

COMMUNITY SAVINGS UNDERWRITING GUIDELINES

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OVERVIEW

Non-QM guidelines are structured to guide its users towards making common sense lending decisions on loans to borrowers with limited access to traditional lending. It is crucial to prioritize common-sense approaches that evaluate the borrower's ability to repay while considering compensating factors that offset potential risks. These decisions focus on the borrower's overall financial profile, including alternative indicators of stability, such as consistent employment, savings patterns, or a strong payment history for non-traditional obligations. Every approval must demonstrate the borrower's capacity to repay based on documented evidence and sound judgment, ensuring the decision aligns with responsible lending practices. By balancing risk with compensating factors, Community Savings can create equitable opportunities for underserved borrowers without compromising the integrity of lending standards.

Loans eligible for sale to a Government Sponsored Entity Federal National Mortgage Association ("Fannie Mae" or "FNMA") or Federal Home Loan Mortgage Corporation ("Freddie Mac" or "FHLMC") are not eligible for the Non-QM programs.

Where these Guidelines are silent, defer first to the Third-Party Mortgage Credit Policy and Bank Credit Policy. Investor/FNMA guidance may be used only as a technical reference when consistent with Bank policy; conflicts must be escalated and documented.

ELIGIBLE PROGRAMS

- Community Full Doc
- Community Alt Doc
- Community ITIN

***if any borrower contributing income is an ITIN, the loan must be structured as Community ITIN

ELIGIBLE PRODUCTS

- Amortization Period: 15 or 30 years for FULL/ALT Doc, 15 or 30 years for ITIN
- 5/6, 7/6, 10/6 SOFR ARM for FULL/ALT Doc only (amortization period 30 years)

Qualifying Rate (All Doc Types)

- Fixed: Promissory Note Rate
- ARM: Use higher of start rate or fully indexed rate
- HOEPA loans are prohibited

QUALIFYING PAYMENT

Qualifying payment will be based on the qualifying rate amortized over the repayment period of the loan.

PROGRAM PARAMETERS

Full and Alt Doc Loan Amounts, FICO, LTV/CLTV, Reserves Matrice

OCCUPANCY		PRIMARY & 2ND HOME				INVESTMENT				
Loan Amount	FICO	Purchase	Rate & Term	Cash-Out/Debt Consolidation	Reserves	FICO	Purchase	Rate & Term	Cash-Out	Reserves
\$150,000 - \$1,000,000	720+	85%	85%	80%	3 Months	720+	80%	80%	75%	3 Months
	680	80%	80%	75%		680	75%	75%	70%	
	660	70%	70%	70%		660	70%	70%	70%	
\$1,000,001 - \$1,500,000	720+	85%	85%	80%	6 Months	720+	80%	80%	75%	6 Months
	680	80%	80%	75%		680	75%	75%	70%	
	660	70%	70%	70%		660	n/a	n/a	n/a	

\$1,500,001 - \$2,000,000	720+	80%	80%	75%	9 Months	720+	80%	80%	75%	9 Months
	680	80%	80%	75%		680	75%	75%	70%	
\$2,000,001 - \$2,500,000	660	70%	70%	70%		660	n/a	n/a	n/a	
	720+	80%	80%	75%		720+	80%	80%	75%	
	680	75%	75%	70%		680	75%	75%	70%	
\$2,500,001 - \$3,000,000	720+	75%	75%	70%		720+	75%	75%	70%	

ITIN Loan Amounts, FICO, LTV/CLTV, Reserves Matrice

OCCUPANCY		PRIMARY & 2ND HOME				INVESTMENT				
Loan Amount	FICO	Purchase	Rate & Term	Cash-Out/Debt Consolidation	Reserves	FICO	Purchase	Rate & Term	Cash-Out	Reserves
\$100,000 - \$1,000,000	720+	85% *	80%	75%	>80% Primary 6 months >80% 2 nd Home 8 months <=80% 3 months	720+	80%	80%	70%	3 Months
	680	80%	80%	70%	3 Months	680	75%	75%	70%	
	660	70%	70%	70%		660	70%	70%	70%	

Short term rental: max LTV 75% on purchase, 70% on refinance or cash out.

Declining markets, as identified by the appraiser, require 5% LTV reduction.

Maximum Debt to Income or DTI:

- 50% max DTI
- 45% when LTV/CLTV > 80%
- 45% for First Time Home Buyer
- 43% for unverifiable housing history/rent free letter

Eligible States in which to originate include: NY, NJ, PA, OH, FL and CT

Eligible property types include:

- Single family residence (as well as SFR with ADU)
- Modular
- PUD
- Townhome
- 2-4 Units
- Condominium
- Non-warrantable Condos with credit committee approval (eligible in Full/ALT doc, by exception in ITIN)
- Rural properties (ineligible for investment properties)
- Condotels (eligible on investment properties only)
- Properties up to 20 acres, up to 10 acres for ITIN
- Properties must be titled in the name of at least one borrower

Ineligible Property Types

- Properties with more than 4 units per building, apartment properties, mixed use commercial properties with

- limited single-family units and/or store fronts, and co-operatives
- Properties with grandfathered non-conforming uses and properties used as residential but zoned as commercial or industrial properties
 - Mobile Homes
 - Properties powered by wind energy
 - Houseboats and other floating properties on docks or piers
 - Ranches, orchards, vineyards, and farms operated for profit
 - Raw land, acreage, unimproved parcels, building lots, properties on leased land, and properties with a tax abatement or tax deferral based on agricultural use (with exception of lot loan product) unless qualifying under the Bank's Lot Loan or Construction Loan programs
 - Time share units, fractional fee simple ownership units and single room studio condominiums
 - Agricultural properties
 - Manufactured
 - Appraised condition rating of C5 or C6
 - Assisted living facilities
 - Barndominiums
 - Boarding houses, homes that rent out by the room, or bed/breakfast properties
 - Co-op/timeshare
 - Condo cooperative share loans
 - Dome or geodesic homes
 - Homes on Indian reservations, Indian Leased Land
 - Hawaii properties located in lava zones 1 and/or 2
 - Log homes
 - Commercial properties
 - Properties not readily accessible by roads that meet local standards
 - Properties not suitable for year-round occupancy regardless of location
 - Properties with zoning violations
 - Properties used for the cultivation, distribution, manufacture, or sale of marijuana.
 - Vacant land or land development properties

OCCUPANCY

Primary Residence

- It is occupied by the applicant for a majority portion of the year
- It is in a location relatively convenient to the borrower's principal place of employment; it is the address of record for such activities as federal income reporting, voter registration, occupational licensing and similar functions
- Borrower must occupy the property within 60 days of closing
- At least one of the borrowers must occupy the property and take title
- Exceptions for military, elderly parent, disabled adult children or college students are made on a case-by-case basis

Second Home

- A single-family property that the borrower occupies in addition to their primary residence
- The second home should not be in the same market (market defined as part of Underwriting guidelines) as the borrower's primary residence
- 2-4 unit properties are not eligible
- Rental income may not be used to offset the expense of a second home

- Must be in areas where second homes are customary or detailed letter of explanation supporting second home occupancy designation

Investment Properties

- See guidelines for types and conditions

INTERESTED PARTY CONTRIBUTIONS (IPCS)

All Interested Party Contributions must be properly disclosed in the Sales Contract, Appraisal, loan estimate (LE), and closing disclosure (CD), and be compliant with applicable federal, state, and local law. Disclosure requirements only pertain to Consumer loans.

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, their affiliates, or any other party with an interest in the real estate transaction. A borrower participating in the transaction (i.e., the borrower acting as their own agent) may contribute funds (i.e., commission) up to the maximum contribution limits referenced below.

Contributions from a real estate agent/broker or mortgage originator may be allowed if the max contribution percentages are not exceeded for total contributions paid on behalf of the borrower and dollar amount does not exceed the dollar amount of non-reoccurring closing costs.

Percentage is based on the lesser of the property's sales price or appraised value and may be applied toward the buyer's closing costs, prepaid expenses, discount points, and other financing concessions.

- 6% Contribution- Primary Occupancy, 2nd home and investment occupancy

Sales concessions include:

- Financing concessions more than the max financing concession limitations; or
- Contributions such as cash, furniture, automobiles, decorator allowances, moving costs, and other giveaways granted by any interested party to the transaction (contributions with a combined value under \$1,000 should be excluded)

Excessive or unallowed sales concessions must be deducted from the sales price when calculating LTV for underwriting and eligibility purposes. The LTV is calculated using the lower of the reduced purchase price or the appraised value.

Interested party contributions may only be used for closing costs and prepaid expenses (financing concessions) and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If an IPC is present, then the sales price is reduced by the concession amount that exceeds the limits referenced above.

Allowances for any repairs, item replacement, condition of property, or recurring closing incentives are not allowed and must be subtracted from the purchase price for calculation of LTV/CLTV.

ESCROWS | IMPOUND ACCOUNTS

Borrowers are required to establish initial and monthly escrow for annual taxes, hazard insurance, flood insurance (if applicable), and HO-6 insurance coverage (if applicable), unless otherwise specified by applicable state law or per program requirements.

- Full/ALT Doc Not Required
- ITIN Alt Doc: Required when LTV > 80%

Escrow/impounds are always required in the following situations:

- HPML – loan qualifies as a high price mortgage loan
- Flood Insurance – subject is required to have flood insurance

SECONDARY FINANCING

Secondary or subordinate financing is allowed with a maximum CLTV equaling maximum LTV per program matrices. Secondary financing must be institutional; private party secondary financing is not allowed. Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum available line amount (HCLTV) unless the borrower can provide documentation showing the line of credit is past its draw period. Subordinate financing must not have balloon payments that mature sooner than the first mortgage. An exception may be considered if the borrower possesses proof of assets the balloon balance can be covered.

NO SELLER CARRYBACKS.

The following is required for new secondary or subordinate financing:

- A copy of the loan approval and repayment terms for the new financing
- An unsigned copy of the subordination agreement prior to closing
- A copy of the executed subordination agreement at closing
- A copy of the executed Promissory Note at closing

The following is required for existing secondary or subordinate financing:

- Copy of the Note for the existing second lien.
- An unsigned copy of the subordination agreement prior to closing
- A copy of the executed subordination agreement at closing

The following requirements apply to all subordinate liens:

- Seller-held subordinate liens are not permitted
- Subordinate financing must be recorded and clearly subordinate to the new mortgage
- Payment on the subordinate financing must be included in the borrower's DTI, or the DSCR calculation.
- If the debt is an equity line of credit, the CLTV is calculated by adding the total HELOC credit line limit (rather than the amount of the HELOC in use) to the first mortgage amount (HCLTV), plus any other subordinate financing, and dividing that sum by the value of the property
- Negative amortization is not allowed, and the scheduled payments must be sufficient to cover at least the interest due
- Subordinate financing from the borrower's employer may not include a provision requiring payment upon termination

HOME EQUITY LINE OF CREDIT

When secondary or subordinate financing is a Home Equity Line of Credit (HELOC) the following must be met:

- The property being financed must be owner occupied
- The calculation of the CLTV must include the total usable HELOC (TLTV)
- A copy of the Promissory Note for the HELOC must be obtained to determine the payment based on the interest rate in effect for the HELOC on the date that the loan application is underwritten.
- Most recent HELOC statement.

AGE OF DOCUMENTS

The following may not be more than 10 days old from the date of the Promissory Note:

- Debt monitoring/credit refresh/LQCC
- VVOE (Verbal Verification of Employment)

- 20 Business days for Self-Employed borrowers
- 10 Calendar days for wage earners

The following may not be more than 90 days old from the date of the Promissory Note:

- Income documentation
- Asset Documentation
- Title Commitment/Preliminary Title Report/Binder
- Closing Protection Letter (CPL)
- Certificate of Good Standing

The following may not be more than 120 days old from the date of the Promissory Note:

- Appraisal Report (180 days with recertification of value)
- Flood certificate
- Credit report

PREPAYMENT PENALTY

On investment properties and where permitted by applicable laws and regulations, a prepayment charge can be structured to be assessed for between 1 and up to 5 years following the execution date of the Promissory Note.

UNDERWRITING

All files are manually underwritten.

INTEREST CREDIT CLOSINGS

Loans closed within the first 5 days of the month may reflect an interest credit to the borrower.

ASSUMABILITY

Loans are not assumable.

LIMITATIONS ON FINANCED PROPERTIES/EXPOSURE

Community Savings' exposure may not exceed 90% of the bank's legal lending limit or \$10M aggregate, whichever is less, with a maximum of 5 loans for each individual borrower. Maximum number of financed properties is 10 regardless of lender or occupancy.

Exceptions to this policy will require Credit Committee and Board Risk Committee approval.

STATE LICENSING

See [Forms](#) for complete list of state licensing.

TRANSACTION TYPES

PURCHASE

- Proceeds from the transaction are used to finance the acquisition of the subject property.
- LTV/CLTV based upon the lesser of the sales price or appraised value.

RATE/TERM REFINANCE

- Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
- Any subordinate loan not used in the acquisition of the subject property provided one of the following apply:
 - Closed end loan
 - HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than \$10,000.
- Buying out a co-owner pursuant to an agreement.
- Paying off an installment land contract executed more than 12 months from the Loan Application date.
- Cash back in an amount not to exceed the lesser of 2% of the new loan amount or \$2,000 can be included in the transaction. Covering standard loan fees (i.e., closing costs, taxes, insurance, interest) not considered cash out.
- LTV/CLTV is based upon the current appraised value, no seasoning required.
- Sales Restriction – Property must be removed from listing for at least one month prior to application and LTV will be based on the lesser of the list price or appraised value when listed within the last 3 months.
- Payoff of Property Assessed Clean Energy (PACE) or Home Energy Renovation Opportunity (HERO) loans.

NET TANGIBLE BENEFIT

In keeping with the commitment of responsible lending, all primary residence and second home consumer refinance transactions must have a measurable benefit to the borrower for rate and term refinance transactions.

When determining the benefit on a refinance transaction, one or more of the following must exist to support the benefit to the borrower:

- Balloon pay off
- Title transfer
- Property retention
- Rate reduction
- P&I reduction
- Debt reduction
- Refinancing from ARM to fixed rate
- Private Mortgage Payoff
- Cash out

State-specific and/or federal benefit to borrower compliance requirements must be adhered to. Files must contain documentation supporting the acceptable benefit.

- Additional restrictions apply if the new loan refinances an existing loan considered to be a special mortgage.

A special mortgage is originated, subsidized, or guaranteed by or through a state, tribal, or local government, or nonprofit organization that either bears a below-market interest rate at the time the loan was originated or has nonstandard payment terms beneficial to the borrower, such as payments that vary with income, are limited to a percentage of income, or where no payments are required under specified conditions.

If the borrower will lose one or more of the benefits of the special mortgage, then both of the following apply:

- Community Savings must check that the loan complies with all applicable state and local laws as well as laws associated with the subject special loan program for compliance; and
- Community Savings must take special care to ensure a net tangible benefit to the borrower

CASH OUT / CASH OUT REFINANCE

- A refinance that does not meet the definition of a rate/term refinance.
- If less than 6 mos. on title, reduce LTV by 5%. LTV/CLTV is based upon the lesser of the purchase price plus improvements or appraisal.
- A mortgage secured by a property currently owned free and clear is considered cash out.
- The payoff of delinquent real estate taxes, federal taxes, state taxes and judgments (60 days or more past due) is considered cash out.
- The borrower must indicate the purpose of the cash out proceeds.
- Properties listed for sale must be taken off the market one month prior to application. For properties listed by the current owner within the last six months, the LTV will be based on the lesser of the list price or appraised value.
- Texas 50 (a)(6) is not permitted
- Max cash out for LTV/CLTV > 65% is \$1,000,000. No limit for LTV/CLTV ≤ 65%
- Cash out proceeds may be used for 100% of reserve requirement

* Investment property cash out must qualify by DTI guidelines without payoff or enforcement of consumer debt.

DELAYED FINANCING

Cash out on properties purchased by the borrower with cash and owned for less than 6 months is allowed.

The following requirements apply:

- Delayed Financing within 6 months of original purchase is allowed with the following restrictions:
 - The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property *plus* the financing of closing costs, prepaid fees, and points on the new mortgage loan subject to the maximum LTV, CLTV, and HCLTV ratios for the cash out transaction based on the lower of the initial purchase price or current appraised value.
 - The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
- At least one of the following must exist:
 - No mortgage financing was used to obtain the property.
 - The original purchase transaction is documented by a 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 may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at the time of sale).
 - The preliminary title search or report must confirm that there are no existing/open liens on the subject property.
 - If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property.

- Loan will be qualified using the rate and term guidelines and parameters.

TEXAS 50 (A)(6)

Not Permitted

PROPERTIES LISTED FOR SALE

To be eligible for either a rate and term or a cash out refinance, the subject property must be taken off the market at least 1 month prior to application. The borrower must also confirm in writing the reason for the prior listing, as well as proof that it was taken off the market.

For recently listed properties, the LTV will be based on the lesser of the most recent list price or the current appraised value.

NON-ARM'S LENGTH AND INTERESTED PARTY TRANSACTIONS

Non-Arm's Length transactions involve a direct relationship outside of the subject transaction between a borrower and a party to the loan. The appraiser must be informed of the relationship and address any impact on market value.

Examples of non-arms length transactions include, but are not limited to, the following:

- Family member sales
- Renters purchasing from current landlord
- Property seller foreclosure bailouts
- Existing buyer relationship with loan officer, real estate agents, closing agent, appraiser, builder, or developer.

Non-arms length transactions are subject to all the following requirements:

- Relationship must be fully disclosed
- Borrower to provide a written explanation stating relationship to the seller and reason for purchase
- Borrower to provide a copy of the canceled earnest money check paid to the property seller
- Employer to employee transactions not allowed
- No occupancy concerns
- All liens on title to be paid in full and reflected on the settlement statement
- Borrowers cannot provide services on transaction (closing agent, title agent, appraiser, etc.)
- The borrower may not be an owner of a business entity selling the subject property. (unless they are buying out a co-owner)
- Borrower(s)/ Buyer(s) representing themselves as agent in real estate transaction is allowed
- Seller(s) representing themselves as agent in real estate transaction is allowed
- Renters purchasing from current landlord must provide most recent 12 months evidence of rental payments and copy of lease agreement
- Property trades between buyer and seller not allowed
- Commission earned by buyer/borrower cannot be used for down payment, closing costs, or monthly PITIA reserves but can be included in the interested party contributions up to 3% maximum

The following additional requirements apply only to family sales:

- Payment history for the seller's mortgage on the subject property must be obtained and show no pattern of delinquency within the past 12 months (if applicable)
- Verification the borrower has not been on title to the property in the past 24 months
- Gift of equity is permitted only for primary occupancy **NOTE: New Construction not permitted.**

INTERESTED PARTY TRANSACTION/CONFLICT OF INTEREST

A Conflict-of-Interest transaction occurs when the borrower has an affiliation or relationship with the mortgage broker, loan officer, real estate broker or agent, or any other interested party to the transaction. In the case of the mortgage broker, loan officer, or real estate broker/agent, extra due diligence must be exercised. For example, the seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property. An examination of the relationship among the mortgage broker, title/escrow companies, appraiser, and any other party to the transaction must be closely examined. A letter of explanation regarding the relationship between the parties is required.

INHERITED PROPERTIES AND PROPERTY BUYOUTS

Refinances of inherited properties and properties legally awarded to the borrower (divorce, separation, or dissolution of a domestic partnership) are allowed. If the subject property was acquired less than 12 months prior to loan closing, the transaction is considered a cash out.

