

Expanded Access EA Core Product Guide



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1 UNDERWRITING CRITERIA

The GMFS Overlays are intended to reference and supplement Fannie Mae's Seller Guide. Originators should refer to the Fannie Mae Seller Guide for specific information concerning qualification requirements that are not specifically referenced in our Overlays. To the extent there is a difference in standards between the GMFS Overlays and the Fannie Mae Guides; Originators may rely on the SGCP Overlays.

All loans must be manually underwritten.

All Covered Loans must be designated as ATR compliant and must adhere to the standards set forth in the CFPB's Reg Z, Section 1026.43(c).

Additional HPML requirements are described herein **including mandatory escrows for 5 years**

Federal, State, and Local High Cost Loans are not permitted.

All Loans must include a third party fraud detection report.

Statement on Suitability

All loans are required to have evidence of agency ineligibility. This is documented on the Loan Submission Form (required for every file delivery) or may be satisfied through a DU or LP underwriting findings report in file verifying the loan does not qualify for delivery.

2 PRODUCT ELIGIBILITY

2.1 AVAILABLE PRODUCTS

- 5/1 Adjustable Rate Mortgage
- 7/1 Adjustable Rate Mortgage
- 30yr Fixed Rate Mortgage

2.2 ADJUSTABLE RATE CRITERIA

Product	Index	Margin	Initial	Periodic	Ceiling	Minimum Interest Rate Floor
5/1 ARM	1 year LIBOR	4%	2%	2%	5%	Margin
7/1 ARM	1 year LIBOR	4%	5%	2%	5%	Margin
Qualifying Rules 5/1s and 7/1s- greater of Note Rate or the Fully Indexed Rate (rounded)						

2.3 GMFS CREDIT GRADE DESIGNATION

- Housing Events:
 - GMFS defines a Housing Event as a Foreclosure, Short Sale, Deed in Lieu, Default Modification, Notice of Default, or 120+ Days Delinquent
 - **Defaulted first and second on same property is considered one event**
 - Events include all occupancy types – Primary, 2nd Home & Investment Properties
 - Single housing event only permitted in recent credit event
 - Seasoning look back is from the date of discharge or property resolution (completion date), as of the note date
 - Modification look back commences at inception
- Housing History:
 - **Subject loan primary residence: housing history on primary only**
 - **Subject loan Second or Investor property: housing history includes all properties**
- Bankruptcy ("BK") is not considered a housing event and is permitted in combination with a housing event
- Foreclosures included in bankruptcy permitted based on BK discharge date if the borrower has vacated the property

Program	Grade	Description	12 Mo Housing History	Housing Event	BK ^{1,2}
EA CORE	*Seasoned Credit Event / *DLQ	No Housing events permitted within 3 years	0 X 60	36 Months	24 Months
	*Recent Credit Event / *Serious DLQ	Single Housing event only permitted within 0-3 years	0 X 90 ^{3,4}	Settled	12 Months

¹BK events include Chapter 7, 11, and 13

²Multiple BK filings per person are never permitted

³Housing history must be paid as agreed since housing event completion date

⁴Does not include delinquencies related to the credit event

3 PRODUCT MATRIX

3.1 MATRIX

- 90% LTV permitted on purchase only
- Not permitted on LTV > 85:
 - Gifts
 - Rural properties
 - Rate/Term refinances
- Foreign Nationals: FICO is not applicable. Thus, FN can use program maximums (prior to LTV adjustments below) of 90 LTV up to \$1.5MM and 80 LTV up to \$3MM
- Texas Refi LTV limit of 80% LTV

LTV REDUCTION TABLE:

- The below reductions are cumulative, however, max LTV reduction floor of 65%.
 - **I.E Investor (10) & Foreign National (10) = reduce LTV by 20.**

3.2 DEBT-TO-INCOME RATIO

- DTI > 43%
 - Loans with DTIs greater than 43% and HPMLs must follow GMFS's residual income requirements as noted in Residual Income section
- DTI 50.01-55
 - Permitted on Purchase & Rate/Term with FICO \geq 680.
 - Not permitted for Recent Event

3.3 GEOGRAPHY

The following U.S. States and territories are not eligible:

- West Virginia, Guam, Puerto Rico, American Samoa, Northern Mariana Islands, and the U.S. Virgin Islands
- Texas refinances are limited to maximum LTV of 80%

3.4 MINIMUM LOAN AMOUNTS

- The minimum eligible loan amount is \$100,000 for Primary residences, \$150,000 for 2nd homes/NOO
- In New York State, the loan amount must exceed FHFA's High Cost County Limit
 - Requirement does not apply to Investor properties

4 BORROWER ELIGIBILITY

4.1 ELIGIBLE BORROWERS

- U.S. Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens
- First Time Home Buyers
- Non-Occupant Co-Borrowers
- Foreign Nationals
- Inter-Vivos Revocable Trust
- Limited Partnerships, General Partnerships, Corporations, Limited Liability Company - Personal guarantor required
- LTV/DTI and other matrix restrictions for borrowers as described below only applicable if all borrowers on the loan meet the definition. Examples:
 - If only one of the two borrowers is a FTHB, they are not restricted per **section 4.1.3**
 - If only one of the borrowers is a non-permanent resident alien, they are not restricted per **section 4.1.2**

4.1.1 PERMANENT RESIDENT ALIEN:

Permanent Resident Aliens are individuals who permanently reside in the United States

- A legible front and back copy of the borrower(s) valid Green Card.

