li>Mixed use properties that comply with FNMA's guidelines-see Underwriting Guidelines</li> </ul>
Condotels	<ul style="list-style-type: none"> <li>Maximum LTV <ul style="list-style-type: none"> <li>Non-QHEM+ - 85%</li> <li>Non-QHEM – 80% Pur, 75% Refi</li> </ul> </li> <li>Maximum Loan Amount: \$2.5 million</li> <li>Minimum Loan Balance: \$150,000</li> <li>Minimum square footage: 500</li> </ul>
Florida Condos	<ul style="list-style-type: none"> <li>A structural inspection is required if the project is: <ul style="list-style-type: none"> <li>Over 30 years old or 25 years old if within 3 miles of the coast and</li> <li>Greater than 5 stories high</li> </ul> </li> <li>Projects with an acceptable inspection, max LTV is reduced 5%.</li> <li>Projects with an unacceptable or no inspection are not eligible.</li> </ul>
Eligible Transactions	<p>Purchase, including non-arm's length transactions-</p> <ul style="list-style-type: none"> <li>See Underwriting Guidelines</li> </ul> <p>Rate and Term Refinance</p> <ul style="list-style-type: none"> <li>No title seasoning required</li> <li>Payoff of first and second, <ul style="list-style-type: none"> <li>The second must be seasoned &gt;6 months with no draw or used to purchase the subject</li> </ul> </li> <li>Recoup of funds expended to improve the subject property. <ul style="list-style-type: none"> <li>Improvements must have been completed within the last 6 months preceding the application date, funds must have been Borrower's own.</li> <li>Cash out amount not to exceed documented improvement costs</li> </ul> </li> <li>Buyout accompanied by an executed buyout agreement</li> <li>Gifted funds are not deemed to be Borrower's own funds</li> </ul> <p>Cash-Out Refinance</p>

	<ul style="list-style-type: none"> <li>• A refinance that does not meet the definition of a rate/term transaction is considered cash-out.</li> <li>• A mortgage secured by a property currently owned free and clear is considered cash-out.</li> <li>• The payoff of delinquent real estate taxes (60 days or more past due) is considered cash-out.</li> <li>• A minimum borrower seasoning requirement of six (6) months is required for a transaction to be eligible for cash-out.</li> <li>• For properties owned 12 months or longer, the LTV/CLV is based upon the appraised value.</li> <li>• Properties owned for more than 6 months but less than 12 months, may use new appraised value based on the LTV restrictions below: <ul style="list-style-type: none"> <li>○ Owner Occupied – 75% LTV/CLTV</li> <li>○ Second Home – 70% LTV/CLTV</li> <li>○ Investment Properties – 70% LTV/CLTV</li> </ul> </li> <li>• Cash-out seasoning of six (6) months or less is allowed with the following restriction: <ul style="list-style-type: none"> <li>○ The Seller has documented that the borrower acquired the property through an inheritance, or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.</li> <li>○ Delayed Financing <ul style="list-style-type: none"> <li>▪ When the subject property was purchased for cash within the 6 months preceding the application date, funds may be recouped up to the Borrower's documented contribution</li> </ul> </li> </ul> </li> </ul>
<b>Credit Requirements</b>	
Minimum Tradelines	<ul style="list-style-type: none"> <li>• If the borrower has 3 FICO scores, the trade line requirement is waived</li> <li>• Minimum of 3 tradelines</li> <li>• Must have a 24-month credit history</li> <li>• One tradeline must have been active in the last 6 months <ul style="list-style-type: none"> <li>○ May also be used for the 24-month history</li> </ul> </li> <li>• Tradeline do not have to be open</li> <li>• If the spouse is the only co-borrower, the primary borrower need only meet the tradeline requirement <ul style="list-style-type: none"> <li>○ Only one borrower is required to meet this guideline</li> </ul> </li> <li>• See Underwriting Guidelines for more details and alternatives.</li> </ul>
Credit Score	<ul style="list-style-type: none"> <li>• 620 minimum FICO score</li> <li>• Use the lowest middle score for pricing and guideline purposes.</li> <li>• If there is a primary borrower, use their FICO score</li> </ul>