These transactions are subject to the following:

- Agreement (written) signed by all parties stating the terms of the buyout and property transfer must be obtained
- Equity owners must be paid through settlement
- Subject property has cleared probate, and property is vested in the borrower's name
- Current appraised value is used to determine LTV

PERMANENT FINANCING FOR NEW CONSTRUCTION (CONSTRUCTION TO PERM)

The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower to replace interim construction financing obtained by the borrower to fund the construction of a new residence. The borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction.

If a refinance transaction is used, the borrower must have held legal title to the lot before they applied for the construction financing and must be named as the borrower for the construction loan.

A construction-to-permanent transaction may be closed as a rate and term refinance or cash out refinance.

All construction work must be completed.

For lots owned greater than 12 months from application date for the subject transaction, LTV is based on the current appraised value.

For lots owned less than 12 months from application date for subject transaction, LTV is based on the lesser of the current appraised value of the property or the total acquisition costs (sum of construction costs and purchase price of lot).

LEASE WITH PURCHASE OPTION

A Lease Option to Purchase is an agreement to lease a property for a specified period of time at an agreed upon monthly rent payment, in which a portion of the payments in excess of the market rents will be applied toward the down payment. Once the potential buyer has satisfied the terms of the down payment, they may execute the

option to purchase the property at the agreed upon sales price in the Lease Option to Purchase Agreement. This may also be utilized for a “Land Contract” or “Contract for Deed” purchase. All lease option to purchase transactions require the following:

- All parties to the transaction must execute the agreement;
 - The agreement must disclose the time of the option to purchase, amount of the earnest money deposit, and the terms of the monthly rent payments
- The terms of the monthly rent payments must include a specific and reasonable amount (dollar amount or percentage) in excess of the monthly rent payments that will be credited for underwriter review:
 - Proof of the borrower’s earnest money via a deposit (canceled check); and
 - Copy of canceled checks (front & back) for the monthly rent payment covering the last 12 months.
- Must meet requirements of Non-Arm’s Length Transactions.

NOTE: Lease option transactions that do not involve earnest money or “sweat equity”, including receipts for material and/or monthly rent in excess of proven market rents will not be considered a lease option to purchase and must comply with standard purchase money requirements.

A Lease Option will always be a purchase from the standpoint that the transaction will transfer ownership. This is relevant because it is required to issue a purchase form LE & CD (versus a refinance form LE & CD); however, in deference to the purchase price, as a separate calculation for the handling of LTV, under certain circumstances as defined below.

The value for determining the LTV will be the purchase price reflected on the option agreement or the appraised value, whichever is less, if:

- The borrower’s earnest money deposit is less than 3% of the sales price; or the lease option agreement is executed within the last 12 months.

The value for determining the LTV will be the current reconciled market value, if:

- The borrower(s) has(have) occupied the subject property for the last twelve (12) months; and the Lease Option Agreement is executed greater than twelve (12) months ago; and
- The borrower(s) has equal to or greater than 3% of the sales price invested by:
 - Earnest money deposit; or
 - the Optionee provided “sweat equity” in the form of property improvements with receipts for materials as well as a detailed list of all such improvements including time to completion

BORROWER ELIGIBILITY

Borrower Type	Description
Primary	The borrower who is the primary wage earner.
Co-Borrower	Any borrower (other than the primary) who is jointly responsible for repayment of the loan with the primary borrower.

BORROWER IDENTIFICATION

All borrowers must provide the following for identity verification purposes:

- A non-expired government-issued photo ID.

For Complete List of Required ID Refer to:

- Non-Permanent Resident Alien- Exhibit A

NON-OCCUPANT CO-BORROWERS

All non-occupying co-borrowers must be a relative, defined as the borrower's spouse, fiancée, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship.

Occupying borrower is not required to meet a minimum DTI; all income may be derived from the non-occupying borrower(s).

Qualifying credit score will be the primary wage earner. Eligible for owner occupied transactions.

RESIDENCY

Eligible

- U.S. Citizen
- Permanent Resident Alien
- Non-Permanent Resident Alien
- ITIN Borrowers

Ineligible

- Borrowers with diplomatic immunity or otherwise excluded from national jurisdiction
- Borrowers not on title (refinances)
- Borrowers from OFAC sanctioned countries or the SDN List
- Residents of any country not permitted to transact business with American companies are ineligible (as determined by any government authority)
- Any material parties (company or individual) to transaction listed on HUD's Limited Denial or Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list, or any other exclusionary list.
- Borrowers less than 18-years-old
- Trusts or land trusts (revocable trusts may qualify for ownership vesting only)
- Borrowers with expired Employment Authorization Documents (EADs) or other lapsed immigration/work authorization documentation are ineligible for loan approval.

EXCLUSIONARY LIST/OFAC/DIPLOMATIC IMMUNITY

All parties involved in each transaction must be screened through all exclusionary lists.

The lender must apply its exclusionary list policy to any loans originated under these guidelines. Parties to the transaction must also be cleared through OFAC's SDN List (borrowers, property sellers, employers, banks, etc.). A search of the Specially Designated Nationals and Blocked Persons List may be completed via the Department of the Treasury website: <https://sanctionssearch.ofac.treas.gov/>

Borrowers from OFAC sanctioned countries are ineligible. Access the link below for a list of sanctioned countries: <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>

Individuals with diplomatic immunity are not eligible due to the inability to compel payment or seek judgment. Verification the borrower does not have diplomatic immunity can be determined by reviewing the Visa, passport, and/or the Department of State's Diplomatic

List at <http://www.state.gov/s/cpr/rls/>

U.S. CITIZEN

- U.S. citizens are eligible for financing.
- A copy of an unexpired government photo identification card.

PERMANENT RESIDENT ALIEN

Permanent resident aliens are eligible for financing. A permanent resident alien is a non-U.S. citizen authorized to live and work in the U.S. on a permanent basis.

Acceptable evidence of lawful permanent residency must be documented and meet one of the following criteria:

- I-151 – Permanent Resident Card (Green Card) that does not have an expiration date.
- I-551 – Permanent Resident Card (Green Card) issued for 10 years that has not expired.
- I-551 – Conditional Permanent Resident Card (Green Card) issued for 2 years that has an expiration date, if it is accompanied by a copy of USCIS form I-751 requesting removal of the conditions.
- Unexpired Foreign Passport with an unexpired stamp reading as follows: “Processed for I- 551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yyyy. Employment Authorized.”

NON-PERMANENT RESIDENT ALIEN

An individual admitted to the United States as a lawful temporary resident.

Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States.

DOCUMENTATION AND EXPIRATION

A non-permanent resident alien is a non-U.S. Citizen authorized to live and work in the U.S. on a temporary basis.

They must have:

- A valid Social Security Number and
- They have current, verified status, which may be documented by a valid employment authorization document (EAD) showing immigration status/program (if status is unclear, the underwriter can request I-797 to verify borrower’s status), or other documentation showing immigration status is current.
 - Documents must be current at the time of the note date. If any document is expired as of the note date, it is acceptable to provide proof of application for renewal documented by the receiving agency (e.g., Filing receipt, letter with case receipt confirmation.)

See Exhibit A – Non-Permanent Resident Aliens, For Acceptable EAD and Visa Classifications.

ITIN

This program requires at least 1 borrower to have an ITIN and meet the ITIN documentation requirements.

DOCUMENTATION REQUIREMENTS

- Government photo ID from U.S. or eligible country of origin. Examples include Government license, passport, etc. A Visa is not required in addition to the above for an ITIN borrower.
- ITIN card or letter from the IRS
- All documentation in the file must support the borrower’s ITIN and cannot reference an SSN belonging to another individual.
 - IF SSN is referenced, borrower must prove most recent taxes have been filed using ITIN number, for wage

earners obtain IRS transcripts, for SE verify filing with tax preparer at minimum.

- ITIN is required to be assigned to the borrower at least 2 years prior to application

Evidence of an unexpired ITIN:

- Full Doc/1 Year Tax Returns: Current executed transcripts will validate the borrower's current ITIN status.
- Alt Doc loans: Provide one of the following:
 - IRS letter dated less than 3 years ago, first page of form CP565 is sufficient
 - Fully executed w-7, including agent's signature
 - Letter from tax preparer confirming they have filed the borrower's most recent tax return with the IRS.

The Full and Alt Documentations listed above satisfies the residency requirements; A VISA is not required in addition to the above for an ITIN borrower.

DACA-eligible with ITIN / SSN with valid State-issued driver's license along with EAD card evidencing their DACA status.

ITIN SPECIFIC REQUIREMENTS

Co-borrowers are allowed provided they meet the residency requirements of one of the following:

- U.S. Citizen
- Permanent Resident Alien
- Non-Permanent Resident Alien

ITIN co-borrower must be occupant of subject

DOWN PAYMENT SOURCING

Funds needed for closing must be sourced and seasoned for at least 30 days.

CREDIT

CREDIT REPORTS

A credit report is required for every borrower. The credit report should provide merged credit information from the three major national credit repositories.

Either a three-bureau merged report, or a Residential Mortgage Credit Report (RMCR) is required. Borrower's first and last name on credit report must match government issued ID, SSN card, or ITIN letter.

When there is a Social Security Number (SSN) variation on the credit report, SSA-89 Form is required to be completed and processed with passing results. This applies to U.S. citizens, permanent and non-permanent resident aliens.

CREDIT SCORE REQUIREMENTS

At least one borrower must have a valid score from at least 2 of the following 3 agencies:

- Experian
- TransUnion
- Equifax

The applicable credit score is the middle of three scores provided for any borrower. If only two credit scores are obtained, the lower of two will be used. For ITIN loans, 1 FICO will render a score valid with a restriction on Maximum LTV of 75%.

If there are multiple borrowers, the highest income earner's (primary wage earner's/PWE) applicable score from the group of borrowers is the representative credit score for qualifying. If the income is the same (e.g. when borrowers have 50/50 ownership in a business), the highest score will be used.

All additional borrowers/ co-borrowers will require at least one FICO of 600 or more if contributing over 25% of the total income if said income is to be utilized in qualifying.

TRADELINE REQUIREMENTS

STANDARD TRADELINES

- Two tradelines reporting on credit for 12 months with activity in the most recent 90 days; or
- One tradeline reporting for 24 months with activity in the most recent 90 days; or
- VOM/VOR or proof of taxes are paid on a free and clear property may be used to satisfy tradeline requirement so long as there is one tradeline on the credit report with activity in the most recent 90 days.

Examples of unacceptable tradelines include:

- Loans in a deferment period
- Collection or charged-off accounts
- Accounts discharged through bankruptcy
- Authorized user accounts
- Deferred student loans

FRAUD ALERTS

The three national credit repositories have developed automated messaging to help identify possible fraudulent activity on a credit report. Examples of fraud alerts include:

- Initial 90-day Fraud Alert
- Extended Fraud Alert
- Active-Duty Alert
- Hawk Alert

All fraud alerts must be properly addressed and resolved. Approval will include a condition for a processor certification confirming they called and verbally spoke with the borrower and verified they applied for a mortgage loan.

FRAUD CHECK

A fraud report which includes all parties to the transaction is required on all loans.

CREDIT REPORT SECURITY

The credit report used to evaluate a loan may not reflect a security freeze and must be resolved prior to an underwriting decision. If a borrower unfreezes their credit after the date the original credit report was ordered, a new three-bureau merged report must be obtained to reflect current and updated information from all repositories.

CREDIT INQUIRIES

A signed letter of explanation from the borrower or creditor is required for all inquiries within the most recent 90 days to determine whether additional credit was granted because of the borrower's request.

In a case where additional credit was granted and it is not yet showing on the credit report, the new account balance and payment terms must be documented and included in the DTI for a DTI-bearing program.

UPDATED PAYMENT HISTORIES

Payment histories may be requested directly from a creditor when the credit report indicates delinquencies have been removed or when most of the credit is from a non-institutional lender.

DEBT MONITORING/SOFT CREDIT PULL

Evidence of an active debt monitoring service is required within 10 days of closing. One of the following can be used:

- Soft Credit pull
- Credit Refresh
- Loan Quality Cross Check (LQCC)

Any new debt reflected in the updated debt monitoring must be considered for review and inclusion in any DTI bearing transaction.

FIRST TIME HOMEBUYER

A borrower is considered a First Time Homebuyer if they have had no ownership interest in a residential property in the most recent 3-year period.

- DTI 45%.
- Not allowed for investment properties.

First time home buyers must complete a first time home buyer course preferably thru Fannie Mae or Framework. If married, only one of the two married applicants needs to complete the course.

HOUSING HISTORY

- The VOM/VOR is reviewed for delinquencies within the last 12 months
- Verification needs to reflect pay history up to the month the loan is closing. Rolling delinquencies are considered separate events.

If credit bureau report does not reflect pay history required, other acceptable methods of verification are as follows:

For Mortgage Payments – One of the following is required:

- VOM from lender, servicer; *or*
- Electronic Pay History printout directly from mortgage servicer showing timely payments; *and* Bank statements showing account ownership and timely payments debited by Mortgage Servicer; *or*
- Canceled checks front and back as well as the most recent mortgage statement; *or*
- For private mortgages (defined as the mortgage lender being a natural person), provide a fully executed VOM together with either bank statements showing account ownership and timely payments debited by mortgage servicer, *or* canceled checks front and back along with the most recent mortgage statement

For Rental Payments – One of the following is required:

- If borrower was/is renting from a private party, request leases for each address to cover the most recent 12 month period, along with verification of timely payments made (either canceled checks front and back or bank statements showing account ownership and payments debited) are required.
- If borrower was/is renting from a management company or LLC, either fully executed VOR or most recent lease, along with payment history ledger from management company, canceled checks front and back or bank statements showing account ownership and payments debited by management company.
- ITIN borrowers in arms length transactions – private VORs are acceptable without cancelled check/supporting documentation.

Free and Clear Properties:

Verification property is free and clear is required:

- Property Profile Report.

Proof property taxes are paid current for the most recent property tax year.

When the subject collateral is an investment property the borrower must have a complete 12 month housing history and is allowed 1x30x12.

NO HOUSING HISTORY (LESS THAN 12 MONTHS VERIFIED OR LIVING RENT-FREE)

Not considered living rent free or having no housing history in the below scenarios:

- Borrower(s) live in a marital home and housing history provided.
- Borrower(s) sold a primary home within the past 6 months and purchasing a primary home
- Borrower(s) who own their primary home Free and Clear with proof taxes are paid current

If Rent Free or unverifiable Housing History exists, the following apply:

- 80% LTV
- 10% minimum contribution, gift of equity can be used to meet some or all of the requirement
- 6 months reserves
- 43% DTI

CREDIT EVENTS

A housing event is any one of the following events listed below:

- Bankruptcy
- Foreclosure
- Deed-in-Lieu (DIL)
- Short Sale
- Modification
- 1x120 mortgage history
- Non-COVID forbearance

Seasoning requirements:

- 24 months minimum seasoning w/ LTV cap of 75% for purchases, 70% for non-purchase
- 36 months of seasoning follow program parameters not to exceed 80% LTV
- 48 months of seasoning follow program parameters not to exceed 85% LTV

Seasoning of a foreclosure, deed-in-lieu (DIL), or short sale is measured from the date of completed sale or final

property transfer.

Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the Promissory Note date.

In the case of a foreclosure which was included in bankruptcy, the seasoning timeline will start from the earlier of:

- the date of discharge of bankruptcy; *and*
- the foreclosure completion date.

Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the foreclosure date will be used.

In the case of a short sale/DIL which was included in bankruptcy, the seasoning timeline will start from the earlier of:

- the date of discharge of bankruptcy; or
- the short sale/DIL completion date.

Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the completion date will be used.

For a 120-day mortgage late, seasoning is from the date the mortgage was brought current. Seasoning for a modification is from the date the modification was executed.

If the property was surrendered in a Chapter 7 bankruptcy, the bankruptcy discharge date is used for seasoning. Bankruptcy papers may be required to show the property was surrendered. The foreclosure action is not required to be fully complete.

MORTGAGE MODIFICATIONS

A mortgage modification resulting in any of the attributes listed below is subject to Housing Event Seasoning guidelines.

- Forgiveness of a portion of principal and/or interest on either the first or second mortgage
- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness
- Conversion of any portion of the original mortgage debt to a subordinate mortgage that requires no payments
- Conversion of any portion of the original mortgage debt from secured to unsecured

ROLLING LATES

Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility.

PAST-DUE ACCOUNTS

Past-due consumer debts must be paid current at or prior to closing. Funds used to pay the debt current need to be sourced.

DELINQUENT CREDIT BELONGING TO EX-SPOUSE

Delinquent credit belonging to an ex-spouse can be excluded from the credit evaluation when all the following apply:

- Borrower provides a copy of the divorce decree or separation agreement which shows the derogatory accounts belong solely to the ex-spouse
- Late payments occurred after the date of the divorce or separation
- Evidence of title transfer prior to any delinquent debt must be provided if debt is a mortgage and evidence of buyout as part of court proceedings

- Collection accounts assigned to an ex-spouse may be excluded from aggregate collection totals with a divorce decree or separation agreement assigning the account solely to the ex-spouse.

LAWSUIT/PENDING LITIGATION

If the borrower is presently involved in a lawsuit or pending litigation, a statement from the borrower's attorney is required. The statement must explain the circumstances of the lawsuit or litigation and discuss the borrower's liability and insurance coverage. A copy of the complaint and answer may also be needed.

The title company closing the loan must be informed of the lawsuit or litigation and provide affirmative coverage of Community Savings's first lien position.

CONSUMER CREDIT COUNSELING SERVICE (CCCS)

Borrower enrollment in CCCS is allowed when a minimum of 12 months have elapsed on the plan and evidence of timely payments for the most recent 12 months is provided. The CCCS administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.

If accounts included in CCCS plan reflect as charge-off or collection accounts on the credit report, the balances can be excluded from the charge-off and collection limits in [Collections and Charge-Offs](#). The monthly CCCS plan payment must be included in the DTI calculation.

If a completion date is not shown on the credit report, the borrower is required to submit verification from the counseling agency establishing the date of completion.

DISPUTED ACCOUNTS

Current disputed accounts are excluded from the limit calculation as noted in the [Collections and Charge-Offs](#) Section of this guide, if the borrower(s) meets minimum reserve requirements and has additional seasoned reserves (no gifts or cash out allowed to satisfy the requirement) totaling amount of disputed accounts (total Minimum Reserves + Disputed Account Balance(s)).

COLLECTIONS AND CHARGE-OFFS

Underwriting is to handle the following situations accordingly:

- Collections and charge-offs less than 24 months old with a maximum cumulative balance of \$2,000, include in DTI
- Collections and charge-offs greater than 24 months old with a maximum of \$2,500 per occurrence, include in DTI
- Collections and charge-offs that have passed beyond the statute of limitations for that state (supporting documentation required), can be excluded
- All medical collections, can be excluded unless there is a payment plan in effect
- Active payments being made on the collection or charge off (payment must be added to DTI when loan is a DTI bearing program). Payment plan must be provided with documented 3 months timely payments.

Collection and charge-off with balances exceeding the amounts listed above must be paid in full prior to or at closing. Borrower must have sufficient reserves to cover the balance of the charge-off or collection and still be able to meet program reserve requirements.

JUDGMENT AND LIENS

All judgments and liens must be paid in full prior to or at closing.

OBLIGATIONS NOT APPEARING ON CREDIT REPORT

Housing and Mortgage Related Obligations

Mortgage and rental payments not reflected on the original credit report must be documented via an institutional Verification of Rent or Verification of Mortgage (VOR/VOM). A combined total of all late mortgage and rental payments in the past 12 months must be used to determine the housing history.

If the borrower is making payments to an individual or interested party, 12 months of the most recent canceled checks or bank statements must be obtained. A VOR/VOM is not required but may be requested for clarification.

All mortgages and rental payments must be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify the account is current.