4.1.2 NON-PERMANENT RESIDENT ALIENS:

Program Restrictions:

- Recent Event not permitted
- Single unit only
- Primary Residence only
- Purchase and Rate/Term Refinance Only
- Borrowers with diplomatic immunity are ineligible

Non-Permanent Resident Aliens must meet the following requirements:

- Must have an unexpired passport from their country of citizenship containing INS form I-94 (or equivalent) which must be stamped Employment Authorized
- An Employment Authorization Card along with a copy of the Petition for Non-Immigrant Worker form I-140 (or equivalent) in file
- The borrower(s) must have a minimum of 2 years residency, with the likelihood of employment continuance.
- Valid visas are required
- Visa must have a minimum remaining duration of 1 year
- Must have a valid Passport and Visa to enter the U.S.
- Borrowers who are residents of countries which participate in the State Departments Visa Waiver Program will not be required to provide a valid visa.
- Eligible VISA Types:
 - A1, A2, A3
 - B1, B2
 - E1, E2, E3
 - G1, G2, G3, G4, G5
 - H1, H2, H3
 - I
 - J1, J2
 - L1
 - NATO
 - O1, O2
 - P1, P2
 - R1
 - TN (NAFTA)
- Further information can be found at <https://travel.state.gov/content/travel/en/us-visas/visa-information-resources/all-visa-categories.html>

4.1.3 FIRST TIME HOMEBUYER

- First Time Homebuyers (FTHB) are individuals that have never owned a home or had a residential mortgage
- 12 month O X 30 housing history or rent free letter required
- Primary Residence or second homes Only
- Maximum Loan Amount of \$2MM
- Minimum FICO of 660 required
- Max 85% LTV

4.1.4 NON-OCCUPANT CO-BORROWER:

- Non-occupant co-borrowers are credit applicants who do not occupy the subject property as a principal residence. Non-occupant co-borrowers must meet the following requirements:
 - Do not occupy the subject property as a principal residence
 - Must be an immediate relative, relationship letter is required
 - Must sign the mortgage or deed of trust
 - Must not have an interest in the property sales transaction, such as the property seller, builder, or real estate broker
- Program Restrictions:
 - Single unit only
 - Recent Event not permitted
 - Cash-Out and not permitted
 - Primary Residence Only
 - Max 75% LTV
- Blended ratios allowed

4.1.5 FOREIGN NATIONALS

- A foreign national is a person who is not a citizen of the United States and/or does not permanently reside in the U.S.
- Ineligible:
 - Lending ineligible to borrowers and countries identified on the OFAC and SDN list found by visiting: <https://www.treasury.gov/resource-center/sanctions/Pages/default.aspx>
- US Citizens living abroad will be qualified and priced as Foreign National if they lack US credit or tax documentation
- Program Requirements/Restrictions:

- For loan amounts up to \$1.5mm, the maximum LTV is 70%
- For loan amounts over \$1.5mm up to \$3.0mm, the maximum LTV is 60%
- Must be Second Home or Investor only
- Cash-Out not permitted
- Funds required for down payment and closing costs must be held in a U.S. bank
- Escrow for taxes and insurance is required
- **Diplomatic Immunity not permitted**
- For Rate/Term Refinances, existing loan must be with a U.S. financial institution
- FTHB restrictions do not apply to Foreign Nationals
- **Documentation Requirements:**
 - Must have a valid Passport and Visa to enter the U.S.
 - Borrowers who are residents of countries which participate in the State Departments Visa Waiver Program will not be required to provide a valid visa
 - Further information can be found at <https://travel.state.gov/content/travel/en/us-visas/visa-information-resources/all-visa-categories.html>
- **Income:**
 - Third party verification of income and employment (tax returns, pay stubs and VVOE not required)
 - **Self Employed:**
 - A letter (on company letterhead) from a professional based in the borrower's country of residence – Accountant/CPA/Financial Institution Officer/ Licensed Financial Advisor verifying (i) the nature of the business (ii) income figures for the last 2 years and (iii) a year-to-date income figure
 - Validation of the existence of the business must include (i) Internet Web page address, or (ii) business and/or operator license from a governmental office
 - **Wage Earners:**
 - A letter (on company letterhead) from an authorized representative the employer stating (i) employment history (position/title, time on job), (ii) current monthly salary and year-to-date earnings.
 - A valid pay stub/ pay ledger or financial institution deposit/ transaction record that supports the employment
 - Must have a copy of their last 4 months bank statements
 - Bank statements must be translated into English language and must be shown in U.S. currency
- If no foreign credit report is available, the following is required:
 - 2 credit reference letters written or translated in English
 - Can include non-traditional credit sources, i.e. utility company
 - Letter should reference time as a customer and is good standing
 - Satisfactory credit reference letters will assume a 660 FICO for locking and qualifying purposes
 - 1 bank reference letter written or translated in English
 - Letter should reference time as a customer, type/number of accounts, and is good standing
- Title vested in borrower(s) name, including LLC with personal guarantee.
- Limited Power of Attorney (POA) is acceptable for executing closing documents
- Business accounts are eligible for reserves, and reserves can remain at a financial institution in borrower's home country