First Time Homebuyer	<p>First-time Homebuyer</p> <ul style="list-style-type: none"> <li>• Primary residence only.</li> <li>• DTI may not exceed 45%.</li> <li>• Minimum six (6) months of reserves.</li> <li>• 12-month rental history reflecting 0x30 <ul style="list-style-type: none"> <li>○ First-time homebuyers without a documented 12-month rental history: <ul style="list-style-type: none"> <li>▪ DTI may not exceed 43%.</li> <li>▪ LTV may not exceed 80%</li> </ul> </li> </ul> </li> </ul>
Derogatory Credit Events	<p>Significant Events</p> <ul style="list-style-type: none"> <li>• Bankruptcy, Foreclosure, Short Sale &amp; Short Pay, Modification, Dee-in-lieu, Pre-Foreclosure Events (NOD &amp; Lis Pendens) <ul style="list-style-type: none"> <li>○ See matrix above for seasoning</li> </ul> </li> <li>• Judgment / Tax Lien: Must meet one of the following: <ul style="list-style-type: none"> <li>○ Paid off prior to or at closing, or</li> <li>○ Show 3 month satisfactory payment history, include payment in DTI, subordinate if recorded</li> </ul> </li> <li>• Collection: <ul style="list-style-type: none"> <li>○ May be excluded if individually less than \$250 or in aggregate less than \$1,000. If greater, must be paid off prior to or at closing.</li> <li>○ Medical collections are excluded from this requirement regardless of amount.</li> </ul> </li> <li>• Charge-Offs: <ul style="list-style-type: none"> <li>○ Not required to be paid off</li> </ul> </li> </ul>
<b>Assets</b>	
Asset Accounts	<ul style="list-style-type: none"> <li>• Use 100% of cash and cash equivalents</li> <li>• Use 80% of face value for non-retirement asset accounts</li> <li>• Use 70% of retirement assets if Borrower is under 59.5, 80% if over</li> <li>• If the Borrower is liquidating funds from non-retirement sources, document liquidation and end balance</li> <li>• If the Borrower is liquidating from retirement accounts, document the liquidation and end balance</li> <li>• 1031 exchanges eligible for investment properties</li> </ul>

	<ul style="list-style-type: none"> <li>○ see Underwriting Guidelines</li> <li>• Business funds may be used for down payment, closing costs and reserves. <ul style="list-style-type: none"> <li>○ The amount of funds that may be utilized is based on the Borrower's percentage of ownership.</li> <li>○ Borrower(s) must provide either: <ul style="list-style-type: none"> <li>▪ A letter from Borrower's CPA, EA, or licensed tax preparer stating that the Borrower(s) may access the business funds and that the withdrawal will have no adverse impact; or</li> <li>▪ A letter from the Borrower(s) stating that they may access the business funds and Cash Flow Analysis to document that the withdrawal will have no adverse impact-see Underwriting Guidelines</li> </ul> </li> </ul> </li> </ul>
Gift Funds	<ul style="list-style-type: none"> <li>• For Owner-occupied properties a 5% down payment has been made by the borrower from their own funds. <ul style="list-style-type: none"> <li>○ 100% Gift Funds are allowed for Full Doc or 24-month Bank Statement loans only, with a maximum LTV of 75%.</li> <li>○ Borrower(s) must meet both reserve and residual income requirements.</li> </ul> </li> <li>• For Investment properties, a minimum of 10% of the down payment must be made by the borrower from their own funds.</li> <li>• Gifts of Equity are allowed for Owner Occupied properties only</li> <li>• Gift funds may not be used to meet the reserve requirements</li> </ul>
Income Requirements	
Full Doc	
Wage Earner	<p>Documentation Requirements</p> <ul style="list-style-type: none"> <li>• Provide the last two years' W-2's</li> <li>• The most recent 30 consecutive days of paystubs including year to date income with the most recent one dated within 60 calendar days of the note date.</li> </ul> <p>Qualification:</p> <ul style="list-style-type: none"> <li>• If Applicant receives bonus, commission, or overtime, obtain a written VOE to determine a history and continuance. <ul style="list-style-type: none"> <li>○ Generally, a two-year history is required</li> <li>○ 1-2 years can be used on a case-by-case basis with positive factors to offset and a reasonable expectation of continuance.</li> </ul> </li> <li>• HEM reserves right to request tax returns in its sole discretion.</li> <li>• Restricted stock units: <ul style="list-style-type: none"> <li>○ Restricted stock units may be used as qualifying income.</li> <li>○ Applicant must have a two-year history of receipt and a three-year continuance on vesting.</li> </ul> </li> <li>• Stock options: <ul style="list-style-type: none"> <li>○ Stock options may be used as qualifying income.</li> <li>○ Applicant must have a two-year history of receipt and exercise.</li> </ul> </li> </ul>