LIABILITIES

HELOC DEBT

Home equity lines of credit where a payment is not reflected on the bureau needs to be calculated at 2% of the higher of a) current outstanding balance, or b) the high credit limit. For home equity loans and lines of credit which have met their end of draw period, calculate the monthly payment at 2% of the current outstanding balance. A current monthly statement may also be provided to document the monthly payment amount when absent from the credit report.

INSTALLMENT DEBT

Installment debt is a monthly obligation with fixed payments and terms.

Payments can be excluded if there are 10 or fewer monthly payments remaining to pay the debt in full.

Installment debt paid in full prior to closing can be excluded from the DTI. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full.

If no payment info is shown on the credit report, the calculation for the monthly payment will be 2% of the current unpaid balance. A current monthly statement may also be provided to document the monthly payment amount when absent from the credit report.

REVOLVING DEBT

Revolving debt is open-ended debt in which the principal balance may vary from month to month. The minimum required payment as stated on the credit report or current account statement must be used to calculate the DTI. If no payment is stated on the credit report, the greater of \$10 or 5% of the current balance must be included in the DTI calculation.

Revolving accounts are allowed to be paid off prior to or at closing in order to exclude the payment from the DTI. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full. For debts being paid at closing and enforced to debt qualify, the most recent monthly statement is required for balance info.

Authorized User Accounts

Authorized user accounts should not be considered in the borrower's DTI.

BUSINESS DEBT

If business debt is reflected in the borrower's personal credit report or is discovered elsewhere to be in the borrower's name and a business name, it must be included in the borrower's DTI unless it can be documented

the business has paid the debt.

Debts paid by the borrower's business can be excluded from the DTI with any of the following supporting documentation:

- Most recent 6 months business bank statements and/or canceled checks drawn against the business account; or
- Tax returns reflect the business expense deduction

OTHER DEBT

Timeshares

Timeshare obligations will be treated as a consumer installment loan.

Student Loans

If a monthly student loan payment is provided on the credit report, that amount may be used for qualifying purposes. If the credit report does not reflect the correct monthly payment, the monthly payment that is on the student loan documentation (the most recent student loan statement) may be used to qualify the borrower.

If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, then the qualifying monthly payment must be determined using one of the options below:

- If the borrower is on an income-driven payment plan, student loan documentation may be obtained to verify the actual monthly payment is \$0. The borrower may then qualify with a \$0 payment.
- For deferred loans or loans in forbearance, the following must be calculated: a payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment); or fully amortizing payment using the documented loan repayment terms.

Child Support, Alimony, or Maintenance Obligations

Monthly alimony, child support or separate maintenance fees must be current at time of application and must be included in the borrower's DTI. The file must contain supporting documentation as evidence of the obligation, such as a final divorce decree, property settlement agreement, signed legal separation agreement, or court order. If payments are past-due, the arrearages must be brought current prior to loan closing.

If 10 or fewer payments remain, the debt payment can be excluded similar to [Installment Debt](#) Section above.

Contingent Liabilities

An individual has contingent liability when an outstanding debt has been assigned to another party and the creditor does not release the borrower from liability. Contingent liabilities can be excluded from the DTI under the following scenarios:

- Property resulting from buyout of former co-owner (e.g., divorce: file must include the court order and evidence of transfer of ownership)
- Mortgage assumption by third party: file must include the formal assumption agreement and evidence of transfer of ownership
- Court ordered assignment of debts: file must include a copy of the court order assigning the debt to another party

Debt Paid by Others

When a borrower is obligated on a non-mortgage debt but is not the party repaying the debt, the monthly payment may be excluded from the borrower's recurring monthly obligations. Debts can be excluded if documented as shown below:

- The most recent 12 months' canceled checks (or bank statements) must be obtained from the other party making the payments that document a 12-month payment history with no delinquent payments

When a borrower is obligated on a mortgage debt but is not the party who is repaying the debt, the full monthly payment may be excluded from the borrower's recurring monthly obligations if:

- The party making the payments is obligated on the mortgage debt,
- There are no delinquencies in the most recent 12 months, *and*
- The borrower is not using rental income from the applicable property to qualify.

Housing Payments/Other Real Estate Owned

The monthly mortgage payment (PITIA) used for qualification for corresponding property as listed in the REO section of the application consists of the following:

- Principal and interest
- Hazard and flood and insurance premiums
- Real estate taxes
- Special assessments
- Association dues
- Any subordinate financing payments on mortgages secured by the corresponding property as listed in the REO section of the application

Auto Lease Obligations

Lease obligations must be included in the DTI, regardless of the time remaining on the lease. If payment is missing the most current statement can be obtained or calculate a payment at 2% of the current outstanding balance.

Open 30-Day Charge Accounts

For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, 5% of the outstanding balance will be the required monthly payment.

Open-end Accounts

Do not have to be included in the monthly debt payment if the borrower has sufficient funds to pay off the outstanding account balance. The funds must be verified in addition to any funds required for closing and reserves.

If the borrower paid off the account balance prior to closing, proof of pay off may be provided in lieu of verifying funds to cover the account balance.

The most current monthly statement can be provided to document the present monthly payment when the monthly payment is not stated on the credit report.

Retirement/Savings Plan Loans

Repayment for loans against a financial asset (retirement/savings plan, insurance policy) can be excluded from the total DTI provided the debt can be repaid by liquidating the asset. The value of the asset must be reduced by the amount of the debt when calculating funds to close and reserves.

ASSETS

Community Savings considers various forms of acceptable assets to be used for a transaction. Assets and reserves must be calculated and documented. Policy hierarchy prevails; FNMA will be used as a reference.

The following is a list of established assets that are permitted to determine a borrower's liquidity. Next to each asset is the value that Community Savings assigns based on its liquidity.

RESERVES

Refer to the lending parameters herein for required number of months of reserves specific to program. Eligible:

- Checking and Savings (100%)
- Certificates of Deposit (100%)
- Savings Bonds (100% if fully matured, otherwise 80%)
- Marketable Securities (100% net of margin debt). Marketable Securities are defined as legitimate stocks, bonds or mutual funds that are publicly traded.
- IRA, Keogh, and 401(K) Retirement Accounts (80% of vested balance excluding outstanding loans secured against it if under eligible retirement age, 100% of vested balance excluding outstanding loans secured against it if of eligible retirement age.)
- The use of business assets for self-employed borrowers for reserves is allowed. The borrowers on the loan must have 25% ownership of the business. If additional assets over the percent of ownership are to be used towards reserves, an access letter(s) from the remaining owners of the business must be obtained. If income from the business is being used to qualify, a letter from a CPA or Third-Party Tax Preparer must be obtained verifying that the withdrawal of funds for the transaction will not have a negative impact on the business. The CPA/Tax Preparer must attest that they have audited the business financial statements or reviewed working papers provided by the borrower as well as attest that they are not affiliated/associated with the borrower or their business. If a CPA letter is not provided, a cash flow analysis of the business assets and liabilities (balance sheet) must be completed by the client to determine if the withdrawal of funds from the business is acceptable.
- Crypto Currencies, Bitcoin and Ethereum must be transferred to a traditional bank account in U.S. Dollars (USD). Sufficient documentation from the virtual/crypto account such as a statement must be provided to document the use of funds.
- Trust Account (100%) – Full Trust documentation must be provided & reviewed to determine eligibility as use of reserves

LARGE DEPOSITS

When bank statements are used, large deposits must be evaluated. Large deposits are defined as any single deposit exceeding 50% of the borrower's average monthly income amount.

Requirements vary based on transaction type:

- Refinance: Documentation or explanation is not required however it must be clear that any borrowed funds, including any related liability, are considered.
- Purchase: Documentation is required to verify the large deposit came from an acceptable source. Any unverified large deposit must be backed out of the qualifying assets

ELIGIBLE ASSETS

- Checking and Savings (100%)
- Certificates of Deposit (100%)
- U.S. Savings Bonds (100% if fully matured, otherwise 80%)
- Marketable Securities (100% net of margin debt): Marketable Securities are defined as legitimate stocks, bonds or mutual funds that are publicly traded
- Restricted Stock Units (RSU): Refer to FNMA requirements
- IRA, Keogh, and 401(k) Retirement Accounts (80% of vested balance excluding outstanding loans secured against it if under eligible retirement age, 100% of vested balance excluding outstanding loans secured against its eligible retirement age)
- Pension Plans (60%): Only amounts accessible within a 30-day window are permitted
- Annuities (60%): Only amounts accessible within a 30-day timeframe are permitted
- Trust Accounts (100%): Must review a copy of the full Trust Agreement
- Life Insurance: Cash value must be verified by a letter from the insurance company otherwise the surrender value must be used
- Virtual Currency/Crypto Currency: Must be transferred to a traditional bank account in U. S. Dollars (USD). Sufficient documentation from the virtual/crypto account such as a statement must be provided to document the use of funds
- Spousal accounts: Accounts held solely in the name of a non-borrowing spouse may be used for down payment and closing costs only. Accounts held solely in the name of a non- borrowing spouse may not be used to meet reserve requirements

INELIGIBLE ASSETS

- Unsecured funds/financing
- Cash on hand
- Cash advance/credit cards
- Funds pledged or used as collateral for another loan
- Down payment assistance programs
- Section 8 vouchers
- Salary advance
- Sweat equity
- Grant funds
- Builder profits
- Proceeds from SBA/PPP loans or any other government assistance
- Asset documentation that is not in English

VERIFICATION OF ASSETS

Bank statements and/or investment portfolio statement. Complete copies of the asset statements dated within 90 days of the Promissory Note date.

A summary statement will not be accepted.

The statements may be computer generated forms, but must include or state the following:

- Clearly identify the borrower as the account holder, the account numbers, the time the statements cover. Include all deposits and withdrawal transactions. The statements must include the previous close balance, the current balance, and the ending account balance.
- Retirement account statements must be from the most recent period and identify the borrower's vested amount and terms.

FOREIGN ACCOUNTS

Foreign funds for closing costs and down payment must be transferred to a traditional bank account in U.S. Dollars (USD) at least 10 days prior to closing or proof sent directly to the settlement agent or escrow account. Sufficient documentation from the foreign account such as a statement must be provided to document the use of funds. All documents must be translated to the English language. Reserves can be in a foreign account, but we will require them to be translated into English.

Funds from an ineligible OFAC sanctioned country cannot be used.

<http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>

BUSINESS ASSETS

The use of business assets for self-employed borrowers for down payment, reserves and closing costs are allowed. The borrowers on the loan must have 25% ownership of the business and must be the owners of the account. If additional assets over the percent of ownership are to be used toward downpayment and/or reserves, an access letter(s) from the remaining owners of the business must be obtained.

VIRTUAL CURRENCY

Crypto currencies Bitcoin and Ethereum are eligible sources of funds for down payment and closing costs and reserves. For down payment and closing cost, the assets must be liquidated and deposited into an established U.S. bank account. For reserves, documentation to prove ownership of the crypto holdings must be provided together with verification of current valuation from the Coinbase Exchange within 30 days of Promissory Note date at 60% of the current valuation. If the borrower transfers the cryptocurrency into a U.S. financial institution prior to closing, 100% of the funds can be used for reserves.

Crypto Currency is not an eligible liquid asset for asset utilization.

1031 EXCHANGE

Delayed 1031 Exchange funds for “like—kind exchange” are eligible for earnest money deposit (EMD), down payment, and closing costs.

1031 Exchange funds are not eligible for reserves.

SUBORDINATE FINANCING

New and existing junior liens secured by the subject property and subordinating to the first mortgage is allowed based on program parameters provided the following is met:

- The combined LTV of the first and subordinating junior lien(s) may not exceed program thresholds.
- The junior lien must be from an institutional lender.
- The existing junior lien must have a remaining term of at least 5 years. Expand on this
- The terms of the Promissory Note must provide for regular monthly payments of at least interest only with no provisions for future advances, or wrap-around terms.
- The principal and / or interest payment must be added to the monthly DTI.
- A copy of the executed Promissory Note on the subordinating junior lien(s) must be obtained and included in the loan file. The Promissory Note must be reviewed and approved by the underwriter prior to ordering loan documents.
- A certified copy of the fully executed Subordination Agreement must be reviewed and approved by the underwriter prior to funding the loan. The Subordination Agreement must record concurrently with the first mortgage / deed of trust.

RELOCATION CREDITS

A copy of the commitment letter from the employer's relocation company describing the details and terms of the relocation package. A receipt showing the deposit of funds into the borrower's account or escrow/title must be obtained and included in the loan file.

SALE OF REAL PROPERTY

If the source of funds to close the subject transaction will be proceeds from the sale of real estate owned by the borrower, the amount of the net proceeds must be documented as follows as of the time of initial underwrite:

- Pending Sale: If the sale has not closed, a copy of the agreement of sale and estimated Settlement Statement must be obtained and reviewed by the underwriter to ensure the net proceeds will be sufficient for closing and proof of any mortgages or liens are included to be paid at closing. The final Settlement Statement (CD) showing sufficient funds to close must be provided at closing and included in the loan file.
- Closed Sale: If the sale has closed, a copy of the Final Settlement Statement (FSS) must be provided. Verify net proceeds from the sale are either held in escrow / title or on deposit in the borrower's account and included in the loan file.

TRUST ACCOUNTS

Funds disbursed from a borrower's trust account are an acceptable source for down payment, closing costs, and reserves provided the borrower has immediate access to the funds.

- written documentation of the value of the trust account from either the trust manager or the trustee; *and*
- The conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the borrower for the mortgage.

SALE OF PERSONAL ASSETS

Proceeds from the sale of personal assets are an acceptable source of funds for down payment, closing costs, and reserves, provided the individual purchasing the asset is not a party to the property sale or mortgage financing transaction. The following must be documented:

- Borrower's ownership of the asset
- Value of the asset, as determined by an independent and reputable source
- Transfer of ownership of the asset, as documented by either a bill of sale or a statement from the purchaser
- Borrower's receipt of the sale proceeds from documents such as deposit slips, bank statements, or copies of the purchaser's canceled check

GIFT FUNDS

Gifts are permitted only on purchase transactions on primary residences, second home, or investment properties subject to program guidelines.

- Gift Funds are allowed for meeting down payment and closing cost requirements.
- Gift Funds cannot be used to meet the reserve requirements.

Acceptable Donors

A gift can be provided by:

- A relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, legal guardianship, or fiancé.
- A non-relative that shares a familial relationship with the borrower defined as a domestic partner (or relative of the domestic partner), individual engaged to marry the borrower, former relative, or godparent.
- Government agency
- Non-profit organization
- An individual with an established history of residing with the borrower, who plans to continue residing with the borrower

The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.

The donor must be screened against the OFAC Specially Designated Nationals (SDN) list.

Documentation Requirements

Gifts must be evidenced by a letter signed by the donor and the recipient, called a gift letter. When the gift is sourced by a trust established by an acceptable donor or an estate of an acceptable donor, the gift letter must be signed by the donor and list the name of the trust or the estate account.

The gift letter must:

- specify the actual dollar amount of the gift.
- include the donor's statement that no repayment is expected.
- indicate the donor's name, address, telephone number, and relationship to the borrower.
- Name and account number where the funds are being transferred from.
- Specify the recipient's name and relationship to the donor.

Verifying Donor Availability of Funds and Transfer of Gift Funds

Verify that sufficient funds to cover the gift are either in the donor's account (such as a checking, savings or investment account, or trust or estate account owned by the donor) or have been transferred to the borrower's account. Acceptable documentation includes any one of the following:

- a copy of the donor's check and borrower's bank statement supporting deposit of gift check.
- a copy of the donor's bank statement supporting withdrawal of funds and the borrower's bank statement supporting deposit of gift check.
- evidence of the electronic transfer of funds from the donor's account to the borrower's account; or
- a settlement statement showing receipt of the donor's check.

If gift funds are transferred directly to the closing agent:

- When the gift funds are transferred directly to the closing agent prior to settlement, the underwriter must document that the donor gave the closing agent the gift funds in the form of an electronic transfer, a certified check, a cashier's check, or other official check. A prior to funding (PTF) condition is required to support that the gift shows on the Closing Disclosure (CD) or Settlement Statement.

Additional methods confirming transfer of gift funds may be deemed acceptable if they clearly support the transfer of funds from donor to borrower. These alternate methods need to be reviewed and approved by a level 2 CS underwriter.

GIFT OF EQUITY

Gift Equity is allowed provided the following is met:

- Treated as a purchase transaction. A fully executed Purchase Agreement is required.
- The donor of the gift of equity must be from a family member (e.g. spouse, any type of domestic partnership or union, fiancée, boyfriend / girlfriend, parent, brother, sister, child, grandparent, aunt, uncle, nephew, niece).
- A gift letter signed and dated by the donor and borrower is required. The gift letter must explain the gift of equity, stating the amount of the gift and that no repayment is expected nor implied.
- Proof the existing mortgage lien secured by the subject property is not currently delinquent.
- The borrower's minimum contribution toward the costs to close must comply with Community Savings minimum requirements.

EARNEST MONEY DEPOSIT (EMD)

Earnest Money Deposits (EMD) on the Sales/Purchase Contract require verification by one of the following:

- Bank statement showing the EMD check/wire has been cleared along with certified escrow receipt. The statement must cover a period of at least 30 days prior to the check being cleared.
- Multiple deposits made to escrow outside of the initial EMD must be documented in the same manner as the initial EMD outlined above and are considered as additional downpayment funds.
- EMD that has been with escrow longer than 12 months from date of the application, we will require an LOE/confirmation from attorney/escrow/title company.

Additional methods confirming EMD funds may be deemed acceptable if they clearly document and support the transfer of funds. These still need to confirm availability of funds for at least 30 days. Any alternate method to confirm EMD funds need to be reviewed and approved by a level 2 CS underwriter.

INCOME

Community Savings offers a variety of income qualification options.

A stable monthly income is the borrower's verified gross monthly income which can be reasonably expected to continue for at least the next 3 years. The borrower must demonstrate both the source and the amount of the income are stable:

- A two-year employment history is required and subject to VVOE or WVOE as needed for the income to be considered stable and used for qualifying.
- When the borrower has less than a two-year history of receiving income, an analysis must be performed to justify the stability of the income used to qualify the borrower.

While the sources of income may vary, the borrower should have a consistent level of income despite changes in the sources of income.

FULL DOC INCOME

- 2 years w2
- 1 or 2 years tax returns

- Retirement (non-taxable income)

ALTERNATE DOC INCOME

- 12/24 months bank statements (personal)
- 12/24 months bank statements (business)
- P&L Only (See rate sheet for price improvement when 2 months bank statements supporting P&L are provided).
- 1099 (IRS Form) Only
- Asset utilization

UNACCEPTABLE INCOME SOURCES

- Contributions or support from family members outside of regular w2 wage earnings
- Educational benefits
- One Time Capital Gains (continuing Capital Gains may be considered as acceptable source of income)
- Refund of federal, state, or local income tax
- Self-employed income derived from the growing, distribution, transfer, development, or other vendor/supplier relation to marijuana
 - W2 wage earnings for employees of a marijuana related business are eligible

4506-C REQUIREMENTS

A signed 4506-C for each borrower on the loan must be obtained prior to funding. For full doc loans the 4506-C must be executed as in obtaining tax transcripts from IRS. This is required for both personal and business tax transcripts as applicable to borrower's income type being used to qualify.

INCOME DOCUMENTATION FULL DOC

The Full Doc program allows for several income documentation options as outlined below.