4.1.6 INELIGIBLE BORROWERS

- Irrevocable or Blind Trusts

5 OCCUPANCY ELIGIBILITY

5.1.1 PRIMARY RESIDENCE:

- A primary residence is a property that the borrower(s) currently reside in (refinance) or intend to occupy (within 60 days) as his or her principal residence
- 3-4 Unit properties not eligible
- Characteristics that may indicate that a property is used as a borrower's primary residence include:
 - Is occupied by the borrower for the major portion of the year
 - Is in a location relatively convenient to the borrower's principal place of employment
 - Is the address of record for such activities as federal income tax reporting, voter registration, occupational licensing, and similar functions
 - Borrower may not own an additional single family residence of equal or greater value than subject property

5.1.2 SECOND HOMES:

- A property is considered a second home when it meets all of the following requirements:
 - Must be located a reasonable distance away from the borrower(s) principal residence
 - Must be occupied by the borrower(s) for some portion of the year
 - Is restricted to a one-unit dwelling
 - Must be suitable for year-round occupancy
 - The borrower(s) must have exclusive control over the property
- Ineligible for Second Homes:
 - Rural properties
 - Gift funds

5.1.3 NON-OWNER OCCUPIED:

- Occupancy designation when the borrower does not occupy the subject property.
- A Non-Owner Occupied property must meet the following requirements:
 - Borrowers with greater than 2 financed properties require an additional 3 months of reserves for each additional financed property. The 3 months additional reserves are based on the PITI plus HOA fees of the other financed properties
 - All loans must contain an occupancy affidavit certifying the non-owner occupied investment property
- Program Restrictions:
 - Rural properties not permitted
 - Gifts not permitted

6 TRANSACTION ELIGIBILITY

6.1.1 PURCHASE

- No property flipping, prior owners must have owned the property more than 6 months unless submitted to the GMFS Scenario desk for review
 - Bank owned REO are eligible and not considered a flip transaction
- Maximum Interested Party Contributions permitted up to 3% for LTV ≥ 80 , 6% for LTV < 80

6.1.2 RATE/TERM REFINANCE

- A Rate/Term Refinance transaction is when the new loan amount is limited to the payoff of a present **seasoned** (12 months or used as purchase money mortgage) first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaids, or a court ordered buyout settlement
- A seasoned non-first lien mortgage is (1) a purchase money mortgage or (2) a closed end or HELOC mortgage that has been in place for more than 12 months and/or not having any draws greater than \$2,000 in the past 12 months
 - Withdrawal activity must be documented with a transaction history from the HELOC
- Limited cash to the borrower must not exceed the greater of \$2,000 or 1% of the principal amount of the new mortgage to be considered a Rate/Term refinance
- If the property is owned less than 6 months at the time of application, the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value. The prior settlement statement will be required for proof of purchase price. Proof of improvements is required
 - There is no waiting period if the lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership). If the borrower acquired the property at any time as a gift, award, inheritance or other non-purchase transaction, the LTV will be based on the current appraised value. The lender must obtain appropriate documentation to verify the acquisition and transfer of ownership
- Follow FNMA for Delayed Financing documentation guidelines
 - Delayed financing (on properties purchased by the borrower with cash and owned < 6 months) are permitted if the original transaction was arm's length, settlement statement from purchase confirms no financing used to acquire, purchase funds are documented and did not include gift. Delayed financing can be qualified and priced as rate/terms refinances.
- Properties that have been listed for sale by the borrower within the past 6 months from the loan application date are not eligible
- The rate/terms refinance of a construction loan is eligible with the following conditions:

- If the lot was acquired 12 or more months before applying for the subject loan, the LTV/CLTV/HCLTV is based on the current appraised value of the property
- If the lot was acquired less than 12 months before applying for the construction financing, the LTV/CLTV/HCLTV is based on the lesser of (i) the current appraised value of the property and (ii) the total acquisition costs
- Refinance of a previous cash out seasoned < 1 year will be considered cash out refinance.
- Refinancing of a Land contract is considered a purchase and LTV should be calculated using purchase price.