Self Employed	<ul style="list-style-type: none"> <li>• Applicants must generally be self-employed for 2 years; however, 1-2 years is acceptable with 2 years previous employment in same line of work and no gaps.</li> <li>• Provide the most recent one or two years' personal and/or business federal tax returns as applicable. <ul style="list-style-type: none"> <li>○ If providing two years of income documents, take 24-month average of income if increasing, 12-month average if decreasing. If decreasing, additional documentation may be required.</li> <li>○ A year end and/or year to date profit and loss statement and balance sheet dated within 60 calendar days of funding may be required.</li> <li>○ See Underwriting Guidelines for additional information.</li> </ul> </li> <li>• Verification of current business revenues and operations required prior to closing, to be verified with the following: <ul style="list-style-type: none"> <li>○ Most recent two (2) business bank statements prior to application supporting the profit and loss statement provided</li> <li>○ Most recent one (1) business bank statement prior to funding supporting the profit and loss statement</li> </ul> </li> </ul>
Other Income	<p>Asset Distribution</p> <ul style="list-style-type: none"> <li>• Applicants may supplement income disclosed via traditional income sources by annuitizing their assets.</li> <li>• They may set up a monthly distribution and document receipt of at least one monthly distribution prior to closing.</li> <li>• The distribution must have at least 7 years of continuance based on the effective value of the asset as of the distribution commencement.</li> <li>• Verify current balance within 60 days of the note date.</li> <li>• Retirement accounts are ineligible if Applicant is under 59.5 <ul style="list-style-type: none"> <li>○ See Underwriting Guidelines</li> </ul> </li> </ul> <p>Passive Asset Utilization</p> <ul style="list-style-type: none"> <li>• Applicants may supplement income disclosed via traditional sources by depleting assets available over a 10-year term with no rate of return imputed.</li> <li>• All assets necessary to complete the transaction, including post-closing reserves, must be deducted in order to complete the calculation.</li> <li>• Verify current balance with the most recent full monthly statement available as of the note date. Standard asset haircuts are utilized <ul style="list-style-type: none"> <li>○ See Asset Accounts.</li> </ul> </li> </ul> <p>Other Sources</p> <ul style="list-style-type: none"> <li>• Document most recent 1-2 years receipt on tax returns and supporting tax documentation, current receipt, and expectation of at least three years' continuance</li> </ul>

Rental Income	<ul style="list-style-type: none"> <li>Method 1   Tax Returns <ul style="list-style-type: none"> <li>Utilize the net figure on schedule E page 1 of most recent year's tax return adding back depreciation, amortization, and interest.</li> <li>Subtract the principal and interest component of the mortgage payment.</li> <li>Current insurance, taxes, and homeowner's association dues do not need to be documented.</li> <li>Document the unit in question is rented with most recent month's rent check.</li> </ul> </li> <li>Method 2   Lease <ul style="list-style-type: none"> <li>Use 75% of current lease less documented PITI plus HOA dues and/or common charges.</li> <li>If lease is materially greater than income listed on tax return(s),</li> <li>Applicant to provide supporting explanation/documentation.</li> <li>Document the unit in question is rented with most recent month's rent check.</li> <li>Rental income from a vacant property may only be used on the subject property on a purchase transaction.</li> </ul> </li> </ul>
Alternative Documentation	
ALT DOC - Bank Statements	