Wage Earner

Full time, part time and second job employment status:

- Most recent 1-year W2 & paystub covering most recent 30 days of earnings for full time employment. (If using income other than base/salary or employed part time or using second job income – 2 years W2 & WVOE required along with most recent paystub covering 30 days of earnings.)
- Pay stubs must be typed or computer generated and must reflect year-to-date (YTD) earnings. If internet printout, the URL and date must be included. Handwritten pay stubs are acceptable, if supported by bank statements for the most recent 2 months.
- w-2s must be typed or computer generated and must reflect a nine-digit employer ID number (EIN). If internet printout, the URL and date must be included.

- Documents must provide the borrower's full name, address, employer name, YTD earnings, and rate of pay.
- If pay stubs reflect garnishments (child support, IRS, etc.) or any loan deductions (401(k) exempt), additional information will be required to determine if a monthly payment must be included in the DTI calculation.

For income types that require sufficient remaining assets to establish continuance, those assets cannot be in the form of virtual currency/cryptocurrency.

Written Verification of Employment (WVOE)

- Income and employment must be provided by a FNMA approved 3rd party vendor such as The Work Number. FNMA WVOE Form 1005 is not eligible under the standard income documentation; a FNMA WVOE Form 1005 *could* be used in conjunction with w2s and paystubs if needed for fluctuating income such as bonus, OT, or commission. At a minimum, the WVOE must include the most recent 1 or 2 years income along with YTD earnings, the borrower's name, position, dates of employment, and base salary.

Common Pay Frequencies

Wage Period	Wage Description	Mathematical Function	Frequency	Mathematical Function	Number of Months
Weekly	Weekly gross pay	X	52 weeks	÷	12 months
Bi-Weekly	Bi-Weekly gross pay (every other week)	X	26 pay periods	÷	12 months
Bi-Monthly	Bi-Monthly gross pay (twice a month)	X	24 pay periods	÷	12 months
Monthly*	Monthly gross pay (once a month based on number of months paid in a year)	X	Number of months paid	÷	12 months
Hourly	Hourly gross pay rate x average number of hours per week	X	52 weeks	÷	12 months
1. Position/job must be verified as a 12-month position along with the number of months paid in a year (ex: Educators). 2. Income must be consistent with reported annual income					

Bonus Income:

- The borrower must evidence a minimum of 12-month history (e.g. prior year + YTD) of bonus income.
- WVOE verifying probable continuance of bonus income, or if not commented on, a 2-year history will suffice for probability of continuance.
- Calculation will be based on the most recent 12 months history, but must be supported by WVOE and/or 2 year history.

Commission Income:

- The borrower must evidence a minimum of 12-month history (e.g. prior year + YTD) of bonus income.
- WVOE or end of the year paystub is required
- Paystubs must reflect commission income on YTD earnings
- A Letter of Explanation (LOE) from the borrower, expanded history and further support will be required if commission income is declining or inconsistent
- Calculation will be based on the most recent 12-month history or up to 23 month history if the prior year is not documented by month.

Overtime Income:

- Must be verified as historical and average YTD earnings
- When reviewing the trend history of OT, it must be verified that the income is consistent over that time frame and will have a high likelihood of continuance
- Calculation will be based on the most recent 12 months history average

Shift Differential:

- Must be verified as historical and average YTD earnings
- When reviewing the trend history of Shift Differential, it must be verified that the income is consistent over that time frame and will have a high likelihood of continuance
- Calculation will be based on the most recent 12 months history

Seasonal Employment/Unemployment:

- The borrower has worked for the same employer for the past 24 months
- WVOE required stating a reasonable expectation of returning the next season
- If using unemployment compensation for time-off has been consistent for the past 24 months and coincides with the seasonal job
- Income to be annualized over a 12-month period for qualifying purposes, unless income is declining

Military Income:

Military personnel may be entitled to different types of pay in addition to their base pay. Use the verified monthly amount as documented on W2 and/or leave and earnings statement (LES) as evidence of receipt.

- Flight pay
- Hazard pay
- Rations
- Clothing allowance
- Quarters allowance (BAH)
- Proficiency pay

12 Months Tax Returns Non-SE Income:

- Most recent 1-year tax return
- YTD P&L covering most recent closed quarter (can be self-prepared)

Self-Employed

Business Verification

Acceptable Verifiers – Verification must be from a third-party, such as a CPA, Enrolled Agent, CTEC or Chartered Tax Adviser, Third-party Licensed Tax Preparer Regulatory Agency or an applicable Business License Verification of the business to include a phone listing and address using an independent third-party, e.g., internet search.

PTIN: A PTIN may be used in the following circumstances:

- Must have an active website identifying name, and address; *and*
- Must be able to verify website (Google, LinkedIn etc.) and identify the business as a tax preparer or similar; *or*
- PTIN working seasonally for tax preparer and/or companies such as HR Block, Turbo tax etc., are acceptable with documentation supporting seasonal employment such as verification they are currently employed or proof they have recently been employed as a tax preparer; *or*
- Be listed with a State Registry

General Requirements for Self Employed Income

Minimum Ownership:

- Applicants must own at least 25% of a business to be considered self-employed.
- Applicants must have been successfully self-employed for a minimum of 2 full years; however, a borrower may qualify with less than 2 years but more than 1 year if the borrower can document at least 2 years of documented previous successful employment in the same line of work in which the person is self-employed or related occupation or 1 year of employment and formal education or training in the same line of work.
- YTD P&L required covering the most recent quarter can be completed and signed by borrower.
- The calculation is based on the most recent year of tax returns and the YTD P&L.

Income Documentation Requirements – Self-Employed Sole Proprietor

- Use 1040 federal tax return Schedule C net income/loss, plus non-cash expenses
- 2-year history of receipt
- Complete 1040 federal tax return with all schedules
- Current YTD P&L

General Partnership

Use income average from 1040 federal tax return Schedule E and 1065 federal tax return based on borrower's percentage of ownership

- 2-year history of receipt
- K1's with all schedules for most recent year; *and*
- Complete 1040 Federal Tax Return with all schedules
- Current YTD P&L

Limited Partnership

Use income average from 1040 Federal Tax return and K1's based on borrower's percentage of ownership

- Two-year history of receipt
- K1's with all schedules for most recent year; *and*
- Complete 1040 and 1065 federal tax returns with all schedules

- Current YTD P&L

S-Corporation

- use income average from 1040 and 1120-S federal tax returns
- 2-year history of receipt
- K1's with all schedules for most recent year; *and*
- Complete 1040 and 1120-S federal tax returns with all schedules
- Current YTD P&L

Corporation

Use income average from 1040 and 1120 federal tax returns based on borrower's percentage of ownership

- 2-year history of receipt
- Evidence it will continue
- K1's with all schedules for most recent year; *and*
- Complete 1040 and 1120 Federal Tax Returns with all schedules
- Current YTD P&L
- Cash flow and liquidity test not required.

When using personal or business tax returns for qualifying income, the below requirements must be met:

- Signed 1040 forms
- Proof of tax payment: The taxpayer must provide proof that their taxes have been paid in full. If the taxes have not been fully paid, the taxpayer must provide documentation of an installment plan with the IRS.
- Installment plan requirements: If an installment plan is in place, proof that at least 3 payments have been made under the new plan is required.
- The DTI must be updated to reflect any payments made under an installment plan.

VERBAL VERIFICATION OF EMPLOYMENT (VVOE)

Verbal Verifications of Employment must be obtained for each borrower using employment income to qualify.

VVOEs must meet all the following criteria:

- Completed within:
 - 20 Business days for Self-Employed borrowers
 - 10 Calendar days for Wage Earners
- Confirm that the borrower is actively employed at time of verification
- Include the name and phone number of the person processing the VVOE
- Include borrower's name, position, and loan number
- Include the name, position and phone number of the person providing the verification (employer)
- Telephone number for the borrower's employer must be verified independently via any of the following: telephone book, internet, directory assistance, or by contacting the applicable licensing bureau
- For self-employed borrowers, the existence of the business must be independently verified through a disinterested third party within 20 business days of closing. The loan file must reflect the documentation secured from these sources.
 - Sources may include:
 - CPA, regulatory agency, PTIN as outlined above or applicable licensing bureau
 - Secretary of State listing reflecting current year registration, if SOS website is not updated to current year another source must be identified
 - Verification of a phone and address listing using the internet

RETIREMENT/PENSION/SOCIAL SECURITY/VA BENEFIT INCOME

- Award letter
- Bank statement reflecting proof of receipt for the past 2 months
- 3-year continuance
- Non-taxable income can be grossed-up by 125% or by the borrower's income tax bracket
- Education benefits cannot be used as income (VA Benefits)

PTIN

A PTIN may be used in the following circumstances:

- Must have an active website identifying name, and address; *and*
- Must be able to verify website (Google, LinkedIn etc.) and identify the business as a tax preparer or similar; or
- PTIN working seasonally for tax preparer and/or companies such as HR Block, Turbo tax etc. are acceptable with documentation supporting seasonal employment such as verification they are currently employed or proof they have recently been employed as a tax preparer.

INCOME DOCUMENTATION ALT DOC

BANK STATEMENT ANALYSIS

Self-employed borrowers can use either personal or business bank statement documentation. The following guidance applies to both types of documentation as applicable.

- Statements must support stable and generally predictable deposits; large and unusual deposits must be sourced, unless considered usual and customary by the underwriter, and if they cannot be sourced, they will be excluded. A large deposit is defined as a single deposit that exceeds 50% of the qualifying income. Large cash deposits are not an acceptable deposit source (will be considered case-by-case depending on the type of business).
- If the income exhibits a seasonality of income effect, whereby a 2-year history would be a better representation of the borrower's income, then 24 months of bank statements are required. For example, if the borrower receives most of their income/deposits in a particular quarter or 6-month period as seen in certain industries such as mining, construction, landscaping, etc., then utilization of 24 months of bank statements is required to support the income as reliable.
- Non-Sufficient Funds (NSF) and negative beginning or ending account balances will be reviewed and will be subject to underwriter discretion.
- Transfers will be excluded unless it is a wire transfer in from another company for services rendered.
- Community Savings will consider other forms of income used in conjunction with the bank statement Program such as w2 income, asset utilization, or other sources of income (per FNMA).
- Statements must be dated within 90 days of the promissory note.

NON-PROFIT ENTITIES ARE NOT ELIGIBLE FOR THE BANK STATEMENT PROGRAMS.

Borrowers do not have legal access to non-profit funds as non-profits are not owned by individuals.

TIME ON JOB/TIME IN OCCUPATION/TIME OWNING BUSINESS.

Personal History: Borrowers must be self-employed for at least 2 years; however, a borrower may qualify with less than 2 years but more than one year if the borrower can document at least 2 years of previous successful employment in the same line of work in which the person is self employed or related occupation or one year of

employment and formal education or training in the same line of work.

Business History: Business must be established and have been in existence for the past 2 years; however, if a borrower is qualifying with less than 2 years but more than 1 year of self-employment, then the business must be established for the same length of time and borrower must document they have been in the same line of work or had schooling in the profession in the year preceding the business start date.

When analyzing business bank statements, the underwriter must verify the borrower's percentage of ownership. Acceptable forms of documentation that clearly states ownership percentage would be:

- A business license
- A signed written statement from a CPA or a third-party tax preparer, operating agreement reflecting borrower as "single member."
- Articles of Incorporation/Articles of Organization that reflects the borrower as President, Director, or Officer of the company and their name is the only name listed
- A Partnership Agreement
- A Business Certificate filed with a governmental agency
- A third-party verification that the business is in existence and in good standing is required

12 MONTH BANK STATEMENTS PERSONAL

All parties listed on a personal bank account used for income must be included as borrowers on the application unless each deposit is documented as business income with invoice of service.

The following documentation is required:

- 12 months personal bank statements (multiple bank accounts may be used). Dated within 90 days of Promissory Note date.
- Deposits from business used to support income.
- 2 months business bank statements (to support the borrower does maintain separate account(s) (transaction histories are not acceptable). If business bank statements cannot be provided to evidence a separate business account, then refer to the Business and Co- Mingled Personal Bank Statements Section of this guide for further requirements.

BUSINESS AND CO-MINGLED PERSONAL BANK STATEMENTS

A co-mingled bank account is a personal account used by a borrower for both business and personal use.

- A separate business account is not required.
- A reasonable expense factor will be applied
- The borrower must be the sole owner of the business.
- The borrower must be self-employed for at least 2 years and the application must reflect a minimum of two years employment history.

Business being used to source the income must be in existence for 2 years supported by one of the following:

- CPA letter, or
- Business license, or
- Other reasonable evidence of business activity.

12-MONTH BANK STATEMENT BUSINESS

The following documentation is required:

- 12 months of business bank statements or from account opening to current for the same account. (If an account has been moved to a different bank and is shown to be one and the same, that will be acceptable).
- Co-mingling of multiple accounts to generate a full 12 months is not permitted.
- Statements must be dated within 90 days of promissory note.

The following apply when analyzing business bank statements:

- Transaction histories are not acceptable.
- The borrower must be at least 25% owner of the business. If multiple owners, then the income used will be based on ownership percentages.
- Third-party verification of business existence.
- Business bank statements must be consecutive and from the most recent period.
- A reasonable expense factor will be applied

EXCLUDED DEPOSITS

The following items are examples of what is to be *excluded* as eligible deposits from personal and business bank statements when all pages are provided:

- Transfers from other bank or asset accounts without inclusion of relevant statements
- Extraordinary asset sales not part of normal business activity
- Any borrowed funds or grants (e.g., SBA loans, SBA PPP grants or any other similar COVID-19 related loans or grants)
- Tax refunds
- Gift funds
- Rental income deposits

NOTE: THE ABOVE LIST IS NOT EXHAUSTIVE AND IS SUBJECT TO UNDERWRITER REVIEW AND DISCRETION.

P&L ONLY

Required Documentation if utilizing a Profit and Loss (P&L) statement for income validation:

- The borrower must be self-employed for two years.
- A 12 month profit and loss statement ending no more than 90 days prior to the closing date is required. The P&L must be completed and signed by one of the following: a Certified Public Accountant (CPA), Enrolled Agent (EA), California Tax Education Council (CTEC) registered preparer, Chartered Tax Advisor (CTA), licensed independent accountant, or a tax preparer holding a valid Preparer Tax Identification Number (PTIN).
- The CPA/Licensed Tax Preparer must attest that they have audited the business financial statements or reviewed working papers provided by the borrower as well as attest that they are not affiliated or /associated with the borrower's business if they have not done so somewhere else in the loan file.
- Proof that the appropriate 3rd party completing the review is duly licensed, or certified (certification or licensing proof is acceptable if verified by professional services directory, government listing, or other reasonable 3rd party (certification proven by other reasonable methods may be allowed at underwriter

discretion)

- Proof the business has been in operation for 2 years or longer
- 3rd party documentation from which the borrower's ownership percentage can be determined
- Documents which are not required to list all owners do not meet this requirement
- P&L must reasonably reflect the income and expenses of the industry described
- P&L statements not meeting the requirements of this section, or which are suspicious in nature, may require additional verification
- All P&L loans must have a completed Tax Preparer Questionnaire or like document.
- Borrowers should have an online presence supporting their business activity. Borrowers that lack an online presence or has limited clarity into how they generate business may be required to provide a detailed Letter of Explanation as to how their business operates and generates revenue. (Both ITIN and Non-ITIN).
- P&Ls may be sent directly to us via secure email or if provided by the broker, will be verified by the Community Savings as to content and accuracy.
- If multiple P&Ls are received including duplicates, each needs to be evaluated and reflected on the income verification comparison spread prepared by the income verifier.
- All Tax Preparers will be contacted and P&L verified as prepared and provided by the Tax Preparer. Verification to be present in the loan file.

1099 (IRS FORM) ONLY

Borrowers who have a 2-year history of receiving 1099 only or have recently converted from w2 to 1099 and have at least 1 year of receiving 1099 in the same line of work may utilize this program.

This program is typically used for individuals earning 100% commission or are considered independent contractors. Multiple 1099s can be used if verification borrower is still earning or contracting through all companies the 1099s have been provided for.

Borrower must provide the following:

- 1099 for the previous tax year, payable to the borrower not a business.
- VOE from the current contract employer covering the most recent 2 years plus YTD earnings, likelihood of continued contractor status and whether the contractor is required to pay for any business-related expenses (non-reimbursed).

If the verification does not reference related expenses, then a Fixed Expense Ratio of 10% may be used OR 3rd party prepared P&L (CPA, EA accountant, or tax preparer) with attestation of expense ratio.

Most recent two months proof of receipt is required in the form of paystubs, checks or bank statements.

Income is qualified using:

- 12-month average from the total number of 1099s minus the expense factor from a method chosen from above.
- YTD earnings must be documented to support the ongoing receipt of income showing on the 1099s by:
- Checks or a single check stub with YTD totals if available; or
- Bank statements covering YTD
- YTD earnings must be within 10% or greater than the prior year's earnings.

NOTE: If WVOE cannot be obtained for any employers in the 2-year history, need LOE regarding extenuating circumstances it cannot be obtained as well as year end and year to date paystubs from all employers to support income calculation.

Supplemental income such as w2 or SSI may be included with this loan program provided it is not the dominate income type or conflicts with primary income calculation. Supplemental income must be documented in accordance with full doc income requirements.

WVOE ONLY

Allowed on owner occupied only.

Borrowers who have a 2-year history of employment with the same employer may utilize this program subject to the following:

- WVOE must be completed on the Fannie Mae Form 1005 sent directly to and received directly from the employer. The employment information must be completed by Human Resources, the Payroll Department or an Officer of the company. A WVOE from an online provider such as Equifax or The Work Number is also acceptable. Borrowers employed by family members or related individuals are not eligible.
- Paystub, Tax Returns or W2s are not required.
- 2 months personal bank statements supporting 65% of the qualifying income.
- The only eligible source of income is limited to salary/base pay from employment. Supplemental income sources such as commissions or rental income are not permitted.
- An internet search of the business is required with documentation to be included in the credit file to support existence of the business.
- WVOE within 10 days of closing is required.

The following apply when using WVOE only:

- Minimum FICO 680
- Primary Residence Only
- Max 80% LTV for purchase or rate/term refinance
- Max 70% LTV for cash-out refinance
- 0x30x24 housing history (rent free or any other instance of documenting less than 24 months of housing history is ineligible)
- FTHB maximum 70% LTV

ASSET UTILIZATION

Asset Utilization may be used to determine qualifying income both alone and in conjunction with other documentation options.

GIFT FUNDS ARE NOT PERMITTED WHEN ASSET UTILIZATION IS SOLEY USED.

Qualified assets may be comprised of stocks, bonds, mutual funds, vested amount of retirement accounts, and bank accounts. If a portion of qualified assets is being used for down payment, closing costs or reserves, those amounts must be excluded from the balance before analyzing a portfolio for income determination. Proof of 4-month seasoning of all assets is required and asset statements must be dated within 60 days of promissory note.

A large deposit is a single deposit that exceeds 50% of qualifying gross monthly income for asset utilization.

Minimum eligible assets required is lesser of \$1mm or 150% of loan amount.

The following assets are considered qualified assets and may be utilized to calculate income:

- 100% of checking, savings, and money market accounts.

- 100% of the remaining value of stocks & bonds.
- 70% of 401(k), Retirement assets (if under 59 ½ years old) 100% of 401(k), Retirement assets (if over 59 ½ years old).
- 70% of Roth IRA accounts unless the borrower can show proof distributions are non-taxable in which case 100% of non-taxable proceeds are eligible.
- Trust assets verified as fully accessible
- Business funds must be transferred to the borrower's personal account.

Calculating Qualifying Income

The income calculation is as follows: Monthly Income = Net Qualified Assets / 60 Months.

SUPPLEMENTAL INCOME SOURCES

Alimony and Child Support

- Use verified monthly income amount.
- 12-month history of receipt required
- Verification that these sources of income will continue for a minimum of 3 years is required
- Recorded divorce decree and/or child support award

Auto Allowance

After excluding the monthly auto payment from the liabilities, only the amount of the auto allowance that exceeds the monthly auto loan payment can be included as income.