6.1.3 CASH-OUT REFINANCE

- A Cash-Out Refinance transaction allows the borrower to pay off the existing mortgage by obtaining new financing secured by the same property or allows the property owner obtain a mortgage on a property that is currently owned free and clear. The borrower can receive funds at closing as long as they do not exceed the program requirements
- To be eligible for a Cash-Out Refinance the borrower must have owned the property for a minimum of 6 months prior to the application date.
- Properties listed for sale by the borrower within the last 12 months are not eligible.
- If the property is owned less than 12 months but greater than 6 months at the time of application, the LTV/CLTV will be based on the lesser of the original purchase price plus documented improvements, or current appraised value. The prior settlement statement will be required for proof of purchase price
- Refinance of a previous cash out seasoned < 1 year will be considered cash out refinance.
- Refinancing of a Land contract is considered a purchase and LTV should be calculated using purchase price.

6.1.4 CONTINUITY OF OBLIGATION

- Continuity of obligation occurs on a refinance transaction when at least one of the borrower(s) (or members of the LLC) on the existing mortgage is also a borrower/LLC member on the new refinance transaction secured by the subject property.
- When an existing Mortgage will be satisfied as a result of a refinance transaction, the following requirements must be met:
 - At least one borrower on the refinance mortgage held title to for the most recent 6 month period and the mortgage file contains documentation evidencing that the borrower has been making timely mortgage payments, including the payments for any secondary financing, for the most recent 6-month period
 - At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises by a court in the case of divorce, separation or dissolution of a domestic partnership

6.1.5 SUBORDINATE FINANCING

- New subordinate financing (institutional) allowed for purchase transactions only
- Primary residences only
- If a HELOC is present the CLTV must be calculated by dividing the sum of the original loan amount of the first mortgage, the amount of the HELOC (whether or not there have been any draws), and the unpaid principal balance of all other subordinate financing by the lower of the property's sales price or appraised value.
- All subordinate loan obligations must be considered, verified, and taken into account when calculating the Borrower's DTI
- If the subordinate financing is a HELOC secured by the subject property, monthly payments equal to the minimum payment required under the HELOC terms considering all draws made on or before closing of the subject transaction
- For closed-end fixed rate, fully amortizing simultaneous loans, the qualifying payment is the monthly payment
- Fixed Rate Mortgage and 7/1 ARM transactions only
- Existing subordination is permitted on refinances

6.1.6 FLIP TRANSACTIONS

- Submit to Scenario Desk for value review
- Additional guidance related to requiring a second appraisal can be found by visiting:
 - https://files.consumerfinance.gov/f/201401_cfpb_tila-hpml_appraisal-rule-guide.pdf

6.1.7 1031 EXCHANGE

- Follow FNMA guidelines
- Must in compliance with Internal Revenue Code Section 1031
- Excess proceeds cannot be used to satisfy reserve requirements

6.1.8 Non Arms Length

- 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-arm's length transactions include, but are not limited to, the following:
 - Family member sales
 - Renters purchasing from current landlord
 - Buyer trading properties with the seller
 - Property seller foreclosure bailouts
 - Existing buyer relationship with loan officer, real estate agents, closing agent, appraiser, builder, or developer
- Non-arm's length transactions are subject to all of the following requirements:
 - Primary residence only
 - Relationship must be fully disclosed
 - An appraisal review product is required
 - 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
 - Sellers must be satisfied that the transaction makes sense and that the borrower will occupy the property
 - All liens on title to be paid in full and reflected on the settlement statement
 - Lesser of sales price or current appraised value to be used to calculate the LTV
 - Borrowers cannot provide services on transaction (closing agent, title agent, appraiser, etc.)
 - Borrower may not be an owner of a business entity selling the subject property
- 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 that the borrower has not been in title to the property in the past 24 months
 - Gift of equity not permitted

6.2 INELIGIBLE TRANSACTIONS

- Construction Loans
- Texas Equity (a) 6 Loans
- Non Arm's length (not addressed in previous section)
- Temporary Buydowns
- Builder Bailout & Model leasebacks
- Conversion Loans
- **Rent Credits**

7 CREDIT ELIGIBILITY

7.1 CREDIT REPORT DETAIL

- A tri-merged in file credit report from all three repositories is required
- Credit Report is good for 120 days from application to closing
- A written explanation for all inquiries within 90 days of application is required disclosing no new debt
- Alternate confirmation that there is no new debt may include a new credit report, pre-close credit score soft-pull or gap report
 - DTI should be recalculated based on any new debt (**subject to FNMA tolerances**)
 - Any new credit scores must be reviewed for qualifications
- Credit Repair/Rescore:
 - No private credit repair companies allowed.
 - Rapid rescore of credit permitted for confirmation of pay down and/or payoff of debt and correction of reporting errors
 - **Updated credit score permitted for qualifying**

7.2 HOUSING HISTORY

- 12 months housing history is required. See applicable GMFS Credit Grades for requirements
- Housing history evidenced by 12 months proof of payment via cancelled checks, bank debits or institutional VOR/VOM.
 - Private party VOR/VOMs may be considered on a case by case basis.
- LOE or rent free letter is required when a 12 month housing history is not applicable
- Past due balloon:
 - Will be treated as a delinquency (1 x 30) and not a housing event, but only within 180 days of maturity.