Self Employed	<ul style="list-style-type: none"> <li>Applicants must have been self-employed for at least two years. <ul style="list-style-type: none"> <li>A CPA, EA, or licensed tax preparer letter or equivalent document verifying self-employment must be provided in all cases.</li> <li>At underwriter's discretion, current business existence and operations may be re-verified prior to closing and updated bank statements may be required.</li> </ul> </li> </ul>
Income Documentation	<p><b>Personal Bank Statements</b></p> <ul style="list-style-type: none"> <li>Provide the most recent 12 or 24 months of personal bank statements.</li> <li>Evaluate deposits to verify that they are part of Applicant's income stream.</li> <li>The applicant must own at least 20% of the business verified by a CPA letter, Tax Preparer letter, operating agreement, or equivalent.</li> <li>Any that are abnormal to Applicants typical deposits must be sourced/documented to be considered as part of income.</li> <li>Total all eligible deposits and divide by number of statements provided to determine monthly income.</li> <li>Provide the most recent 3 months of business statements to verify that income is coming from Applicant's business.</li> <li>Transfers from only one account are allowed.</li> <li>Transfers between personal accounts not considered income.</li> <li>An applicant who provides personal statements but does not meet the above outlined criteria will have their statements treated as business statements.</li> </ul> <p><b>Business Bank Statements</b></p> <ul style="list-style-type: none"> <li>Provide the most recent 12 or 24 months of business bank statements.</li> <li>Multiple accounts may be used; however, the same calculation method must be applied across all accounts provided.</li> <li>The Applicant(s) combined must own 25% or more of the business to utilize business bank statements.</li> </ul>
Income Calculations Methods	<p><b>Method 1   Uniform Expense Ratio</b></p> <ul style="list-style-type: none"> <li>Multiply eligible deposits received by the standard expense factor per the guidelines expense ratio.</li> <li>Multiply result by Applicant's ownership percentage and divide by number of statements provided. <ul style="list-style-type: none"> <li>The expense ratio must be reasonable to Applicant's line of work and if the applicant qualifies; no further information is required.</li> </ul> </li> <li>Any abnormal deposits will need to be sourced and documented.</li> </ul> <p><b>Method 2   Profit and Loss Statement</b></p> <ul style="list-style-type: none"> <li>Provide a CPA, EA, or licensed tax preparer prepared profit and loss statement covering the period of bank statements provided.</li> <li>As long as business statements support eligible deposits of at least 75% of the gross receipts listed on the P&amp;L, use the net income on the P&amp;L for qualifying based on the Applicant's pro-rata share of ownership.</li> <li>Any abnormal deposits will need to be sourced and documented. Income utilized to qualify must be reasonable based on the Applicant's line of work.</li> </ul> <p><b>Method 3   CPA Letter for Expense Ratio</b></p> <ul style="list-style-type: none"> <li>Provide a letter from Applicant's CPA, EA, or licensed tax preparer stating the business' expense ratio based on the most recent year's tax return. <ul style="list-style-type: none"> <li>The letter may not include any exculpatory language.</li> </ul> </li> <li>Multiply the expense ratio by the business' total deposits over the period shown on bank statements.</li> <li>Deduct that figure from the total deposits.</li> <li>Multiply net deposits by the Applicant's pro-rata ownership percentage and divide by the number of statements provided.</li> <li>Income utilized to qualify must be reasonable based on the Applicant's line of work.</li> </ul> <p><b>All Methods:</b></p>



	<ul style="list-style-type: none"> <li>Comingled accounts will be treated as business accounts for purposes of determining income.</li> <li>NSFs:</li> <li>NSFs are counted on an "instance" basis.</li> <li>A max of 3 instances is allowed if 12 months of statements are provided</li> <li>A max of 6 instances is allowed if 24 months of statements are provided. See Underwriting Guidelines for additional detail.</li> </ul> <p><b>Income trend:</b></p> <ul style="list-style-type: none"> <li>Bank statements should show a stable or increasing trend.</li> <li>If the trend is declining and/or irregular, additional documentation may be required at underwriter's discretion.</li> </ul>