- 2-year history of receipt
- Letter from employer describing amount and frequency of distribution, a current paystub reflecting receipt of the monthly allowance and the likelihood it will continue.

Capital Gains/Losses - full doc only

Use a 2-year average of capital gain from 1040 tax returns.

- 24-month history of receipt is required
- Verification that these sources of income will continue for a minimum of 3 years is required
- Full doc 1040 tax returns with all schedules

Disability Income

Permanent: Use verified current monthly disability payment

- Most recent bank statement reflecting evidence of receipt
- 2 most recent disability paystubs/payment advice
- Verification that these sources of income will continue for a minimum of 3 years is required
- Copy of award letter

Temporary: Use the lower of the temporary disability or the borrower's regular employment income unless borrower will return to work prior to the new first payment due on the new Promissory Note.

- Documentation from employer confirming return to work date
- Letter from borrower confirming intent to return to work
- Short term disability award letter
- Documentation of borrower's regular employment income prior to leave

Employed by a Relative – full doc only

Must be a two-year average, unless decreased in the most recent year we would need to use the most recent year.

- 2-year history of receipt
- Evidence it is likely to continue
- Most recent 6 months bank statements verifying monthly deposits equal to the amount of the borrower's net income
- WVOE covering the most recent 2-year history and YTD
- W2 or 1040's for most recent 2 years
- Current paystub reflecting YTD income

Foster Care

Foster care income must be averaged over the most recent consecutive 12 months.

- 2-year history of receipt
- Evidence it is likely to continue
- Letter from agency showing amount received for each child
- Most recent bank statements covering the last 24 months of deposits

Housing Allowance

Housing allowance is allowed as an additional source of income for military personnel or clergy members only. The amount should be added to the borrower's monthly income to offset the housing payment for DTI purposes. The amount must be considered reasonable and normal.

Clergy Members

- 2-year history of receipt
- Evidence it is likely to continue for the next 2 years
- Employment contract required

Interest and Dividend Income – full doc only

Use average of interest/dividend income received for the most recent 2 years.

- 2-year history of receipt - Interest and dividends will only be considered stable income with at least a 2-year history.
- 1040 tax returns for the most recent 2 years reflecting IRS Form 1040 Schedule B filed; borrower must submit the proper tax filing schedule reflecting income amounts (tax exempt interest also eligible under the same conditions).
- Most recent statements from all accounts to verify borrower has sufficient funds to support the continuance

Ineligible Interest and Dividends

- Income from interest-bearing or dividend-producing assets being used for the down payment or closing

costs are not eligible;

- Any taxable interest or dividend income that is not recurring must be deducted from the borrower's cash flow.

Lottery Winnings

- 12-month history of receipt is required and
- Verification that these sources of income will continue for a minimum of 3-years is required and
- Copy of original agreement showing length of time borrower is eligible to receive payments and
- Personal bank statement verifying receipt of payments; *and*
- 1040 tax returns for the most recent 2 years; *or*
- 1099 for the most recent 2 years

Mortgage Differential Payments

Differential payments to be added to gross income earnings. Mortgage differential earnings must not be used to directly offset the mortgage payment even if the employer pays the lender/servicer directly. Payment must remain in the DTI calculation.

- Evidence of receipt is required
- Verification in writing from employer stating it is likely to continue for the next 2 years. Employer must state amount and duration of payments

Promissory Notes Receivable

Use verified amount of monthly Promissory Note payments received by borrower.

- 12-month history of receipt is required.
- Verification that these sources of income will continue for a minimum of 3 years is required;
- Copy of executed Promissory Note; and
- Most recent 6 months bank statements showing deposits equal to the amount of the monthly Promissory Note payments.

Public Assistance

Use monthly aid received.

- 2-year history of receipt
- Evidence it is likely to continue for the next 3 years;
- Letter from paying agency confirming the amount, frequency and duration of payments; *and*
- Personal bank statement verifying receipt of payments.

LONG TERM RENTAL ALT DOC

Subject Purchase Transactions

- Monthly gross rents are the monthly rents established on Form 1007 or 1025.
- If the subject property is currently tenant occupied, the 1007 or 1025 must reflect the current monthly rent and the sales agreement must confirm the property will be delivered with tenant and lease transferred to the borrower at closing.
- Vacant or unleased property is allowed
- Monthly gross rents are determined by using 75% of the lesser of the actual lease amount or estimated market rent for 1007/1025
- May not be leased to a family member
- Rental income from ADU on a purchase is not allowed

All Other Transactions including Departing Residence

- Copy of executed current lease and depending on the effective date of the lease either 1) verification of security deposit and first-month's rent deposited to borrower's account OR 2) 2 months proof of current rental income being received (i.e. canceled checks and/or deposits).
- May not be leased to a family member
- Qualifying rental income will be gross rents x 75% (25% vacancy factor)

LONG TERM RENTAL FULL DOC

Recent personal tax return at least 1- year and copy of current unexpired, executed lease (if lease is not current, evidence needs to be provided showing lease converted to month-to- month) and at least 2 months proof of current rental income being received (i.e., canceled checks and/or deposits). Rental income must be derived solely from the ownership of rental properties as declared on Schedule E. Non-cash expenses such as depreciation can be added back. No vacancy factor applied with full doc.

SHORT TERM RENTAL

Short-term rentals are properties which are leased on a nightly, weekly, monthly or seasonal basis. For example: AirBnB, VRBO, Flipkey, etc.

Short Term Rental Income: refinance or purchase transactions are eligible.

Any of the following methods may be used to determine gross monthly rental income:

- A 1007 or 1025 comparable rent schedule at 75% (25% vacancy factor)
- Schedule E taking net income and adding back non-cash expenses such as depreciation (no reduction for vacancy factor)
- Most recent 12 month rental history statement from the 3rd party rental/management service identifying the property/unit, rents collected for the previous 12 months and all management fees
- On non-purchase transactions the short term rental must be found online else it should be fully debt serviced

RENTAL INCOME PROCEDURES

- Primary residence generating rental income (i.e. 2 unit) – add allowable rent to income, income added cannot exceed PITI of primary residence
- Purchase transaction with subject collateral being a rental – adjust the PITI debt payment by the allowable rental income which can net to 0, positive cash flow cannot be credited or said another way allowable rental income cannot exceed PITI of subject rental
- Newly acquired rental lacking lease agreement and 2 months receipt but can provide 1007/1025 from the acquisition transaction – adjust the PITI debt payment by the allowable rental income which can net to 0, positive cash flow cannot be credited
- All other situations adjust PITI debt payment by allowable rent, net positive figures should be added to income, net negative figures to remain as debt payments

Royalties

- 12-month history of receipt is required
- Verification these sources of income will continue for a minimum of 3-years is required

RSU Income – Restricted Stock

Restricted stock refers to stock of a company that is not fully transferable until certain conditions have been met. Upon satisfaction of those conditions, the stock becomes transferable to the person holding the grant. Restricted stock should not be confused with stock options. Restricted stock must be vested as well as received on a regular, recurring basis.

The following documentation is required:

- Issuance agreement or equivalent (part of the benefits package); and
- Schedule of distribution of units (shares); and
- Vesting schedule; and
- Evidence that stock is publicly traded; and
- Evidence of payout of the restricted stock (e.g., YTD pay stub and 2 years W2s)

To determine the restricted stock price, use the lower of the two for calculating the income:

- Current stock price; *or*
- The 2-year stock price average.

Qualifying income will be calculated using an average of the restricted stock income for the past 2 years, and YTD stock earnings. The average stock price must be applied to the number of stock units vested each year.

- Future vesting must support qualifying income.

Social Security for Dependents

Use verified monthly income. Dependent's age must be disclosed on 1003 and proof of dependent's age required.

- 2-year history of receipt and;
- Evidence it is likely to continue and;
- Current award letter and;
- Most recent bank statement to show proof of current receipt; or
- 1099 for most recent year.

Tips and Gratuities

Use average of tips and gratuities for the most recent year and current YTD for income qualification. The monthly average can be added to borrowers' gross base income.

- 2-year history of receipt documented by WVOE
- Evidence it is likely to continue
- Current paystub reflecting YTD earnings

Trust Income – full doc only

Use average of trust income from most recent 2 years 1040 tax return. Assets must be fixed, liquid assets with no limitation on withdrawals will not be considered as a source of income.

- 2-year history of receipt documented with 1040 tax returns.
- Verification that these sources of income will continue for a minimum of 3 years is required
- Trust agreement or statement from trustee confirming the trust is irrevocable, the amount, frequency and duration of payments

Unemployment Compensation – full doc only

Use income average over the most recent 2 years. Borrower must receive as a regular part of their income in the situation of a seasonally employed employee and reasonable predicted.

- 2-year history of receipt and;
- Personal bank statement verifying receipt of payments; *and*
- 1040 tax returns with all schedules for the most recent 2 years

Union Members

Use income averaged for the most recent year and current YTD earnings. A stable earnings trend must be established. Union members may hold several jobs during the year.

- 2-year history of receipt and;
- Evidence it is likely to continue
- WVOE covering a 2-year period and YTD and;
- Current paystubs and;
- W2s for the most recent 2 years

NOTE: IF CURRENT YTD EARNINGS ARE NOT AVAILABLE, THE BORROWER'S MOST RECENT 6-MONTH BANK STATEMENT CAN BE OBTAINED TO SUPPORT EARNINGS.

Ineligible Sources of Income

- Income based on future earnings (without a contract)
- Draw income
- Capital withdraws
- Expense/auto reimbursement
- VA education benefits
- Income from mortgage credit certificate
- Income not listed on tax return
- Illegal income
- Gambling income
- Temporary or non-recurring benefits paid by the government.
- Rental income from boarders subletting rooms and living in the primary residence

PROPERTY ELIGIBILITY

APPRAISAL TRANSFER REQUIREMENTS

Community Savings will accept a transferred Appraisal with the following requirements:

- The Appraisal must have been completed by an appraisal management company (AMC).
- Appraisals must be less than 120 days old from the Promissory Note date. An Appraisal update (1004D) may be provided to extend the Appraisal from 120 days to 180 days of the Promissory Note date. If the 1004D indicates a decline in the market value from the original Appraisal effective date, a new Appraisal must be completed.
- Original lender to provide a signed/dated Appraisal transfer letter on their letterhead stating the following:
 - Letter must transfer ownership and rights for the specific Appraisal to Community Savings
 - Letter to reference the borrower's name and subject property address.
 - Letter must include lender certification that the Appraisal complies with federal, state, and Freddie

- Mac Appraisal Independence Requirements (AIR).
 - Lender certification that the Appraisal was ordered within TRID compliance (as applicable).
- Community Savings must receive confirmation of the borrower's receipt of the appraisal at least 3 business days prior to closing.
- Provide Community Savings with a copy of the appraisal invoice
- Provide a copy of the Appraisal full color in PDF format including any and all schedules and 1004D if applicable
- Alternatively, if the transfer letter does not include the required verbiage supporting the Appraisal was completed TRID compliance the original lender's 1003, LE, Intent to Proceed, and copy of adverse action (denial, withdrawn) may be provided to validate the Appraisal was ordered within TRID compliance
- Date of appraisal to be prior to application date of loan with Community Savings.

NOTE: ANY CHANGES TO THE REPORT THAT ARE NEEDED CANNOT BE REQUESTED BY COMMUNITY SAVINGS, THE BROKER WILL NEED TO REQUEST ALL UPDATES AND PROVIDE COMMUNITY SAVINGS WITH THE UPDATED APPRAISAL PRIOR TO FINAL APPROVAL.

APPRAISALS

Appraisers are required to use current appraisal report forms that are acceptable to Fannie Mae and/or Freddie Mac. The following appraisal report forms must be used, when applicable:

- Uniform Residential Appraisal Form (FNMA Form 1004).
- Small Residential Income Property Appraisal Report (FNMA Form 1025).
- Individual Condominium Unit Appraisal Report (FNMA Form 1073 or Freddie 465).
- Appraisal Update and/or Completion Report (FNMA Form 1004D).
- Single Family Comparable Rent Schedule for all 1-unit investment properties (FNMA Form 1007).
- 1-4 Family Rider (Assignment of Rents) for all investment properties (FNMA Form 3170).

SECOND APPRAISAL

A second Appraisal from a Community Savings approved AMC is required when any of the below conditions exist. When a second Appraisal is provided, the transactions "Appraised Value" will be the lower of the 2 Appraisals. The second Appraisal must be from a different appraiser than the first Appraisal.

- Loan amount $\geq$ \$2,000,000
- HMPL purchase loan that is a flip, see FLIP section later in this document

APPRAISAL REVIEW REQUIREMENTS

Value confirmation is required on all appraisals. For loans less than \$2,000,000, value confirmation is dependent on the collateral. The options include the following:

- A Desk Appraisal that must be ordered from Community Savings approved AMC.
- A Collateral Underwriter (CU) score of 2.5 or lower is acceptable for single family residences, attached and detached, including townhouses and condominiums. A Collateral Desktop Analysis (CDA) is required when the CU score is greater than 2.5.
- A CDA is required for 2-4 unit properties.
- If the CDA is 90% of the appraised value or higher the appraised value can be used for lending purposes.
- If the CDA is between 80% and less than 90% of the appraised value, the CDA value can be used for lending purposes.
- A field review can be ordered to dispute the CDA value if less than 80% of the appraised value.

addressed.

MINIMUM SQUARE FOOTAGE

- Single family residence: minimum 600 square feet
- Condos: minimum 500 square feet

PERSONAL PROPERTY

Any personal property transferred through a property sale must be deemed to have zero transfer value, as indicated by the Sales Contract and the Appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.

ESCROW HOLDBACKS

Escrow holdbacks are not permitted.

SUBJECT PROPERTY ANALYSIS

The subject property section of the Appraisal report must include the following:

- Identify and describe the location of the subject property. The Appraisal must identify the subject property by its complete property address and legal description.
- When the legal description is lengthy, the appraiser may attach the full description as an addendum to the Appraisal report, or may provide the subject's tax ID parcel number
- Provide information about property taxes and special assessments
- Indicate the occupancy status of the property
- Describe the property rights appraised
- Summarize financing data and sales concessions
- Identify the borrower, the current owner, and the appraiser

NEIGHBORHOOD ANALYSIS

The neighborhood section of the Appraisal report must contain an accurate description of the subject neighborhood and the factors that influence market value and marketability in the neighborhood. The actual neighborhood area being considered should be clearly defined using street names and other recognizable boundaries.

The sales price of comparable properties in the identified area should reflect positive and negative influences in the neighborhood. The analysis should consider the effect of social, economic, governmental, and environmental forces on property values. The information presented in the neighborhood description must be consistent with, and supported by, the conclusions reached by the appraiser throughout the Appraisal report.

PRESENT LAND USE

The present land use, the predominant occupancy composition, and the likelihood that will change, must be analyzed to determine whether a neighborhood is undergoing transition. The appraiser must comment on any change in land use.

The relative percentages of developed land should be shown; underdeveloped land should be shown as vacant. Any unusual situations or types of land use should be mentioned in the comment section. The total types of land use must equal 100%.

NOTE: PROPERTIES WITH INTERIM USE OR PROPERTIES REPORTED TO HAVE A DIFFERENT HIGHEST AND BEST USE THAN THE PRESENT USE ARE NOT ELIGIBLE FOR FINANCING.

DEMAND, SUPPLY, MARKETING TIME

Any increase or decline in the market must be detailed. The marketing time of the subject must reflect the current trend for the area and the subject property. Marketing time over 6 months must be explained in detail to determine the effect on marketability.

PROPERTY MARKETABILITY FACTORS

Properties that have unique physical features, are physically deteriorated or exposed to value and marketability issues may result in a reduction of value or declination of the loan.

Examples of marketability factors that could adversely affect the acceptability of the property are:

- Atypical physical characteristics and construction type / quality
 - Economic changes in market conditions
 - Environmental risk hazards (toxic)
 - External or functional obsolescence
 - Geological conditions: Properties currently or potentially suffering from significant site distress or erosion due to local geological conditions
 - Inadequate ingress and egress
 - Public utilities or services: Properties that lack typical city or county services and necessary utilities, including water electricity, heating and sewage disposal
 - Properties in remote locations
 - Unique properties that do not conform to the local market and require longer marketing times such as over-improved or super adequacy properties
- Zoning changes: Identified recent or pending zoning changes which would have a negative or de-stabilizing impact on residential market values

SITE VALUE

The estimated site value must be included for all detached properties. If the appraiser's estimate of the site value is not typical for a comparable residential property in the subject property's market area, the Appraisal must include comments on how the variance affects the marketability of the subject property.

MULTIPLE PARCELS

A property that consists of two or more parcels of land with one legal description reflected on the title policy is acceptable collateral.

- The appraised value must be based on all parcels of land.
- All existing parcels must be contiguous and encumbered by the subject loan.
- The Appraisal must include comparable sales similar to the subject property.
- Additional parcels with no improvements must be valued as excess land only.
- The mortgage must include all parcels as collateral.
- Appraisal must provide a value for the entire size of the property.
- Comparable sales should support larger parcels as common for the area.

SITE UTILITIES

The minimum requirements for water sources, sewers, and electricity must include:

- Public water, private wells, shared wells with a recorded agreement, or common stock in a private water company with a recorded water stock certificate are acceptable.

- Cistern water is acceptable on a case-by-case basis.
- The appraiser must provide recent comparable sales of properties that use cistern water that are in close proximity to the subject property.
- An internal appraisal review is required.
- Public sewer or private septic systems: Private septic systems must be typical for the area and supported by comparable sales with similar systems.
- Public electricity only. Properties relying on solar systems or generators for electricity except as backup systems are not allowed.

STREET SURFACES AND PRIVATE ROADS

Publicly maintained paved or all-weather dirt roads or private road access is acceptable, if common for the area.

A road maintenance agreement is required for private road access for properties not located in a PUD. If no road agreement is in place, provide a copy of the last road clearing / maintenance bill. If the subject is on an all-weather dirt road, similar comparable sales must be utilized to support marketability and value.

The presence of sidewalks, curbs, gutters, streetlights and alleys depends on the local codes and regulations of the city or local municipality. If such improvements are required in the community, they must be present.

INGRESS AND EGRESS

A property that is landlocked is not allowed. Private road access must have easements of record allowing access to and from the subject property to a public street (e.g.: ingress and egress) and must be insurable by the title insurance company.

ZONING CLASSIFICATION

The Appraisal report must indicate the specific zoning classification for the subject property and a general statement to describe what the zoning allows (e.g.: "R-1 single-family" vs. "residential," R-2 "two-family," "C1-commercial", etcetera). For areas where there is no local zoning, the report should indicate so.

The Appraisal report should contain a statement indicating whether the site's improvements represent a legal use of land. Loans secured by property with improvements that are not legally permissible are not acceptable.

A 1-4-unit property that represents a legal, but non-conforming use of the land must include the appraiser's analysis regarding any adverse effect(s) that the non-conforming use has on the property's value and marketability and comment on the highest and best use.

Properties with interim use or a highest and best other than residential are not acceptable. A 100% rebuild letter from the local municipality is required. For a unit located in a condominium or attached PUD project the rebuild letter must indicate that the project may be rebuilt to its current use and density with no restrictions. In instances where a property's land value exceeds the loan amount sought by 120%, a rebuild letter is not required.