7.3 CREDIT SCORES

- Each borrower's 'Credit Score' is the middle of three or the lesser of two
 - Representative Credit Score – Full Documentation - Credit Score of the primary earner
 - Bank Statement and Express Doc loans - The lowest Credit Score among borrowers
- No borrower can have a middle FICO score less than 580

7.4 CREDIT REPORT REQUIREMENTS

- Tradelines:
 - Each Borrower's credit profile must include a minimum of 2 trade lines within the last 24 months that show a 12 month history, or a combined credit profile between borrower and co-borrower with a minimum of 3 tradelines.
 - Tradeline activity is not required. Eligible tradelines cannot have any derogatory history in previous 24 months
 - Current housing not reporting on credit can be considered an open trade if supported by bank records (cancelled checks/debits)
 - Borrower(s) not using income to qualify are not required to meet the minimum tradeline requirements listed above.
 - No authorized user accounts will be used to satisfy minimum tradelines, however, they must be used to calculate DTI ratio
- Credit Events:
 - Bankruptcy:
 - Prior bankruptcies are permitted including Chapters 7, 11, & 13.
 - See GMFS Credit Grades for seasoning requirements
 - Prior Foreclosure, Short Sales, Deed-in-Lieu and Modifications (due to default) are permitted
 - See GMFS Credit Grades for seasoning requirements
 - Mod Seasoning - from the date of the first trial payment.
- Borrowers currently enrolled in credit counseling or debt management plans are not permitted
- All Judgments or liens affecting title must be paid
- Non-title charge-offs and collections within 3 years and exceeding \$5000 (individually or aggregate) must be paid
- Medical collections less than \$15,000 are not required to be paid
- All past due accounts must be brought current prior to closing
- Disputed accounts require a LOE per Fannie Mae. An updated credit report not required
- IRS tax payment plans approved by the IRS are permitted if current and do not carry a lien on any property
- All borrowers must be current on mortgage or rent at loan application
- All derogatory accounts **≥ 60 days** within **4 years** of closing require a full explanation for any applicable extenuating circumstance
- Delinquent credit belonging to ex- spouse - can be excluded if late payments occurred after the divorce/separation, and divorce decree/separation agreement indicates derogatory accounts belong solely to the ex-spouse.
- Security freeze - Credit reports may not contain a security freeze and should be resolved prior to an underwriting decision. Unfrozen reports after the date of the original credit report require a new tri-merged report.
- Defaulted timeshares - Timeshares including delinquencies are treated as installment loans and not a housing event.
- Mortgage ratings on rental income being used to qualify are required.

8 INCOME DOCUMENTATION

8.1 FULL DOCUMENTATION

8.1.1 WAGE EARNERS

- Most Recent Paystub including year-to-date earnings (YTD must cover minimum of 30 days), two years W2's and a Written Verification of Employment (if needed for the analysis of overtime, bonus or commission). IRS 1040s are not required unless also using other sources of income to qualify i.e. interest dividends, capital gains, etc.
- 4506-T W2 transcripts (If 1040 transcripts are provided, W2 transcripts are not required)
 - In the case where taxes have been filed and the wage transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file.
 - Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment
 - Evidence of any IRS filing extensions must also be present in the loan file

- Verbal Verification of Employment:
 - Required for all wage earner borrowers and must be completed within 10 calendar days of the closing date. Wage Earners VVOE should include name of contact at place of employment, phone number and title along with company name, address and borrower's job description and title

8.1.2 SELF-EMPLOYED BORROWERS

- Two years personal & business tax returns (along with all schedules and K-1's) and YTD P&L from any businesses being used for qualification where the borrower has 25% or more ownership interest are required
- 4506T transcripts 1040 tax transcripts
 - Business tax transcripts not required if net business income is validated on the borrower's 1040s
 - In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file.
 - Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment
 - Evidence of any IRS filing extensions must also be present in the loan file
- Verification of the business through a third party such as a CPA, regulatory agency or applicable licensing bureau
- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
- Self-employed paying themselves W-2 or K-1
 - Self-employed borrower (> 25% ownership) paying themselves by W-2s or K-1s are acceptable. However the income analysis should not be based on K-1 or W2 Wages. The analysis should be on the business entity as a whole, and the net income multiplied by the borrower's ownership % should be used to qualify.
- Declining income – Self-employed
 - Declining income over the last 2 years may be utilized for qualifying with signed letter of explanation from the borrower. Lower of the 2 years would then be used to qualify unless the income has stabilized over the most recent 6 months.