Co Borrower	<ul style="list-style-type: none"> <li>Full documentation from a Co-Applicant who is not self-employed may be used to supplement bank statement.</li> <li>See full documentation guidelines for additional information on acceptable sources.</li> <li>Taxable income is counted on a "gross" amount regardless of the net deposit shown on bank statements.</li> </ul>
Rental Income	<ul style="list-style-type: none"> <li>Utilize 75% of the current lease income less PITIA on a net basis.</li> <li>Do not include rental deposits as part of the bank statement income stream.</li> <li>Document receipt of rental income.</li> <li>Rental income may not be used to qualify on a vacant unit, except on the subject property on a purchase transaction.</li> </ul>
Other Income	<ul style="list-style-type: none"> <li>Borrowers who have supplemental income sources may utilize them to qualify provided the history of receipt and continuance requirements under the full documentation guidelines are met.</li> <li>The borrower utilizing 1099 income must still earn the majority of their income from activity calculated via 1099s and the applicable expense ratio.</li> <li>The acceptable supplemental income sources are limited to: <ul style="list-style-type: none"> <li>social security</li> <li>pension</li> <li>alimony</li> <li>child support</li> <li>asset distribution/utilization</li> <li>second job income.</li> </ul> </li> </ul>
<b>ALT DOC - GIG Qualifier</b>	
Product Eligibility	<ul style="list-style-type: none"> <li>The borrower must be compensated in the form of commission or as an independent contractor.</li> <li>1099s need to cover a complete calendar year</li> </ul>
Documentation Requirements	<p>The following documents are required for the file:</p> <ul style="list-style-type: none"> <li>Most recent one or two years of 1099(s)</li> <li>Documentation of year-to-date income, within 60 days of the note date</li> <li>A CPA, EA, or licensed tax preparer completed profit and loss statement or expense ratio letter (as applicable)</li> <li>1099 transcripts</li> </ul> <p>At the underwriter's discretion, verification of current business revenues and/or operations may be required prior to closing</p>
Income Calculations Options	<ul style="list-style-type: none"> <li>Provide the most recent one or two years of 1099s.</li> <li>An expense ratio must be developed using one of the two below Options. <ul style="list-style-type: none"> <li>If gross receipts are stable or increasing year over year, use a 24-month average of net income.</li> <li>If gross receipts are declining, a 12-month average shall be utilized.</li> </ul> </li> </ul> <p><b>Option 1   Uniform Expense Ratio</b></p> <ul style="list-style-type: none"> <li>Apply a 10% expense factor to all eligible gross receipts.</li> <li>The expense ratio must be reasonable to the borrower's line of work and the borrower qualifies; no further information is required.</li> </ul> <p><b>Option 2   Profit and Loss Statement</b></p> <ul style="list-style-type: none"> <li>Provide a CPA, EA, or licensed tax preparer prepared profit and loss statement covering the most recent two calendar years, depending on the 1099s provided.</li> <li>The gross receipts on the 1099s must support at least 90% of the gross receipts listed on the P&amp;L</li> <li>Use the net income on the P&amp;L for qualifying.</li> </ul> <p><b>Option 3   CPA Letter for Expense Ratio</b></p> <ul style="list-style-type: none"> <li>Provide a letter from Borrower's CPA, EA, or licensed tax preparer stating the borrower's expense ratio based on the most recent year's tax return.</li> <li>The letter may not include any exculpatory language.</li> <li>Multiply the expense ratio by the gross receipts shown on the 1099s.</li> <li>Deduct that figure from the gross receipts and average the results over the number of months of 1099s provided.</li> </ul>

	Income trend: 1099 gross receipts should show a stable or increasing trend. If the trend is declining and/or irregular, additional documentation may be required at underwriter's discretion.