IMPROVEMENTS

Over-Improved or Super-Adequate Properties

Properties that are considered over-improved or super-adequate for the neighborhood require a detailed explanation from the appraiser. The appraiser must attempt to utilize recent sales of similar properties (over-improved or super-adequacy) from the subject's market area, if available. If recent sales of such properties are not available, the appraiser must utilize recent sales that are typical for the subject's market area and make the appropriate adjustments for functional obsolescence based on the market's reaction to the property.

EFFECTIVE AGE VS. ACTUAL AGE

The relationship of the effective age to actual age is a good indicator of property condition. A property that has an

effective age higher than the actual age probably has not been well maintained. In such cases, the condition of the property must be carefully analyzed.

PARKING

Adequate off-street parking must be available for the subject property. The property should provide adequate parking that is typical for the neighborhood. Off-street parking for one car is considered acceptable, unless the property is in an area where no off-street parking is typical.

ABOVE-GRADE ROOM COUNT

The appraiser must be consistent when calculating the above-grade room count and square footage of the gross living areas that are above grade. For a condominium, the appraiser should use the interior perimeter unit dimensions to calculate gross living area. In all other instances, the exterior building dimensions should be used. Only finished above-grade areas should be counted; garages and basements should not be included.

A room that is not included in the above grade room count may add substantial value to the property; therefore, the appraiser should report the basement area and other partially below grade areas, including the room count, separately and make appropriate adjustments for them in the Sales Comparison Analysis Section.

COST APPROACH

The cost approach to value is not required; however, where completed, all forms of depreciation applicable are required and must be explained.

Site Value

Where applicable, the estimated site value should include the cost approach for all detached properties. If the site value is more than 50% of the total value, the appraiser should include comments as to whether this is common for the subject property market area. If the appraiser's estimate of the site value is one that is not typical for a comparable residential property in the subject property's market area, the Appraisal must include comments on how the variance affects the marketability of the subject property.

REMAINING ECONOMIC LIFE

The estimated remaining economic life of the property must be included when the Cost Approach is completed. The estimated remaining economic life of the subject property must be no less than the term of the new loan.

SALES COMPARISON

At least 3 verified, closed sales of comparable properties must be analyzed in the Appraisal report, with adjustments made for significant differences between the comparable sales and the subject property.

Sales Comparison Selection Criteria

The 3 comparable sales listed in the report must meet the following criteria:

- Must be similar in property characteristics including square footage, room count (bedroom / bath count), design / appeal, construction, condition, amenities, site, etc.
- Urban and suburban properties must be measured in city blocks.
- Must be near the subject property. Outlying suburban and rural properties generally should not be more than 5 miles from the subject property without adequate explanation from the appraiser.
- Be recently sold (usually no more than 6 months before the date of the Appraisal). Multiple Listings from the market area are also recommended in areas where current closed sales may be difficult to obtain.

The use of comparable sales over 12 months old must include an extensive explanation from the appraiser.

- The comparable sales prices should bracket the estimated value of the subject property.
- If adverse conditions affect the subject property, at least the same type of adverse condition must affect 2 of the comparable sales.

In areas where there are certain style/types of properties that may be typical for the area such as A-frame home, split level homes, daylight basements, etc., the comparable utilized must be similar, in the market area, and represent the current market conditions for the time of sale.

ADJUSTMENTS TO COMPARABLE SALES

Each comparable sale must be analyzed for similarities and differences between it and the subject property.

The Appraisal must include appropriate adjustments for differences and indicate the dollar amount of the adjustments. Comparable sales must be adjusted to the subject property. Time adjustments must reflect the time that elapsed between the contract date for the comparable sale and the effective date of the Appraisal of the subject property.

Excessive and Multiple Adjustments

Excessive, unsupported and multiple adjustments could indicate that the comparable chosen was not suitable for accurately evaluating the property. The appraiser must "bracket" the comparable so that the property can be analyzed using both higher and lower priced homes.

APPRAISER'S COMMENTS

- The appraiser's comments should reflect the reconciliation of the adjusted or indicated values for the comparable sales and identify which were given the most weight in arriving at the indicated value for the subject property.
- Any additional features, necessary repairs or modernization, or physical, functional or external inadequacies must be reported in the comment sections of the appraisal report.

DECLINING MARKET

Declining markets, as identified by the appraiser, require a 5% reduction off max LTV.

UNIQUE PROPERTIES

Unique Property Features

A dwelling with an unusual layout, peculiar floor plan, inadequate equipment or amenities usually has limited market appeal and should not be considered for maximum financing.

The appraiser should comment on any functional obsolescence, negative impact on the marketability, or buyer resistance as a result of the unique property features.

Unique Properties require:

- Appraisal Field Review is required, regardless of LTV
- Unique properties must be compared with other unique properties in the area
- The property must be in average or better condition

- The property must have adequate heating and water sources
- The appraised value must be based on a marketing time of no more than 6 months
- The property must meet all other property requirements

Unique properties may be subject to an LTV reduction or may not be acceptable collateral and thus declined.

ENVIRONMENTAL HAZARDS

Any known environmental hazard in or on the subject property, or in the vicinity of the subject property must be disclosed to the appraiser. The appraiser must consider any influence the hazard may have on the property's value and marketability. These hazards may be found on the Sales Contract / offer to purchase, or communicated by the seller of the property, the buyer, the real estate broker, or local governments. Upon discovery of any hazard, the appraiser must review for any suggested corrective action.

The appraiser must comment on any effects of adverse environmental hazards discovered on or near the site.

Toxic Waste

- Properties within 1 mile of a federal super fund site will require a Phase I Report. Based on the results, further analysis or reports may be required.
- Properties that abut or are adjacent to a known toxic site will require full disclosure and may require further analysis or a Phase I report.

BUILDING PERMITS

Acceptable building permits will be required on all conversions or additions to living areas. Square footage, which can be verified through public records, is acceptable and will not require further documentation.

In areas where permits are not required, the appraiser must disclose when the work was originally completed and comment if the work was done in a workmanlike manner. The appraiser must also comment on the type of conversion or addition and if the improvements are functional and conforming to the original structure.

If the Appraisal notes additions or alterations were made without permits, the Comment Section should contain comments on the quality and appearance of the work. Any unpermitted area must be completed in a workmanlike manner. The Appraisal must include a cost to cure, and the unpermitted area should not be included in the Gross Living Area (GLA) calculation. Unpermitted alterations may render a collateral ineligible.

EXISTING CONSTRUCTION

- If the appraiser reports the existence of minor conditions or deferred maintenance items that do not affect the safety, soundness, or structural integrity of the property, the appraiser may complete the appraisal "as-is." These items must be reflected in the appraiser's opinion of value.
- When there are incomplete items or conditions that do affect the safety, soundness, or structural integrity of the property, the property must be appraised subject to completion of the specific alterations or repairs.
- These items can include a partially completed addition or renovation, or physical deficiencies that could affect the safety, soundness, or structural integrity of the improvements, including but not limited to, cracks or settlement in the foundation, water seepage, active roof leaks, curled or cupped roof shingles, or inadequate electrical service or plumbing fixtures. In such cases, a 1004D Final Inspection is required.
- Permanent and Functioning Heat Source: A permanent heat source is required except for properties located in geographic areas where it is typical not to have heat source and has no adverse effect on marketability.

ACCESSORY DWELLING UNITS (ADU)

An accessory unit is typically an additional living area independent of the primary dwelling unit and includes a

fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is defined as a 1-unit property with an accessory unit or a 2-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented.

The appraiser is required to provide a description of the accessory unit and analyze any effect it has on the value or marketability of the subject property.

If the property contains an ADU, the property is eligible under the following conditions:

- The property is defined as a 1-unit property with an ADU
- Multiple accessory units must be compliant with zoning and will be considered on case-by-case basis
- The Appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use.
- Rental income may be used for the accessory unit subject to the following:
- Appraisal to reflect zoning compliance is legal.
- Permit is not required to establish zoning compliance.

Refinance: The market rent for the accessory unit should be documented on FNMA Form 1007 and the file must include a copy of the current lease agreement with 2 months' proof of current receipt.

Purchase: Not eligible to use rental income from ADU.

OUTBUILDINGS

All outbuildings (e.g. barns, stables, arenas, workshops, guesthouses, etc.) must be described in detail in the Appraisal report. Value for outbuildings may be considered if:

- Legal use and affixed to a permanent foundation
- Not being used for commercial or business purposes that would conflict with the residential use of the property; *and*
- Typical for the area as evidenced by comparable sales with value given for the same or similar type of outbuildings.
 - If outbuildings are not typical for the area and they are not supported by comparable sales with similar outbuildings, no value will be given.

PROPERTY CONDITION

The appraiser must report the condition of the improvement in factual terms. Items rated less than average (inferior) in competing properties of the subject's market area generally may result in buyer resistance. The appraiser must comment on these items, the reasons for such ratings and how they affect the marketability and value of the subject property.

Any property condition rating that is less than average must be repaired and brought to average or better condition prior to closing. FNMA form 1004D required. C5 and C6 condition is ineligible.

WORK IN PROGRESS/SUBJECT TO COMPLETION

New construction and rebuilds where the certificate of occupancy has been issued will suffice without extended title.

DEFERRED MAINTENANCE

A property may be rejected as security for a loan if signs of deferred maintenance exist on the Appraisal.

Properties that include certain appraiser conditions, subject to items, or deferred maintenance must be described in detail. The appraiser must include the cost to cure to determine the nature of the repairs. The appraiser's comments should address any threat to an occupant's health, safety and habitability. Licensed contractor bids are required for all repair items. All repair items must be completed and a Satisfactory Completion Certificate FNMA Form 1004D with photos must be obtained.

A property that is being used to store old cars, auto parts, appliances, debris scattered throughout the site, excessive amount of trash, unkempt yard with overgrown trees, shrubs and weeds, should be cleared. A Satisfactory Certificate of Completion FNMA Form 1004D with photos must be obtained.

MINOR OR COSMETIC DEFERRED MAINTENANCE

Deferred maintenance items that are considered minor and cosmetic and do not affect the safety, structural integrity, mechanical systems, or habitability of the improvement may not need to be repaired. Minor cosmetic items may include: interior or exterior painting, worn carpet, worn linoleum, minor patching, replacement of fixtures, minor clean up items, or minor landscaping. While these items are not required to be cured or repaired, a cost to cure must be established on the Appraisal.

The total cost of the repairs may not exceed the greater of \$5,000 or 3.0% of the property's value or they may need to be completed.

HEALTH AND SAFETY ISSUES

All items that have been identified as potential health and safety issues by the Appraiser or Community Savings must be satisfactorily addressed or resolved. A Satisfactory Certificate of Completion FNMA Form 1004D including photos of the repaired items prior to closing is required.

Health and safety issues may include: a broken window, empty pool without appropriate fencing, security bars not equipped with safety release latches, upper-level doors with no balcony, missing railings, broken steps, missing handrails on steps / stairs consisting of 6 or more steps, major electrical, and plumbing repairs.

SECURITY BARS

For health and safety reasons, a property with security bars on the windows and/or doors must be equipped with safety release latches. The appraiser must comment whether the security bars have safety release latches. A property that has a minimum of 3 unobstructed exits will not require safety release latches on the security bars, unless required by the local municipality.

STRUCTURAL DEFERRED MAINTENANCE

Structural items are not covered in the cosmetic rule. Structural items can be roofing, internal plumbing, electrical, or anything that affects the "bone structure" of the house. Items like termite damage, wood rot, roof leaks, broken windows, door damage, gross ceiling or wall damage, unstable or non-level floors, foundation problems, basement leaks, or major exterior wall problems are further examples of structural deferred maintenance.

Properties with structural damage will not be acceptable unless repaired. Structural concerns require a

satisfactory structural report. The repair items must be corrected and a Satisfactory Certificate of Completion FNMA Form 1004D including photos of the repaired items prior to closing is required.

In the event the work is completed by a third-party contractor, appropriately licensed to complete the work required, a signed statement of work and pictures showing the completed work to document satisfaction may be considered. The file must document the contractor is paid for said work or can pay through the Closing.

RECONCILIATION OF VALUE

The reconciliation must contain any conditions of the Appraisal on which the final estimate of value is based. The rationale in the final reconciliation must be consistent with the comments, conclusions and assumptions stated throughout the Appraisal report. The appraiser must indicate if the appraisal is made “as-is” or “subject-to” repairs or completion.

The report must state that the current FNMA form 1004B is attached and must contain the:

- Date of the value estimate
- Estimate of market value
- Appraiser’s name and original or digital signature
- Appraiser’s state certification or license number
- A statement that the appraisal was prepared in accordance with the requirements of Title XI of the Financial Institutions, Reform, Recovery, and Enforcement Act (FIRREA) of 1989, as amended (12 U.S.C. 3331 et seq.).

VALUE CONCLUSION

The value conclusion must be well supported and documented. All approaches to value must be reconciled except on properties where certain approaches to value may not be applicable.

FLIP TRANSACTIONS

When the subject property is being resold within 180 days of its acquisition by the seller and the sales price has increased more than 10%, the transaction is considered a “flip.” To determine the 180-day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the Purchase Agreement) must be used.

Flip transactions are subjected to the following:

- Transactions must be an arm’s length, no identity of interest between the buyer, seller or other parties in the sales transaction.
- No pattern of previous flipping activity may exist in the last 12 months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan on a case-by-case.
- Property must be marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing.
- No assignments of the contract to another buyer.
- If subject property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower must be obtained.

HPML PURCHASE TRANSACTIONS (A SECOND APPRAISAL TO BE OBTAINED FROM A COMMUNITY SAVINGS APPROVED AMC.)

On a purchase transaction, a second Appraisal is required if:

- If the seller acquired the property within the past 90 days and the new purchase price is more than 10% of the seller's acquisition price: or
- If the seller acquired the property within the past 91 to 180 days and the new purchase price is more than 20% of the seller's acquisition price.
- The second Appraisal must be obtained prior to the Promissory Note date.
- A second Appraisal must be provided for the borrower (standard delivery requirements apply). The cost of the second Appraisal may not be passed along to the borrower.
- Flip transactions must comply with the HPML appraisal rules in Regulation Z. The full Reg Z revisions can be found at: <https://www.consumerfinance.gov/compliance/compliance-resources/mortgage-resources/higher-priced-mortgage-loans-appraisal-rule/>

RURAL PROPERTIES

A property is defined as rural when the following exists:

- 2 of the 3 comparable properties are more than 5 miles from the subject property
- Less than 25% of the surrounding area is developed

DISASTER AREAS

The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site at <https://www.fema.gov/disaster/declarations>. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed.

Guidelines for disaster areas should be followed for 120 days from the disaster declaration date as published by FEMA.

Appraisals Completed Prior to Disaster Event

An exterior inspection of the subject property is required on disaster area inspection report (DAIR) or a 1004D.

- The appraiser must provide a statement indicating if the subject property is free from any damage, is in the same condition as the previous inspection, and the marketability and value remain the same.
- The inspection report must include photographs of the subject property and street view.
- Any damage must be repaired and reinspected prior to purchase

Appraisals Completed After Disaster Event

The appraiser must comment on the adverse event and certify that there has been no change in the valuation.

Any existing damage notated from the original report must be repaired and reinspected prior to purchase.

LOANS WILL NOT FUND/CLOSE UNTIL THE ABOVE INSPECTIONS ARE COMPLETED.

PROPERTY INSURANCE REQUIREMENTS

Hazard insurance must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damage caused by aircraft, vehicle, or explosion.

Hazard insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain hazard insurance policies that include such limitations or exclusions, unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions.

Additional requirements apply to properties with solar panels that are leased from or owned by a third party under a power Purchase Agreement or other similar arrangement.

Hazard insurance coverage must be no less than the amount corresponding to:

- The loan amount including any senior liens to remain against the property; or
- 100% Replacement Cost Coverage as stated on the policy declaration page; if the policy does not state an RCE amount such as done in FL documentation confirming the policy covers replacement cost of the dwelling is sufficient

If the policy does not have 100% replacement cost, a processor's certificate verifying the insurer's replacement cost estimate is acceptable. The certification must include the insurance company's complete information, subject property details, confirm the replacement cost amount determined by the insurer, and be signed and dated by the processor.

The maximum allowable deductible for insurance covering a property securing a first mortgage loan is 5% of the face amount of the policy. When a policy provides for a separate wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the face amount of the policy.

***RCE NOT PERMITTED IN FLORIDA, Per Florida Statute 626.9551(1)(3)**

All policies must be on an annual basis. Policies consisting of less than 12 months of coverage at a time will not be acceptable. If a policy expires prior to the new first payment date of the Community Savings prior to Promissory Note date, a renewal policy is required and invoice to collect premium at closing provided. If a policy renewal has not yet been issued, a letter from the insurance agent validating such will be required (e-mail that clearly identifies insurance agent may be accepted in lieu of letter)

EVIDENCE OF HAZARD INSURANCE

The policy must be effective at the time of closing and not expire for at least 60 days after the date of funding (does not apply to condominium project insurance policies).

Evidence of Insurance may be provided in one of the following forms:

- Policy
- Certificate of Insurance (COI)
- Insurance Binder

Evidence of Insurance must provide the following information:

- Name on the insurance is the same person as on the Promissory Note
- Property address agrees with the Promissory Note/security instrument
- Mailing address is the same as primary residence property address
- Policy Number
- Loan Number
- Name of insurance company
- Effective and expiration dates of coverage
- Premium Amount
- Coverage amounts and deductible
- Loss payee clause as applicable

RENT LOSS INSURANCE

Rent loss insurance coverage is required on subject investment properties when rental income is used to qualify.

EVIDENCE OF FLOOD INSURANCE

The property securing the mortgage loan must be adequately protected by flood insurance when required. Flood insurance coverage is required when a mortgage loan is secured by a property located in a Special Flood Hazard Area (SFHA), or a Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA). (See below for additional information.)

Determine whether the property is located in a SFHA by using the Standard Flood Hazard Determination form endorsed by FEMA. All flood zones beginning with the letter “A” or “V” are considered SFHAs.

The following table describes how to evaluate a property to determine if flood insurance is required. For the purpose of these requirements, the “principal structure” is the primary residential structure on the property securing the mortgage loan.

If...	Then flood insurance is...
any part of the principal structure is located in an SFHA	required.
the principal structure is not located in an SFHA, but a residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the SFHA	required for the residential detached structure.
the principal structure is not located in an SFHA, but a non-residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the	not required on either structure.
the principal structure is not located in an SFHA, but a detached structure attached to the land that does not serve as part of the security for the mortgage loan is located within the SFHA	not required on either structure.

Acceptable Flood Insurance Policies

The flood insurance policy must be one of the following:

- a standard policy issued under the NFIP; or

- a policy issued by a private insurer as long as the terms and amount of coverage are at least equal to that provided under an NFIP policy based on a review of the full policy issued by a private insurer.
- A Policy Declaration page is acceptable evidence of flood insurance.
 - Confirmation from the insurance agent is required to document any new policies that may require 30 days to bind the policy.