8.2 EXPRESS DOCUMENTATION - ONE YEAR VERIFICATION OF INCOME

8.2.1 WAGE EARNERS

- One year W2 or 1099 (1099 limited to single employer and requires employer confirmation of no borrower job related expenses) plus most Recent Paystub including year-to-date earnings (YTD must cover minimum of 30 days), and a Written Verification of Employment (if needed for the analysis of overtime, bonus or commission).
 - IRS 1040s are not required unless also using other sources of income to qualify i.e. interest dividends, capital gains, etc.
- 4506-T W2 transcripts (If 1040 transcripts are provided, W2 transcripts are not required)
 - In the case where taxes have been filed and the wage transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file.
 - Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment
 - Evidence of any IRS filing extensions must also be present in the loan file
- Verbal Verification of Employment required for all wage earner borrowers and must be completed within 10 calendar days of the closing date. Wage Earners VVOE should include name of contact at place of employment, phone number and title along with company name, address and borrower's job description and title

8.2.2 SELF-EMPLOYED BORROWERS

- Borrowers must be at least 25% self-employed to qualify
- One-year personal and business tax returns (along with all schedules and K-1's) plus a borrower prepared P&L covering time period since last tax filing.
- If the P&L covers more than 9 months, 3 month bank statements are required to validate continued positive cash flow of the borrower's business. Additional bank statements may be required if deemed necessary.
- P&L monthly income limited to + 15% of the monthly tax return income
- Borrower will be qualified on the lower of -
 - Monthly average of the net income from the tax return and P&L or
 - Monthly net income from tax return multiplied by 115%
- All borrowers must also provide evidence that business has been in existence for at 2 least years via CPA/Tax preparer letter, confirmation from regulatory or state agency, or applicable licensing bureau.
- Self-employed borrower income in a licensed profession (i.e. Medical, Legal, Accounting) will be considered from a business that's been in existence for less than 2 years, but greater than 1 year if the borrower has at least 2 years of documented previous experience in the same profession, or evidence of formal education in a related field.
- IRS form 1040 personal and business 4506-T tax transcripts required for the tax return year used for qualifying

8.3 BANK STATEMENTS

****Bank statement loans submitted with tax returns or transcripts must follow Full Doc guidelines***

9.3.1 PERSONAL BANK STATEMENTS

- Document Requirements:
 - 12 or 24 months personal bank statements required
 - Multiple bank accounts may be used
 - Co-mingling:
 - Co-mingling of personal and business receipts and expenses is not permitted in personal bank accounts. Evidence of comingling will require the loan to be submitted/qualified as a business bank statement loan.
 - 2 months of business bank statements must be provided to validate borrower utilizes separate bank accounts
 - Bank statements must be most recent available at time of application and must be consecutive
 - Transaction history printouts are not acceptable.
- Documentation Analysis:
 - Any deposits into a personal account deemed to derive from a source other than the business (rents, SSI, joint account holder wage income, IRS refunds) must be excluded from the analysis
 - Unusually large deposits exceeding 50% of monthly income (as defined by Fannie Mae) into bank accounts must be explained via LOE, and must be consistent with the business profile. If LOE is sufficient, no sourcing required.
 - If bank statements provided reflect payments being made on obligations not listed on the credit report, a thorough analysis must be performed and LOE provided from the borrower
 - Declining Income may require an LOE
- Business requirements:
 - Validation of a minimum of 2 years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent
 - Ownership percentage must not be less 50% and documented via CPA letter, Operating Agreement, or equivalent
 - Borrowers paid 1099 paid by a single company are not eligible for the bank statement program
 - i. Exceptions considered for real estate professionals, contact Scenario Desk to discuss.
 - Borrowers who own more than 3 businesses must use personal bank statements option
- Qualifying Income:
 - **For personal bank statement documentation, it is the lower of the following:**
 - i. **Personal bank statement average (total eligible deposits / 12 or 24 months)**
 - ii. **Monthly income disclosed on the initial signed 1003**

9.3.2 BUSINESS BANK STATEMENTS

- Documentation Requirements:
 - **12 or 24 months business bank statements required**
 - Bank statements must be most recent available at time of application and must be consecutive
 - Transaction history printouts are not acceptable.
 - Multiple bank accounts may be used
- Documentation Analysis:
 - Transfers from other bank accounts into the business bank accounts will require conclusive evidence that the source of transfer is business related income
 - Unusually large deposits exceeding 50% of monthly income (as defined by Fannie Mae) into bank accounts must be explained via LOE, and must be consistent with the business profile. If LOE is sufficient, no sourcing required.
 - Declining Income may require an LOE
 - NSF's may require a borrower LOE documenting they are not due to financial mishandling or insufficient income
 - NSF's should be covered with deposits shortly after they are incurred.

- Expense line items that can be added back to the business net income include depreciation, depletion, amortization, casualty losses, and other losses or expenses that are not consistent and recurring
- **Business Requirements:**
 - Borrowers who own more than 3 businesses must use personal bank statement option
 - Validation of a minimum of 2 years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent
 - Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
 - Borrowers utilizing business bank statements that own $\geq 50\%$ but $< 100\%$ of a business will be qualified at the net income multiplied by their ownership percentage
 - **Borrower paid 1099 paid by a single company are not eligible for the bank statement program**
 - **Exceptions considered for real estate professionals, contact Scenario Desk to discuss.**
- **Qualification for business bank statement loans must use one of the following options:**
 1. **Fixed expense ratio**
 - Restrictions: maximum 75% LTV and minimum 680 FICO
 - If the expense ratio is not applicable for the borrower's business utilizing the fixed method above, the borrower may have the option of using a P&L or ES to qualify.

