Home Equity Line of Credit - Eligibility

Loan Amount/Credit Score/HCLTV Matrix

Standard Doc

Loan Amount	Credit Score	Primary	Second Home	Investment
$250,000	740	90	75	70
	700	85	75	65
	680	75	75	NA
$350,000	740	85	75	65
	700	85	75	65
	680	75	70	NA
$500,000	740	75	75	NA
	700	75	70	NA
	680	75	65	NA

Alt Doc

Loan Amount	Credit Score	Primary	Second Home	Investment
$250,000	740	80	75	70
	700	75	70	65
$350,000	740	75	75	65
	700	75	70	65
$500,000	740	75	70	NA
	700	70	65	NA

Housing History	Credit Event Seasoning	Forbearance, Modification, or Deferral	First Time Home Buyer
0x30x12	BK/FC/SS/DIL: ≥ 84 Mo Multiple Derogatory Events: ≥ 84 Mo See Non-Agency Guide for details	12-months of consecutive payments since exiting plan	Not Applicable

State Eligibility

- State Overlays for CT, FL : Max CLTV 80%, min credit score 720

Not available in

- Illinois, Massachusetts, New Jersey, New York, Pennsylvania, Tennessee, Texas, Vermont, Hawaii

Declining Market

If the appraisal report identifies the property in a declining market, the maximum CLTV is limited to 80% for all transactions.

General Requirements

Product and Term	• Variable Rate – Terms of 15, 20, 25 & 30 years
	  ○ Index: Prime as published in the Wall Street Journal (daily)
	  ○ Margin: See Rate Sheet
	  ○ Floor Rate: 4.0
	  ○ Maximum Rate: 18%
	  ○ Daily Periodic Interest Rate: Index plus Margin
	  ○ Finance Charges: Interest accrues on the day of an advance and continues until the outstanding balance is paid in full. Interest is calculated daily based upon the Daily Periodic Rate and the daily balance.
	• Draw Period: 2 year, 3 year, or 5 year
	• Minimum Payment:
	  ○ Draw Period: Interest only calculation, greater of accrued interest or $100
	  ○ Repayment Period: Amortizing principal and interest payment based upon the total line amount, repayment term, current rate (Index plus Margin)

Advances	• Initial Advance: Minimum 75% of total line amount • Minimum Advance: $1,000.00 • Maximum Advance: Line amount • Lock-out Period: Advances not available for a period of 90-days after closing to allow for servicing transfer
Responsible Lending	• Ineligible loans include State High Cost and HOEPA • Points/Fees not to exceed 5%
Loan Amounts	• Min: $75,000 • Max: $500,000
Combined Loan Balance	• Maximum combined loan balance for all liens not to exceed $2,000,000
Loan Purpose	• Stand-Alone Cash Out (minimum ownership of 12 months required)
Occupancy	• Primary, Second Home, Investment
Cash-Out	• Max cash-out: $500,000

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Eligible Borrower	• U.S. Citizen • Permanent Resident Alien
Ineligible Loan Features	• Lien Free Properties –if the subject property is lien free, including delayed financing, ineligible. • Unseasoned cash-out –if the existing lien is a cash-out, measured within six (6) months of the note date to note date. • Frequent Refinances –Two (2) or more cash-out refinances in the past twelve (12) months. • All existing subordinate liens must be satisfied.
Income Requirements	
Standard Doc	• Wage/Salary: Paystubs, W-2's, 1-year or 2-years Tax Returns, IRS Form 4506-C, Verbal VOE • Self-Employed: 1-year or 2-years Personal and Business Tax Returns, YTD P&L, IRS Form 4506-C
Underwriting Requirements	
Personal Bank Statements	• 12- or 24-months of personal and 2-months of business bank statements. • Qualifying income is determined by the total eligible deposits from the 12- or 24-months of personal statements divided by the number of statements. • The business bank statements must reflect business activity and transfers to the personal account.

Business Bank Statements	• 12- or 24-months of business bank statements. Qualifying income is determined by one of the following analysis methods:
	  ○ Fixed Expense Ratio (50%)
	  ○ Expense ratio provided by a 3rd party (CPA, EA, or tax preparer) min ratio of 10%
	  ○ 3rd party prepared Profit & Loss Statement (CPA, EA, or tax preparer)

Eligibility Criteria	• Refer to Chapter 4 of the Correspondent Non-Agency Guidelines.

First Lien	• First lien documentation requirements:
	  ○ Copy of 1st lien Note; and
	  ▪ Default interest rate on Note cannot exceed Note rate
	  ▪ If Interest Only and/or ARM, terms of the Note to be reviewed (See DTI Requirements)
	  ○ Copy of most recent monthly mortgage payment statement
	  ▪ Utilized to determine if payment includes escrows (See DTI Requirements)
	• Ineligible First liens with high-risk features which can include, but are not limited to:
	  ○ Forbearance, modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12- months of the Note date
	  ○ Loans in active forbearance or deferment
	  ○ Negative amortization including loans with Paid-In-Kind (PIK) features
	  ○ Balloon, if the balloon payment becomes due during the amortization period of the new 2nd lien
	  ○ Reverse Mortgages
	  ○ First liens for the subject property not reporting on credit report
	  ▪ e.g., Private party mortgages including any loan not reporting on credit report
	  ○ Loans secured by more than one underlying property, including cross collateralized loans or blanket mortgages
	  ○ Home Equity Line of Credit
	  ○ Note with default interest rate greater than the Note rate