OPTIONAL COVERAGE

Hazard insurance policies may include optional coverage(s) which are acceptable but are not required. For example, a “homeowners” or “package” policy is acceptable so long as any part of the coverage that exceeds the required coverage is not obligated for renewal

PROPERTY TAXES

Purchase transactions, new construction or pending reassessment on existing properties for :

- If the tax certificate from Title contains: Improvement value X millage rate (cannot use purchase price or appraised value as this is too high against the millage); or
- Smart Asset (pulled by UW or AM when Smart Fees doesn't reflect adequate values) [Property Tax Calculator - Estimator for Real Estate and Homes \(smartasset.com\)](https://www.smartasset.com/); or
- Tax-Rates (be sure to adjust for correct state and county): [Tax Assessors By State - Tax- Rates.org](https://www.taxassessorsbystate.com/)

CONDOMINIUMS

- Fannie Mae eligible projects are acceptable

PRIMARY AND SECOND HOMES (CONSUMER)

General Project Criteria:

- Project has been created and exists in full compliance with local jurisdiction, State and all other applicable laws and regulations.
- Minimum square footage is 500 Sq. Ft.
- Projects must meet FNMA insurance requirements.
- Common elements and facilities, such as recreational facilities and parking are completed.
- No more than 20% of units may be 60 or more days past due.
- No more than 40% of total square footage are commercial in nature
- If a new project is defined by FNMA, the subject phase is 100% completed.
- Any litigation requires a copy of the complaint and email from insurance company indicating they are representing the condo (exception for slip and fall, foreclosure or other non-cash issues)
- For full review condo's the reserve requirement is 10% of HOA assessments.
- Mortgagee may not be responsible for delinquent HOA dues that exceed FNMA requirements
- No single entity may own greater than 30% of total units
- For new projects, the legal documents must contain language that establish mortgagee rights in the event of foreclosure and conditions under which the homeowners take control of the HOA.
- The condo project must have addressed any issues with safety, soundness or habitability of the complex. Additional documentation required based on the situation.

Types of Condos Eligible for Condominium Review Waiver:

- Detached (Site) Condominium
- 2-4 Unit Condominiums
- Planned Unit Developments (PUDs)

In addition, the condo must have sufficient building coverage (with replacement cost included) that includes all common areas as well as HO-6 (if walls-in, with betterments and improvements is not included in master insurance coverage) as well as flood insurance coverage (if applicable)

New and Established Condominium Project Definitions

New Projects	Established Projects
40% of the total units in the project or subjects phase must be sold and conveyed to unit owners and at least 40% of the units must be owner occupied	90% of total units in project must be sold.
Project or subjects' legal phase must be complete. All common elements in the project or legal phase must be 100% complete.	40% of total units in project must be owner-occupied.
Project may be subject to additional phasing	All phases are completed
Project may be subject to additional phasing. HOA must be in control – project under Developer or Builder control will be considered on a case-by-case basis only.	HOA must be in control -project under developer or builder control not allowed

Condominium Conversions

A condominium conversion is the conversion of an existing building to a condominium project. Project conversions legally created in the last 12 months and meet the new condo presale requirements.

For all condominium projects a condominium Project Questionnaire review is required. The completed condominium project questionnaire must reflect compliance with the following requirements:

- No more than 20% of units may be more than 60 days past due.
- No single entity, borrower or investment group may own more than 30% of total units.
- No more than 40% of total square footage may be used for commercial purposes.
- Questions regarding the condition of the condo will need to be answered or copies of the most recent 90 days of HOA meeting minutes will need to be reviewed.

Limited Review

Limited Review Condominiums require the following:

- All units, common elements/amenities including Master Association, phases and annexation/add-ons are 100% complete.
- 90% of units are sold and closed.
- HOA control has been turned over to the unit owners.

Projects Eligible for Limited Review

Limited Review Eligible Transactions – Attached Units in Established Condominium Projects	
Occupancy Type	Maximum LTV/CLTV and HCLTV Ratios
Commercial Space	85%
Primary (Outside of Florida)	75%
Second Home (Outside of Florida)	75%
Primary (In Florida)	75%
Second Home (In Florida)	70%

- Completed, signed and dated, questionnaire
- Master building insurance (With replacement costs in addition to Building Ordinance and Law Coverage (Coverages A, B, C) Inflation Guard
- HO-6 (If master insurance does not include walls-in coverage, with betterments and improvements.
- Flood Insurance, If applicable.

NOTE: FOR FULL & ALT-DOC ONLY. FULL REVIEW REQUIRED FOR ALL OTHERS.

Full Condo Review

Condominiums using the full review guidelines require the following documents:

- Completed, signed and dated, questionnaire
- Current year approved budget
- Master Insurance to include the following:
 - Building coverage with replacement costs
 - Liability for \$1.0MM per occurrence (With Separation of Insureds)
 - Fidelity (Including management agent coverage)
 - Flood insurance if needed.

New Condos

New condos, as defined by FNMA, require a copy of the declarations and By-Laws (CCRs) and all amendments in addition to the documents required for a full review.

Condominium Documentation

- Questionnaire: For limited or full review. Will accept outside document if it contains all information as required.
- Current Approved Budget: For current year or for current fiscal year. Must include 10% line-item expense for reserves.
- Condominium Insurance Requirements

Insurance Coverage

Borrower must carry HO-6 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit. Project meets all Fannie Mae insurance requirements for property, liability, and fidelity coverage.

Fidelity of Employee Dishonesty Insurance for Condominiums Fidelity bond coverage is required for condominium

projects over 20 units (or per state requirements). The insurance coverage must be at least equal to the greater of 3 months HOA dues or reserves or minimum required by state law. Coverage is not required when the calculated amount is \$5,000 or less.

HO-6

If the master or blanket policy does not provide interior unit coverage (replacement of improvements and betterment coverage to cover any improvements that the borrower may have made) the borrower in an amount as established by the HO-6 insurer.

THE MAXIMUM DEDUCTIBLE AMOUNT MUST BE NO GREATER THAN 5% OF THE FACE AMOUNT OF THE POLICY.

Flood Insurance

The condominium homeowners' owners must obtain an NFIP Residential Condominium Building Association Policy (RCBAP) with the following coverage:

- Building Coverage must equal the lesser of:
 - 100% of the insurable value (replacement cost) of the building, including amounts to repair or replace the foundation and its supporting structure); or
 - The total number of units in the condominium building times \$250,000.
- Contents Coverage must equal the lesser of:
 - 100% of the insurable value of all contents (including machinery and equipment that are not part of the building) that are owned in common by the association members; or
 - The maximum amount of contents coverage sold by the NFIP for a condominium building.

Non-Warrantable Condo Expanded Guidelines (requires credit committee approval)

Characteristic	Exception Considerations
Commercial Space	Commercial space in project up to 50%
Completion Status	The project or the subject's legal phase, along with other phases, must be complete. All common elements in the project or legal must be 100% completed. At least 50% must be sold or under a Bona-Fide contract
Delinquent HOA Dues	No more than 30% of the total units in the project may be 60 or days past due on the payment of condo/association fees.
Investor Concentration	Investor concentration up to 60%
HOA Control	The development may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time.

Litigation	Pending litigation may be accepted on a case-by-case basis. (Litigation that involves structural issues, health and safety issues that will impact the marketability of the project will not be accepted) <i>and</i> Potential damages do not exceed 25% of the HOA reserves (Would require copy of current balance sheet) <i>or</i> Documentation must be provided by the insurance carrier or the attorney representing the insurance carrier that the insurance carrier has agreed to provide the defense and the association's insurance policy is sufficient to cover the litigation.
Insurance Deductible	Deductible for all insurances have a maximum of 10%
New Projects	The project or the subject's legal phases must be complete. All common areas in the project must be 100% complete. Minimum of 50% of units must sold or under contract
Budget	The budget for the condominium is not available – case by case.
Number of Reserves	Less than 10% reserves allowed under the following conditions: (Will require copy of current balance sheet) • 7% - 9.99% if condo has cash assets that equal 25% of HOA assessments as listed on current year budget. • 5% - 6.99% if condo has cash assets that equal 50% of HOA assessments as listed on current year budget. • 3.3% - 4.99% if condo has cash assets that equal 75% of HOA assessments as listed on current year budget.

Ineligible Projects:

- Multi-family units where a single deed conveys ownership of more than one, or all of the units.
- A common-interest Apartment
- A project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.
- The project or building is often owned by several owners as tenants-in-common or by a homeowners' association.
- Fragmented or segmented ownership
- Ownership is limited to a specific period on a recurring basis (i.e., timeshare, quarter share).
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA.
- Any project that has non-conforming zoning (can't be rebuilt to current density).
- Any project that requires Private Transfer Fees as a part of the transaction, and those fees do not benefit the association.
- A project subject to the rules and regulations of the U.S. Securities and Exchange Commission (SEC).
- Timeshare or projects that restrict the owner's ability to occupy the unit.
- Houseboat project.
- Manufactured home projects.
- Assisted living facilities or any project where the unit owner's contract includes a lifetime commitment from the facility to care for the unit owner regardless of future health or housing needs.
- Projects with non-incidental business operations owned or operated by the homeowners' association (such as a restaurant, spa, health club, etc.).

- Mandatory club memberships
- Projects with units used for “live-work.”
- Projects managed and operated as a hotel or motel.
- Any project in need of critical repairs with one of the following characteristics: mold, water intrusions or potentially damaging leaks to the project's building(s); or unfunded repairs costing more than \$10,000 per unit undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through special assessment).
- Any project with significantly deferred maintenance or has received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions.
- If any inspection reports completed in the last 2 years show any critical repairs that have not been remedied.

INVESTMENT PROPERTIES

General Project Criteria

Fannie Mae eligible projects are acceptable.

- Project has been created and exists in full compliance with local jurisdiction, state and all other applicable laws and regulations
- Minimum square footage is 500 square feet. Full Size Kitchen and one separate bedroom.
- Projects must meet FNMA insurance requirements
- Common elements and facilities, such as recreational facilities and parking are completed
- No more than 20% of units may be 60 or more days past due
- No more than 50% of total square footage are commercial in nature
- If a new project is defined by FNMA, subject phase is 100% completed
- Any litigation requires a copy of the complaint and email from insurance company indicating they are representing the condo (exception for slip and fall, foreclosure, or other non-cash issues)
- For full review condo's the reserve requirement is 10% of HOA assessments.
- Mortgagee may not be responsible for delinquent HOA dues that exceed FNMA requirements
- No single entity may own greater than 30% of total units.
- For new projects, the legal documents must contain language that establish mortgagee rights in the event of foreclosure and conditions under which the homeowners take control of the HOA.
- The condo project must have addressed any issues with safety, soundness or habitability of the complex. Additional documentation required based on the situation.

Ineligible Condos for Condominium Review Waiver:

- Detached (Site) Condominium
- 2-4 Unit Condominiums
- Planned Unit Developments (PUDs)

In addition, the condo must have sufficient building coverage (with replacement cost included) that includes all common areas as well as HO-6 (if walls-in, with betterments and improvements is not included in master insurance coverage) as well as flood insurance coverage (if applicable)

Definition of New and Established Condominium Projects

New Projects	Established Projects
40% of the total units in the project or subjects' phase must be sold and conveyed to unit owners and at least 40% of the units must be owner occupied. Project or subjects' legal phase must be complete. All common elements in the project or legal phase must be 100% complete. Project may be subject to additional phasing. Project may be subject to additional phasing. HOA must be in control – project under Developer or Builder control will be considered on a case-by-case basis only.	90% or total units in project must be sold. 40% of total units in the project must be owner-occupied. All phases are completed. HOA must be in control -project under developer or builder control not allowed.

Condominium Conversions

A condominium conversion is the conversion of an existing building to a condo project. Project conversions legally created in the last 12 months and meet the new condo presale requirements.

Condominium Project Questionnaire Review

For all condominium projects a condominium Project Questionnaire review is required.

The completed Condominium Project Questionnaire must be completed by the HOA management

The completed condominium project questionnaire must reflect compliance with the following requirements:

- No more than 20% of units may be more than 60 days past due.
- No single entity, borrower or investment group may own more than 30% of total units.
- No more than 50% of total square footage may be used for commercial purposes.
- Questions regarding the condition of the condo will need to be answered or copies of the 90 days of the most recent HOA meeting minutes will need to be reviewed.

For condos in the state of FL, if the project is over 25 years old and greater than 5 stories, a structural inspection is required. The inspection needs to address items that substantially conform to the definition of a milestone inspection as defined in FL statute 553.899. Inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements.

Limited Review

Limited Review Condominiums require the following:

- All units, common elements/amenities including Master Association, phases and annexation/add-ons are 100% complete.
- 90% of units are sold and closed.
- HOA control has been turned over to the unit owners.

Condominiums that are eligible require the following documents:

- Completed, signed and dated, questionnaire
- Master building insurance (With replacement costs)
- Building Ordinance and Law Coverage (Coverages A, B, C)
- Inflation Guard

- HO-6 (If master insurance does not include walls-in coverage, with betterments and improvements.
- Flood insurance, If applicable.

Full Condo Review

Condominiums using the full review guidelines require the following documents:

- Completed, signed and dated, questionnaire
- Current year approved budget.
- Master Insurance to include the following:
 - Building coverage with replacement costs
 - Also include building Ordinance or Law coverage (Coverages A, B, C)
 - Inflation Guard
 - Liability for \$1.0MM per occurrence (With Separation of Insureds)
 - Fidelity (Including management agent coverage)
 - Flood insurance if needed.

New Condo

New Condo as defined by FNMA, require a copy of the declarations and By-laws (CCRs) and all amendments in addition to the documents required for a full review.

Condominium Documentation

Questionnaire: For limited or full review. Will accept outside document if it contains all information as required.

Current Approved Budget: For current year or for current fiscal year. Must include 10% line-item expense for reserves.

Condominium Insurance Requirements

Borrower must carry HO-6 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit. Project meets all Fannie Mae insurance requirements for property, liability, and fidelity coverage.

Fidelity of Employee Dishonesty Insurance for Condominiums

Fidelity bond coverage is required for condominium projects over 20 units (or per state requirements). The insurance coverage must be at least equal to the greater of 3 months HOA dues or reserves or minimum required by state law. Coverage is not required when the calculated amount is \$5,000 or less.

HO-6

If the master or blanket policy does not provide interior unit coverage (replacement of improvements and betterment coverage to cover any improvements that the borrower may have made) the borrower must obtain an HO-6 Policy or “walls-in” coverage. The HO-6 insurance policy must provide coverage in an amount as established by the HO-6 insurer.

THE MAXIMUM DEDUCTIBLE AMOUNT MUST BE NO GREATER THAN 5% OF THE FACE AMOUNT OF THE POLICY.

Flood Insurance

The condo homeowners’ association owners must obtain an NFIP Residential Condominium Building Association Policy (RCBAP) with the following coverage:

- Building Coverage must equal the lesser of:
 - 100% of the insurable value (replacement cost) of the building, including amounts to repair or replace the foundation and its supporting structure); or
 - The total number of units in the condominium building times \$250,000.

Contents Coverage must equal the lesser of:

- 100% of the insurable value of all contents (including machinery and equipment that are not part of the building) that are owned in common by the association members; or
- The maximum amount of contents coverage sold by the NFIP for a condominium building.

Non-Warrantable Condo Expanded Guidelines (requires credit committee approval)

Non-Warrantable Condo Expanded Guidelines	
Characteristic	Exception Considerations
Completion Status/new projects	The project or the subject's legal phase, along with other phases must be complete. All common elements in the project or legal must be 100% completed. At least 50% must be sold or under a Bona-Fide contract.
Delinquent HOA Dues	No more than 30% of the total units in the project may be 60 or days past due on the payment of condo/association fees.
Investor Concentration	Investor concentration up to 60% 100% ALLOWED FOR CONDOTEL
HOA Control	The development may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period. Pending litigation may be accepted on a case-by-case basis.
Litigation	Pending litigation may be accepted on a case-by-case basis. (Litigation that involves structural issues, health and safety issues that will impact the marketability of the project will not be accepted) and Potential damages do not exceed 25% of the HOA reserves or Documentation must be provided by the insurance carrier or the attorney representing the insurance carrier that the insurance carrier has agreed to provide the defense and the association's insurance policy is sufficient to cover the litigation.
Insurance Deductible	Deductible for all insurances have a maximum of 10%.
Budget	The budget for the condominium is not available.

Amount of Reserves	Less than 10% reserves allowed under the following conditions: (Will require copy of current balance sheet) 7% - 9.99% if condo has cash assets that equal 25% of HOA assessments as listed on current year budget. 5% - 6.99% if condo has cash assets that equal 50% of HOA assessments as listed on current year budget. 3% - 4.99% if condo has cash assets that equal 75% of HOA assessments as listed on current year budget.
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Ineligible Projects

- Multi-family units where a single deed conveys ownership of more than one, or all of the units.
- A common-interest apartment
- A project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.
- The project or building is often owned by several owners as tenants-in-common or by a homeowners' association.
- Fragmented or segmented ownership
- Ownership is limited to a specific period on a recurring basis (i.e., timeshare, quarter share).
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA.
- Any project that has non-conforming zoning (can't be rebuilt to current density).
- Any project that requires Private Transfer Fees as a part of the transaction, and those fees do not benefit the association.
- A project subject to the rules and regulations of the U.S. Securities and Exchange Commission (SEC).
- Timeshare or projects that restrict the owner's ability to occupy the unit.
- Houseboat project.
- Manufactured home projects.
- Assisted living facilities or any project where the unit owner's contract includes a lifetime commitment from the facility to care for the unit owner regardless of future health or housing needs.
- Projects with non-incidental business operations owned or operated by the homeowners' association (such as a restaurant, spa, health club, etc.).
- Mandatory club memberships
- Projects with units used for "live-work."
- Any project in need of critical repairs with one of the following characteristics: mold, water intrusions or potentially damaging leaks to the project's building(s); or unfunded repairs costing more than \$10,000 per unit undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through special assessment).
- Any project with significantly deferred maintenance or has received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions.
- If any inspection reports completed in the last 2 years show any critical repairs that have not been remedied.

Condotels (follow non-warrantable condo guidelines, or condo guidelines if not addressed below)

- Non-warrantable condotels require credit committee approval
- No more than 20% of units may be 60 or more days past due
- 90% of total units must be sold
- No ITIN

- Min \$150k, max \$1mm
- Min 500 square footage
- At least 1 bedroom, no studios
- Full kitchen
- Gross monthly rent can be determined using one of the following and must be net of all management fees. Additionally, statement must identify the subject property/unit.
 - 1007/1025 with appraiser noting short term rental assessments, comps must be from same project or similar condotel projects
 - Most recent 12-month rental history statement from third party rental/management service
 - Most recent 12-month bank statements from the borrower clearly evidencing short term rental deposits. Borrower must provide rental records for the subject property to support monthly deposits.
- Builder or developer cannot be in control of the HOA
- If a rental program exists for the condotel it must be non-exclusive meaning the borrower must be allowed to self-manage or choose another manager
- No timeshare or fractional ownership allowed; fee simple ownership only
- Legally zoned for residential + short term rental use
- Subject collateral/unit must have its own APN/legal description; i.e. be its own separate tax parcel
- 6 months reserves
- Projects with hotel rooms or suites are ineligible, internet search of the project is required
- For condotels in the state of FL, if the project is over 25 years old and greater than 5 stories, a structural inspection is required. The inspection needs to address items that substantially conform to the definition of a milestone inspection as defined in FL statute 553.899. Inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements.

SITE CONDOMINIUMS

All loans secured by condominium projects require a completed HOA questionnaire and condominium review except for

- Site Condominium
- 2- to 4-unit condominium projects will not require a project review provided the following are met:

- Evidence of sufficient hazard, flood, and walls-in insurance coverage if the subject unit has individual coverage. If the insurance covers the entire project, it must be sufficient in the event of a total loss.

PURCHASE/SALES CONTRACT

A purchase money transaction must include a fully executed agreement of sale and counteroffer (if applicable) reflecting the following:

- Borrower as the purchaser of the property (borrowers / purchasers reflected as “or assignee” is not allowed)
- Seller as the vested owner on title
- Correct address of the property
- Correct sales price
- Amount of down payment
- Closing dates
- Concessions and seller contributions
- Any addenda as noted to be part of the purchase contract

TITLE REQUIREMENTS, VESTING & OWNERSHIP

Community Savings requires each loan to contain a title insurance policy. If the file contains the Commitment for Title Insurance or Preliminary Title Report, it must indicate the final policy will be issued upon payment of the premium, naming Community Savings as the proposed insured. By delivering a mortgage loan to Community Savings, the Broker/Originator represents and warrants that the loan is covered by the required title policy, issued by a licensed insurer, and includes any required endorsements.