Fixed Expense Ratio			
Number of FTE/Contractors	0	1-5	5+
Service Business	20%	40%	60%
Product Business	40%	60%	80%

 - Service Business Examples - Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance, Information Technology, etc.
 - Product Business Examples - Retail, Food Services/Restaurant, Manufacturing, Contracting/Construction
 2. **Bank Statement Profit & Loss Statement ("P&L") or Earnings Summary ("ES")**
 - Must be signed by the borrower, unless borrower provided a CPA prepared P&L
 - The P&L/ES should generally cover the same calendar months as the bank statements provided (within ~3 months)
 - Eligible deposits from the bank statements should generally be within +/- 10% of the gross income as shown on the P&L/ES
 - Any amounts on the P&L/ES representing salary/wages paid to the borrower/business owner can be added back and considered in the net income analysis
 - Borrower is required to provide separate P&Ls or ES for each business being used to qualify
 - GMFS Bank Statement Calculator can be used for guidance with P&L/ES Overlay guidance
 - If the file does not contain a CPA prepared P&L, steps must be taken by the underwriter to evaluate the reasonableness of the expenses listed by the borrower. This requires the seller/borrower or CPA to provide a business narrative which includes detail related to the size/scope and operating profile of the business, including the following:
 - Description of Business/Business Profile
 - Location & Associated Rent
 - Number of Employees/Contractors
 - Estimated Cost of Goods Sold (Does business involve sale of goods or just services?)
 - Materials/Trucks/Equipment
 - Commercial or Retail client base
 - Expenses listed on a borrower prepared P&L/ES should generally relate to the information provided above
- The expense ratio should be reasonable for the profession, for both qualifying methods.
 - **Example:** A home-based sole practitioner consultant can be expected to have a low expense ratio, while a retail business that has a full staff of employees, fleet of vehicles, and relies heavily on inventory to generate income will have a high expense ratio

- **Qualifying Income:**
 - Using business bank statement documentation, it is the lower of the following:
 - Monthly net income as calculated above (fixed expense ratio or P&L/ES)
 - Monthly income disclosed on the initial signed 1003

8.4 MISCELLANEOUS INCOME SOURCE REQUIREMENTS FOR BANK STATEMENTS

- **Joint Accounts** - A joint personal account with a non-borrowing spouse or domestic partner can be used for qualifying as follows:
 - If not contributing income/deposits, it must be validated by a borrower affidavit
 - If contributing income/deposits, source must be clearly identified (direct deposit, SSI, trust income) and amounts must be subtracted from the analysis
 - Relationship letter must be present in file
- **Component Sources of Income** - A borrower who has a self-employed business and also receives income from other sources is eligible for the bank statement program. Income sources include but are not limited to rental properties, trust & investment, alimony, etc. These income sources must be separately documented on the 1003 and must be separately supported by bank statement deposits.
 - Rental Income –
 - A current lease is required for all REO income properties
 - Evidence that lease is market rent is required
 - Must provide proof of ownership
 - Must provide rental payments of 2 months via cancelled checks, deposits clips, or bank records
 - If lease is not available, market rent must be obtained
 - Lease or market rent must be reduced by a vacancy/expense factor of 25%
 - Trust Income –
 - Income from trusts may be used if constant payments will continue for at least the first 3 years of the mortgage term as evidenced by trust income documentation
 - Trust Agreement required confirming amount, distribution frequency, and duration of payments
 - Alimony Income –
 - Final Divorce decree or legal separation agreement required
 - Must provide payment evidence of 6 months via cancelled checks, deposit slips, or bank records
 - Note Receivable Income
 - Copy of the note confirming amount and length of payment
 - Must provide payment evidence of 12 months via cancelled checks, deposit slips, or bank records
 - Royalty Payment Income
 - Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income –must document a 3 year continuance
 - Must provide payment evidence of 12 months via cancelled checks or bank records/deposits
 - Retirement Income
 - The following types of income documentation is required:
 - Copy of award letter or letters from the organizations providing the income
 - Most recent 2 months bank statements showing deposit of funds
- **Self Employed/Wage Earner Combination** - Joint borrowers with 1 wage earner and 1 self-employed business owner can verify income separately, with the self-employed borrower utilizing bank statements and the wage earner providing pay stubs/W-2s. The wage earner 4506T should include W-2 transcripts only. Combination scenario must be qualified and priced as a bank statement loan

8.5 ASSET UTILIZATION

- The utilization of financial assets will be considered as borrower income to qualify for their monthly payments.
- This can be combined with other sources of income (i.e. rent, pension, social security etc.) and W2 income.
- **Program Requirements:**
 - Maximum LTV of 80%
 - Asset utilization will be qualified under the full doc program matrix/pricing
 - Borrowers must have a minimum of \$450K in net (post-close) assets
 - Requirement:
 - Borrowers must have a minimum of the lesser of
 - (i) \$1mm in Qualified Assets OR
 - (ii) 1.25 times the loan balance in Qualified Assets