Credit and Fraud	• Credit report • Gap credit report or Undisclosed Debt Monitoring (UDM) • Fraud report • OFAC • Credit Score Model- Classic FICO® only. VantageScore® 4.0 and FICO® Score 10T are ineligible.
Qualifying Credit Score	• Use representative credit score of the borrower with the lowest qualifying income • Rapid rescoring not allowed

First Lien Payment Verification	• Verify the 1st lien P&I payment with all of the following:
	  ○ Copy of 1st lien Note, and
	  ○ Copy of most recent monthly mortgage payment statement

Tradelines	• Minimum: All borrowers must have three (3) reporting with one (1) currently open and active for at least 24-months based on credit report pull date. Other two (2) reported for 12-months can be open or closed.
Reserves	• None required

DTI and Qualifying Payment	• Maximum DTI ratio:
	  ○ 50% DTI for HCLTV less than or equal to 80%
	  ○ 45% DTI for HCLTV greater than 80%
	• Qualifying Payment:
	  ○ Subject loan: Amortizing principal and interest payment based upon the total line amount, repayment term, current rate (Index plus Margin)
	  ▪ Index: Prime rate as published in the Wall Street Journal (daily)
	  ▪ Margin: Published in the HEM rate sheet
	  ○ First lien: Principal and Interest payment
	  ▪ Fixed rate: Note rate amortized over the total term
	  • Interest Only: Note rate amortized over the remaining term after the expiration of the interest only period
	  ▪ ARMs: Qualifying rate is the higher of the fully indexed rate or note rate
	  • Interest Only: Qualifying rate amortized over the remaining term after the expiration of the interest only period

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<table>
<tr><td>Age of Documents</td><td>

Credit Documents: May not be over 120-days old at the time of closing.
Title Report (or O&E): May not be over 60-days old at time of closing.
Appraisal: May not be over 120- days old at the time of closing for Full Appraisal and Exterior Drive-By. New appraisal is required after 120- days.
AVM may not be over 90- days old at time of closing.

</td></tr>
<tr><td colspan="2">Appraisal and Property</td></tr>
<tr><td>Property Type</td><td>

Single Family (Attached, Detached, PUD)
2-4 Unit residential properties (Max HCLTV 80%)
FNMA Warrantable Condo (Max HCLTV 80%)
Rural: Not eligible

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<tr><td>Appraisals</td><td>

Transferred appraisals are not eligible.

<u>Loan Amount ≤$250,000</u>

AVM within 90- days of the Note date from approved vendor with acceptable FSD and a new Property Condition Report with acceptable findings, or
Exterior Drive-By appraisal (2055 or 1075), or
One (1) unit property, with or without an accessory dwelling unit
New Appraisal Must be UAD compliant. Either UAD 2.6 legacy forms (1004, 1073, 1025) or UAD 3.6 (URAR) is acceptable, or
Prior 1st lien appraisal dated within 6- months of subject loan Note date allowed subject to the following:
The lender on the prior appraisal must be the same as the subject loan, and
A new Property Condition Report with acceptable findings, and
Recertification of value by the original appraiser.

<u>Loan Amount >$250,000</u>

New Appraisal Must be UAD compliant. Either UAD 2.6 legacy forms (1004, 1073, 1025) or UAD 3.6 (URAR) is acceptable., or
Prior 1st lien appraisal dated within 6- months of subject loan Note Date allowed subject to the following:
The lender on the prior appraisal must be the same as the subject loan, and
A new Property Condition Report with acceptable findings, and
Recertification of value by the original appraiser, and
AVM within 90- days of the Note date from approved vendor with acceptable FSD.
The lower of the Prior Appraisal value or the current AVM will be used to determine CLTV.

<u>Secondary Valuation Product</u>

Secondary valuation product is not required.

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<tr><td>AVM and FSD Score</td><td>
The following AVM vendors are acceptable:
<table>
<tr><th>AVM Vendor</th><th>Acceptable FSD Score</th></tr>
<tr><td>Clear Capital</td><td>0.00 to 0.13</td></tr>
<tr><td>Collateral Analytics / ICE</td><td>0.00 to 0.10</td></tr>
<tr><td>House Canary</td><td>0.00 to 0.10</td></tr>
<tr><td>Red Bell Real Estate (Homegenius)</td><td>0.00 to 0.10</td></tr>
</table>
</td></tr>
<tr><td>Property Condition Report</td><td>

When required, a Property Condition Report (i.e., Clear Capital Property Condition Inspection) should be obtained to include an exterior photo of the subject property along with a rating of the property's physical condition and characteristics. Exterior inspection of the property is required.

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<tr><td>Recently Listed Properties</td><td>

Properties currently listed for sale or previously listed for sale within the past 6-months are not eligible

</td></tr>
<tr><td>Title Insurance</td><td>
<u>Loan Amount ≤$250,000, provide one of the following</u>

Owner and Encumbrance Report (O&E) to include:
Current Grantee / Owner
How property was conveyed to current owner
Liens (e.g., mortgage, UCC, other financing)
Involuntary liens and judgements
Property Tax Information with break-down of all taxes including special assessments
Legal Description
ALTA Full Title Policy
ALTA Short Form Residential Limited Coverage Junior Loan Policy

<u>Loan Amount >$250,000, provide one of the following</u>

ALTA Full Title Policy
ALTA Short Form Residential Limited Coverage Junior Loan Policy

</td></tr>
<tr><td>Flood Certificate</td><td>

Flood determination required for every loan file
Properties within a flood zone require evidence of insurance coverage in accordance with the HFIAA
Loss payee clause must reflect HEM as additional insured

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Escrows	• Escrows for taxes and hazard insurance not required
Hazard Insurance	• Hazard Insurance coverage must provide for claims to be settled on a replacement cost basis • Loss payee clause must reflect HEM as additional insured

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