TERMS OF COVERAGE

The title insurance policy must ensure the title is acceptable and that the mortgage represents a first lien on a fee simple estate in the property. The title policy must also list all other liens and reflect they are subordinate. The policy must be written on one of the following forms:

- The 2006 American Land Title Association (ALTA) standard form. An ALTA short form if it provides coverage equivalent to the 2006 ALTA standard form.
- In states in which standard ALTA forms of coverage are, by law or regulation, not used, the state-promulgated standard or short form which provides the same coverage as the equivalent ALTA form.
- For Adjustable-Rate Mortgages, the policy must include ALTA Endorsement 6-06.
- The title insurance coverage must include an environmental protection lien endorsement (ALTA Endorsement 8.1-06 or equivalent state form providing the required coverage).
- References are to the ALTA 2006 form of endorsement, but state forms may be used in states in which standard ALTA forms of coverage are, by law or regulation, not used, provided that those endorsements do not materially impair the protection to Community Savings. An alternative to endorsements, the requisite protections may be incorporated into the policy.
- Title policies may not include the creditors' rights exclusion language that ALTA adopted in 1990.
- The effective date of the title insurance coverage written on forms that do not provide the gap coverage included in the 2006 ALTA policies may be no earlier than the later of the date of the final disbursement of loan proceeds or the date the mortgage was recorded.
- Because the 2006 ALTA forms provide protection for the time between loan closing and recordation of the mortgage, policies written on those forms may be effective as of loan closing.
- Ownership must be fee simple.

- Title must be in the Borrower's name at time of application for refinance transactions and on closing date for all transactions.
- The amount of title insurance coverage must at least equal the original principal amount of the mortgage.
- All files must contain a 24-month title history. Transfer date, price, and buyer and Originator names must be provided for any transfers that occurred within the past 24 months.
- All parties who take title to the subject property must sign the Security Instrument. All parties to the loan do not have to be on title.

CONDOMINIUM AND PLANNED UNIT DEVELOPMENT (PUD) REQUIREMENTS

The title insurance policy for a condominium or PUD unit mortgage must describe all components of the unit estate.

- For condominium unit mortgages, an ALTA 4-06 or 4.1-06 endorsement or its equivalent is required. For PUD unit mortgages, an ALTA 5-06 or 5.1-06 endorsement or its equivalent is required. These endorsements must be attached to each policy or incorporated into the text of the policy.
- If the unit owners own the common areas of the project as tenants in common, the policy for each unit's mortgage must reflect that ownership.
- If the homeowners' association (HOA) owns the common elements, areas, or facilities of the project separately, the title insurance on those areas must ensure that ownership.
- This title policy must show that title to the common elements, areas, or facilities is free and clear of any objectionable liens and encumbrances, including any statutory or mechanic's liens for labor or materials related to improvements on the common areas that began before the title policy was issued.

The title policy must protect Community Savings by insuring:

- that the mortgage is superior to any lien for unpaid common expense assessments. (In jurisdictions that give these assessments a limited priority over a first mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date of the policy.)
- against any impairment or loss of title of the first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. (It must specifically insure against any loss that results from a violation that existed as of the date of the policy.)
- that the unit does not encroach on another unit or on any of the common elements, areas, or facilities. (The policy also must ensure that there is no encroachment on the unit by another unit or by any of the common elements, areas, or facilities.)
- that the mortgage loan is secured by a unit in a condominium project that has been created in compliance with the applicable enabling statutes.
- that real estate taxes are assessable and lienable only against the individual condominium unit and its undivided interest in the common elements, rather than against the project.
- that the owner of a PUD unit is a member of the homeowners' association, and that the membership is transferable if the unit is sold.

TITLE EXCEPTION AND IMPEDIMENTS

Unacceptable title impediments, particularly unpaid real estate taxes and survey exceptions are not acceptable.

If surveys are not commonly required in particular jurisdictions, the Broker/Originator must provide an ALTA 9 Endorsement. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception. If a plat map is provided in lieu of a survey based on state requirements, the plat map must be provided.

Title for a property that secures a conventional mortgage is acceptable even though it may be subject to the following conditions, which Community Savings considers minor impediments:

- Customary public utility subsurface easements that were in place and completely covered when the mortgage was originated, as long as they do not extend under any buildings or other improvements.
- Above-surface public utility easements that extend along one or more of the property lines for distribution purposes or along the rear property line for drainage purposes, as long as they do not extend more than 12 feet from the property lines and do not interfere with any of the buildings or improvements or with the use of the property itself.

VESTING FORMS

Eligible forms of vesting are:

- Individuals
- Joint tenants
- Tenants in common
- Inter Vivos Revocable Trust

Ineligible forms of vesting are:

- Land trusts,
- Blind Trusts
- IRAs
- Life estates
- LLC or Corporation

NON-BORROWING OR NON-TITLED SPOUSE/INDIVIDUALS

A non-borrowing spouse/individual is the borrower's spouse/individual whose credit and income are not considered for qualifying. A non-borrowing spouse/individual may or may not be currently vested on title to the property.

If the borrower's spouse/individual is to be added to title through the subject transaction, they are not required to qualify for the loan or required to escalate loan documents.

A non-borrowing spouse/individual and a non-titled spouse/individual not being added to title must execute certain documents to evidence that the spouse/individual is relinquishing all rights to the property, if so required, to perfect the lien under governing law and must also execute a concurrent Quit Claim Deed or Grant Deed.

A non-borrowing spouse/individual can remain on the purchase contract and go on title at the closing of a purchase transaction. Additionally, it is permissible to add a non-borrowing spouse/individual to title on a refinance transaction. A non-borrowing spouse/individual is not required to be on the evidence of insurance or closing protection letter.

POWER OF ATTORNEY

A Limited Power of Attorney (POA) is acceptable when following requirements are met:

- POA is specific to the transaction
- Recorded with the mortgage/deed of trust Contains an expiration date
- Used only to execute the final loan documents
- Borrower who executed the POA signed the initial 1003
- No interested party to the transaction (such as property seller, broker, loan officer, realtor, etc.) may act as Power of Attorney

Not Permitted on:

- Loans closing in an entity

- Cash out transactions

ENTITY REVIEW

INTER VIVOS REVOCABLE TRUSTS

Trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. Trust must become effective during the lifetime of the person establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary, so long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.

The Trustee must include either:

- The individual establishing the trust (or at least one of the individuals, if 2 or more).
- An institutional trustee that customarily performs trust functions in and authorized to act as trustee under the laws of the applicable state.

The trustee must have the power to hold the title and mortgage the property; this must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage.

Required Documentation

If the trust was created under the laws of a state other than California, the following is required:

- Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all of the following:
 - The trust is revocable
 - The borrower is the settler of the trust and the beneficiary of the trust
 - The trust assets may be used as collateral for a loan.

The trustee is:

- Duly qualified under applicable law to serve as the trustee
- The borrower
- The settler
- Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber new assets

LEASEHOLD PROPERTIES

Mortgages secured by properties on leasehold estates are acceptable in areas in which this type of property ownership has received market acceptance. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land.

The leasehold estate and the improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender's title policy.

The leasehold estate and the mortgage must not be impaired by any merger of title between the lessor and lessee. In the event the mortgage is secured by a sublease of a leasehold estate, the documents must provide that a default under the leasehold estate will not by such default result in the termination of the sublease.

LEASE REQUIREMENTS

The following requirements must be met for leases associated with leasehold estate mortgage loans:

- The original term of the lease is not less than 15 years
- The term of the leasehold estate must run for at least 5 years beyond the maturity date of the mortgage, unless fee simple title will vest at an earlier date in the borrower

- The lease must provide that the leasehold can be assigned, transferred, mortgaged, and sublet an unlimited number of times either without restriction or on payment of a reasonable fee and delivery of reasonable documentation to the lessor
- The lessor may not require a credit review or impose other qualifying criteria on any assignee, transferee, mortgagee, or sublessee
- The lease must provide for the borrower to retain voting rights in any homeowners' association
- The lease must provide that in addition to the obligation to pay lease rents, the borrower will pay taxes, insurance, and homeowners' association dues (if applicable), related to the land in addition to those they are paying on the improvements.
- The lease must be valid, in good standing, and in full force and effect in all respects
- The lease must not include any default provisions that could give rise to forfeiture or termination of the lease, except for nonpayment of the lease rents
- The lease must include provisions to protect the mortgagee's interests in the event of a property condemnation
- The lease must provide lenders with the right to receive a minimum of 30 days' notice of any default by the borrower, and the option to either cure the default or take over the borrower's rights under the lease.

ADDITIONAL ELIGIBILITY REQUIREMENTS

The following requirements must be met before a lender can deliver a leasehold estate mortgage for purchase or securitization:

- All lease rents, other payments, or assessments that have become due must be paid
- The borrower may not be in default under any other provision of the lease, nor may such a default have been claimed by the lessor.

SOLAR PANELS

Community Savings will accept properties containing solar panels under the following circumstances.

The ownership and debt financing structures commonly found with solar panels are key to determining whether the panels are third-party owned, personal property of the homeowner, or a fixture to the real estate.

Common ownership or financing structures include:

- borrower-owned panels
- leasing agreements
- separately financed solar panels (where the panels serve as collateral for debt distinct from any existing mortgage); or
- power Purchase Agreements.

Properties with solar panels are eligible for financing. If the borrower is, or will be, the owner of the solar panels (meaning the panels were a cash purchase, were included in the home purchase price, were otherwise financed and repaid in full, or secured by the existing first mortgage), Community Savings standard requirements apply (for example, appraisal, insurance, and title).

NOTE: PROPERTIES WITH SOLAR PANELS AND OTHER ENERGY EFFICIENT ITEMS FINANCED WITH A PACE LOAN ARE NOT ELIGIBLE IF THE PACE LOAN IS NOT PAID IN FULL PRIOR TO OR AT CLOSING.

If the solar panels are financed and collateralized – the solar panels are collateral for the separate debt used to purchase the panels, but they are a fixture to the real estate because a UCC fixture filing has been filed for the panels in the real estate records which appear on the title report, then the following must be done:

- Obtain and review the credit report, title report, Appraisal, and/or UCC fixture filing, Promissory Note, and related security agreement that reflects the terms of the secured loan
- Include the debt obligation in the DTI calculation.
- Provided the panels cannot be repossessed for default on the financing terms, appraiser can consider the solar panels in the appraised value of the property.
- If a UCC fixture filing is in the land records, it must be subordinated to Community Savings mortgage loan. The UCC lien cannot be terminated and refiled after closing.

If the solar panels are financed and collateralized – the solar panels are reported to be collateral for separate non-mortgage debt used to purchase the panels, but do not appear on the title report, then the following must be done:

- Obtain and review the credit report, title report, Appraisal, and/or UCC fixture filing, Promissory Note, and related security agreement that reflects the terms of the secured loan
- Include the debt obligation in the DTI calculation
- Appraiser cannot provide contributory value of the solar panels towards the appraised value as they are collateral for another debt

Solar panels are not included in the LTV/CLTV calculation because the security agreement/UCC financing statement treat the panels as personal property not affixed to the home.

If the solar panels are leased or covered by a Power Purchase Agreement (PPA):

- Obtain and review copies of the lease or power Purchase Agreement
 - The monthly lease payment must be included in the DTI calculation (if applicable) unless the lease is structured to:
 - Provide delivery of a specific amount of energy at a fixed payment during a given period, *and*
 - Have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period.
 - Payments under PPA where the payment is calculated solely based on the energy produced may be excluded from the DTI
- The value of the solar panels cannot be included in the appraised value of the property
- The value of the solar panels must not be included in the LTV calculation; even if a precautionary UCC filing is recorded because the documented lease or power Purchase Agreement status takes priority
 - A “precautionary” UCC filing is one that lessors often file to put third parties on notice of their claimed ownership interest in the property described in it
- When the only property described in the UCC filing as collateral is the solar equipment covered by the lease or power Purchase Agreement, and not the home or underlying land, such a precautionary
- UCC filing is acceptable (and a minor impediment to title), so long as the loan is underwritten in accordance with this topic
- The value of the solar panels must not be included in other debt secured by real estate in the CLTV calculation because the documented lease or power Purchase Agreement status takes priority.
- The property must maintain access to an alternate source of electric power that meets community standards.
- The lease or power Purchase Agreement must indicate that:
- Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home);
 - The owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner’s property insurance policy covering the residential structure on which the panels are attached. As an alternative to this requirement, Community Savings may verify that the owner of the solar panels is not a named loss payee (or named insured) on the property owner’s property insurance policy; *and*

- In the event of foreclosure, the lender or assignee has the discretion to:
 - Terminate the lease/agreement and require the third-party owner to remove the equipment;
 - Become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; or
 - Enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner

EXCEPTIONS POLICY

Exceptions to published guidelines are considered on a case-by-case basis. Loans with an exception request should demonstrate strong compensating factors. Exceptions need to be approved by a Level 3 underwriter or the CCO.

EXHIBIT A – NON-PERMANENT RESIDENT ALIENS

EAD and Visa classifications allowed as non-permanent resident alien - this is for definition purposes only. Being listed does not necessarily mean we will allow the specific VISA or EAD type.

Visa	Valid EAD Card	Description
B1/A3/G5	C17	Non-immigrant domestic servant (Visa and Valid EAD Card must be combined)
BC-1	N	Broadcaster in the U.S. employed by the International Broadcasting Bureau of the Broadcasting Board of Governors
BC-2	Y	Spouse of BC-1
BC-3	Y	Child of BC-1
C-5	N	Employment creation
C-51	N	Employment creation
C-52	C09	Spouse of C-5 or C-51
C-53	C09	Child of C-5 or C-51
DV-1	N	Diversity immigrant
DV-2	N	Spouse of DV-1
DV-3	N	Child of DV-1
E-1	N	Treaty trader
E-1S	A17	Spouse of E-1
E-2	N	Treaty investor
E-2S	A17	Spouse of E-2
E-11	N	Person with extraordinary ability in sciences, arts, education, business, or athletics
E-12	N	Outstanding professor or researcher
E-13	N	Multinational executive or manager
E-14	C09	Spouse of E-11, E-12, or E-13
E-15	C09	Child of E-11, E-12, or E-13
E-21	N	Professional holding advanced degree or alien of exceptional ability
E-22	C09	Spouse of E-21
E-23	C09	Child of E-21

E-3	N	Specialty occupation worker from Australia
E-31	N	Skilled worker
E-32	N	Professional holding baccalaureate degree
E-34	C09	Spouse of E-31 or E-32
E-35	C09	Child of E-31 or E-32
EW-3	N	Other worker
EW-4	C09	Spouse of EW-3
EW-5	C09	Child of EW-3
G-1 to G-5	N	Employees of international organizations
G-1 to G-5 Dependents	C04	Spouses and children of G visa holders
H-1B	N	Foreign nationals working in the U.S. in a specialty occupation
H-4	C26	Spouse of H-1B with approved I-140
I-5	N	Investor in employment
I-51	N	Investor in employment (conditional)
I-52	C09	Spouse of I-51
I-53	C09	Child of I-51
IH-3	C09	Child adopted by U.S. citizen
IH-4	C09	Child to be adopted by U.S. citizen
L-1A	N	Intracompany transferee - executive/manager
L-1B	N	Intracompany transferee - specialized knowledge
L-2	A18	Spouse of L-1
245A/210	A02	Lawful temporary resident under INA sections 245A or 210
Refugee	A03	Refugee
Asylee	A05	Asylum granted
TPS	A12	Temporary Protected Status
IMMACT Family Unity	A13	IMMACT Family Unity beneficiary
LIFE Act Family Unity	A14	LIFE Act Family Unity beneficiary
DED	N/A	Deferred Enforced Departure
Withholding of Removal	A10	Granted withholding of deportation or removal
CNMI E-2 Spouse	C12	Spouse of E2 CNMI investor, eligible for employment in CNMI only
Deferred Action	C14	Alien granted deferred action
Registry Applicant	C16	Registry applicant
TPS	C19	Temporary Protected Status
VAWA	C31	VAWA self-petition beneficiary or child
DACA	C33	Deferred Action for Childhood Arrivals
NACARA	C10	Nicaraguan Adjustment & Central American Relief Act

Asylum Applicant	C08	Asylum applicant, status pending
Parolee	C11	Paroled into U.S. for public interest or emergency
N-8	A07	Parent of international organization employee granted permanent residence
N-9	A07	Child of international organization employee granted permanent residence
NATO-1 to NATO-6	C07	NATO members, staff, and families for temporary stay
O-1	N	Extraordinary ability in sciences, arts, education, business, or athletics
O-3	C42	Spouse of O-1
R-1	N	Religious worker
R-5	N	Investor in pilot program
R-51	N	Investor in pilot program (conditional)
R-52	C09	Spouse of R-51
R-53	C09	Child of R-51
SD-1	N	Religious worker
SD-2	C09	Spouse of SD-1
SD-3	C09	Child of SD-1
SE-1	N	Employee/former employee of U.S. government abroad
SE-2	C09	Spouse of SE-1
SE-3	C09	Child of SE-1
SF-1	N	Former employee of Panama Canal Company or Canal Zone Government
SF-2	C09	Spouse or child of SF-1
SG-1	N	Former employee of U.S. government in Panama Canal Zone
SG-2	Y	Spouse of SG-1
SH-1	N/A	Certain former employees of Panama Canal Company or Canal Zone Government on 4/1/79
SH-2	C09	Spouse or child of SH-1
SI	N	Interpreter
SJ-1	N	Foreign medical graduate
SJ-2	C09	Spouse or child of SJ-1
SK-1	N	Retired international organization employee
SK-2	C09	Spouse of SK-1
SK-3	C09	Unmarried child of international organization employee
SK-4	C09	Surviving spouse of deceased international organization employee
SN-1	N	Retired NATO6 civilian
SN-2	C09	Spouse of NATO6 civilian
SN-3	C09	Child of NATO6 civilian
SN-4	C09	Surviving spouse of deceased NATO6 civilian
SQ	N	Iraqi/Afghans who worked on behalf of U.S. government

SR-1	N	Religious worker
SR-2	C09	Spouse of SR-1
SR-3	C09	Child of SR-1
T-1	A16	Victim of human trafficking
T-2	A16	Spouse of T-1
T-3	A16	Child of T-1
T-4	A16	Parent of T-1
T-5	N	Employment creation
T-51	N	Employment creation (conditional)
T-52	C09	Spouse of T-51
T-53	C09	Child of T-51
TN	N	NAFTA professional (Canada/Mexico)
TD	N	Dependent of TN
U-1	A19	Victim of criminal activity
U-2	A20	Spouse of U-1
U-3	A20	Child of U-1
U-4	A20	Parent of U-1

Revision date	Revision #	Revision description
Sep 2025	1	Added clarifying details for documentation of gift letters and gift funds
Sep 2025	2	Clarified documentation detail for Earnest Money Deposit and updated seasoning required for funds to close.
Sep 2025	3	Corrected typos in WVOE program section
May 2026	4	Complete review and update to UW guidelines ensuring alignment with CS Credit Policy and incorporating feedback provided by the Underwriting staff and management as well as Risk management
June 1 2026	5	- Not allow borrowers with expired work permit under the ITIN program - Explicitly allow P&L documents to be valid for 90-days, similar to other income documents - Clearly specify that any business debt that also includes the borrower to be included in DTI calc unless it can be confirmed that the business is paying the debt. - Clarification update w/I Matrices – A 5% haircut to the property value is required when the appraiser indicates that property prices are decreasing. Matrices used to incorrectly apply this only to investment.