Co-Borrower	<ul style="list-style-type: none"> <li>Full documentation from a Co-Borrower may be used in addition to the 1099 income.</li> <li>See full documentation guidelines for additional information on acceptable sources.</li> </ul>
Rental Income	<ul style="list-style-type: none"> <li>Utilize 75% of the current lease income less PITIA on a net basis.</li> <li>Do not include rental deposits as part of the bank statement income stream.</li> <li>Document receipt of rental income.</li> <li>Rental income may not be used to qualify on a vacant unit, except on the subject property on a purchase transaction.</li> </ul>
Other Income	<ul style="list-style-type: none"> <li>Borrowers who have supplemental income sources may utilize them to qualify provided the history of receipt and continuance requirements under the full documentation guidelines are met.</li> <li>The borrower utilizing 1099 income must still earn the majority of their income from activity calculated via 1099s and the applicable expense ratio.</li> <li>The acceptable supplemental income sources are limited to: <ul style="list-style-type: none"> <li>social security</li> <li>pension</li> <li>alimony</li> <li>child support</li> <li>asset distribution/utilization</li> <li>second job income.</li> </ul> </li> </ul>
<b>ALT DOC - WVOE Only</b>	
Eligibility	<ul style="list-style-type: none"> <li>Two-year history with same employer is required.</li> <li>Minimum credit score: 680</li> <li>Primary Residence Only</li> <li>FTHB maximum LTV 70%, no gift funds allowed.</li> <li>Borrower(s) employed by family members or related individuals are not eligible.</li> <li>Only eligible source of income is limited to Wage/Salary.</li> </ul>
Documentation Requirements	<ul style="list-style-type: none"> <li>24-month 0x30 housing history required.</li> <li>Paystubs, Tax Returns, 4506-C, or W-2's not required.</li> <li>Two (2) Months Personal Bank Statements required to support the WVOE.</li> <li>The bank statements must reflect deposits from the employer supporting at least 65% of gross wage/salary reflected on the WVOE.</li> </ul>
<b>ALT DOC - Asset Qualifier</b>	
Documentation Requirements	<ul style="list-style-type: none"> <li>All individuals listed on the asset account(s) must be on the Note and Mortgage.</li> <li>Assets considered for this program must be verified with most recent three (3) monthly account statements, quarterly statement, or a VOD;</li> <li>Assets must be seasoned 120-days;</li> <li>Income other than Asset Utilization must meet Non-QHEM requirements</li> </ul>
Eligibility	<ul style="list-style-type: none"> <li>Minimum FICO - 660</li> </ul>
Income Calculation Options	<p>Assets must be liquid and available with no penalty; additional documentation may be requested to validate the origin of the funds:</p> <ul style="list-style-type: none"> <li>100% of Checking, Savings, and Money Market Accounts;</li> <li>70% of Stocks, Bonds, and Mutual Funds;</li> <li>70% of Retirement Assets: Eligible if the borrower is of retirement age (at least 59 ½);</li> <li>60% of Retirement Assets: Eligible if the borrower is not of retirement age.</li> </ul> <p><b>Debt Ratio Calculation:</b></p> <ul style="list-style-type: none"> <li>Option 1 – 60 months <ul style="list-style-type: none"> <li>Minimum Eligible Assets required are the lessor of \$1,000,000 or 150% of the loan amount</li> <li>Qualifying income based upon Total Assets Eligible for Depletion, less down payment, less out of pocket closing costs, less required reserves, divided by 60.</li> </ul> </li> <li>Option 2 – 84 months <ul style="list-style-type: none"> <li>No Minimum Eligible Assets amount is required.</li> <li>Qualifying income based upon Total Assets Eligible for Depletion, less down payment, less out of pocket closing costs, less required reserves, divided by 84.</li> </ul> </li> </ul>
Rental Income	<ul style="list-style-type: none"> <li>Rental properties are calculated based on 75% of lease less PITIA to determine impact on debt service. <ul style="list-style-type: none"> <li>Net rent can never exceed \$0 for determining impact. <ul style="list-style-type: none"> <li>For example, a property with a lease of \$1,600 and PITIA of \$1,500 would have a \$300 per month added to debt service (\$1,600 *75% - \$1,500=\$300).</li> </ul> </li> </ul> </li> </ul>
<b>ALT DOC – 12 or 24 month P&amp;L</b>	
Documentation Requirements	<b>P&amp;L Program</b>

	<ul style="list-style-type: none"> <li>• Provide a 12- or 24-month Profit &amp; Loss statement prepared by a Certified Public Accountant (CPA), EA, CTEC or Tax Attorney. <ul style="list-style-type: none"> <li>○ PTIN prepared P&amp;Ls are not acceptable</li> </ul> </li> <li>• The credit file must contain documentation showing the one of the following <ul style="list-style-type: none"> <li>○ CPA is currently licensed in their state</li> <li>○ the EA is currently active (Screen shot of the IRS web site)</li> <li>○ the CTEC is active (Screen shot from CTEC web site).</li> </ul> </li> <li>• The borrower must own a minimum of 25% of the business</li> <li>• The P&amp;L must be dated within 30-days of the loan application</li> <li>• The preparer must attest they have reviewed all of the borrower's financials, including the tax returns for the period of the P&amp;L and provide the borrower's ownership percentage <ul style="list-style-type: none"> <li>○ Qualifying income is the net income from the P&amp;L divided by the period covered (24 or 12-months) multiplied by the borrower's ownership percentage.</li> </ul> </li> </ul>
Credit Score	<ul style="list-style-type: none"> <li>• 680 minimum</li> </ul>
LTV Restriction	<ul style="list-style-type: none"> <li>• Purchase – 85% max LTV</li> <li>• Refinance – 80% max LTV</li> </ul>
Income Calculation	<ul style="list-style-type: none"> <li>• Qualifying income is the net income from the P&amp;L divided by the time period covered (24 or 12-months) multiplied by the borrower's ownership percentage.</li> <li>• Expenses on the P&amp;L must be reasonable for the industry, HEM reserves the right to require additional information</li> </ul>
Co Borrower	<ul style="list-style-type: none"> <li>• Full documentation from a Co-Applicant who is not self-employed may be used to supplement bank statement.</li> <li>• See full documentation guidelines for additional information on acceptable sources.</li> <li>• Taxable income is counted on a “gross” amount regardless of the net deposit shown on bank statements.</li> </ul>
Rental Income	<ul style="list-style-type: none"> <li>• Utilize 75% of the current lease income less PITIA on a net basis.</li> <li>• Do not include rental deposits as part of the bank statement income stream.</li> <li>• Document receipt of rental income.</li> <li>• Rental income may not be used to qualify on a vacant unit, except on the subject property on a purchase transaction.</li> </ul>
Other Income	<ul style="list-style-type: none"> <li>• Borrowers who have supplemental income sources may utilize them to qualify provided the history of receipt and continuance requirements under the full documentation guidelines are met.</li> <li>• The borrower utilizing 1099 income must still earn the majority of their income from activity calculated via 1099s and the applicable expense ratio.</li> <li>• The acceptable supplemental income sources are limited to: <ul style="list-style-type: none"> <li>○ social security</li> <li>○ pension</li> <li>○ alimony</li> <li>○ child support</li> <li>○ asset distribution/utilization</li> <li>○ second job income.</li> </ul> </li> </ul>