- Not permitted:
 - Cash-Out
 - Non-Owner Occupied
 - Recent Event
 - Gift funds
 - Foreign Assets
- Not Required/Applicable:
 - Reserves
 - Payment shock
- Assets:
 - Borrowers must have a minimum of \$450K in net assets
 - Assets used for qualifying must be seasoned 120 days unless pre-approved by GMFS
 - Net Assets:
 - If the assets or a portion of the assets are being used for down payment or costs to close, those assets should be excluded from the balance before analyzing a portfolio for income qualification.
 - Qualifying Assets:
 - Net assets multiplied by the following percentages:
 - 100% Checking/Savings/Money accounts
 - 85% of the remaining value of Stocks/Bonds/Mutual Funds,
 - **80% for all vested retirement assets**
 - **75% of vested OREO Home Equity (Residential Properties Only)**
 - **Subject Loan: Max 65% LTV**
 - **Borrower's Min 700 FICO**
 - **Value must be documented by exterior appraisal or BPO**
 - **Lien Search required**
 - **100% ownership required**
- Qualifying Income:
 - Qualified assets with utilization draw schedule of 10 years (Qualified Assets divided by 120).

8.6 MISC. – EMPLOYMENT & INCOME

- Work History
 - Employment is considered stable if the borrower has a 2 year work history in the same job or field. Written analysis may be provided justifying less than 2 years. A minimum of 6 months of employment is required unless recently graduated from school or completion of formal training.
- Employment Gaps
 - Borrower should explain any employment gaps exceeding 30 days in the last 12 months and 60 days in the last 13-24 months.
- Recently transitioned W-2 to 1099
 - Borrowers recently transitioned from W2 to 1099 and contracted by the same employer in the same position do not require 2 years 1099s if the lender provides documentation the borrower will not be responsible for additional expenses, i.e. contract.
 - Borrowers who remained in the same industry, but transitioned from W2 to 1099 with a different company must be in current position for at least 1 year.
- Ancillary Non Employment Income – Continuance
 - Borrowers of retirement age do not require proof of continuance if income received from corporate, government or military retirement or pension.
 - Alimony, child support require proof of 3 or 5 year continuance (5 years if income source is > 50% of loans total qualifying income). Please note this overlay to Fannie Mae.
 - IRA/Discretionary Retirement Account Distributions – Continuance
 - IRA distributions cannot be set up post application date unless the borrower is required to start withdrawing based on age. In such cases, 125% of the required minimum amount can be used to qualify.
 - Distributions must have been received for prior 6 months to application to be considered as eligible income. Distributions that have been received for 6 months or more can be adjusted with a letter from the plan administrator validating the increase. Allowable increases of distribution amount are limited to 125% of previously received distributions. Continuance for 5 years at the proposed monthly amount is required if distributions represent > 50% of the loans total qualifying income (please note this overlay to Fannie Mae). Please refer to Asset Utilization for borrowers wishing to draw assets to qualify.

- One of the following types of income documentation is required:
 - Copy of award letter or letters from the organizations providing the income
 - Most recent personal income tax return with all schedules
 - Most recent W2 or 1099
 - Most recent 2 months bank statements showing deposit of funds
- **Restricted Stock (RSUs)**
 - GMFS will only consider restricted stock that was awarded in prior 2 years and became unrestricted (vested) in the current year. The Vesting Schedule must indicate the income will continue for a minimum of 3 years at a similar level to the prior 2 years. Continuance is based on the vesting schedule using a stock price based on the 52 week low for the most recent 12 months reporting at the time of closing. A 2 year average of prior income received the RSU's or stock option will be used.
 - The following documentation is required: copy of the vesting schedule, most recent W2 and pay stub.
 - Private Stock not eligible.
- **Rental Income:**
 - **Reported on tax returns:**
 - Must document proof of current ownership
 - Schedule E net income should be used (FNMA)
 - **Not reported on tax returns:** (only if rental was acquired since last tax filing)
 - Must document proof of 100% ownership
 - If lease is not available, market rent must be obtained
 - Lease or market rent must be reduced by a vacancy/expense factor of 25%
 - 2 months cancelled checks to show proof of rental payments
 - **Short Term/Variable Rental Income:**
 - Airbnb – VRBO- HomeAway - Acceptable with 12 months evidence of receipt via Service Provider payment receipt history or bank statement deposits.
 - Requires property ownership report and proof of property listing on Website
 - Income limited to 125% of market rents schedule for long term tenancy
- **Expired Leases**
 - Acceptable if lease has expired and tenant is renting month to month.
 - Proof of current rent deposits is required.
- **Misc. Income Sources - Gambling/IHSS/Parsonage/Foster**
 - Gambling income is ineligible. Foster/IHSS/Parsonage eligible with 2 years history and 3 or 5 year continuance (see above for 5 year continuance).
- **Averaging of bonus/commission, 2 years**
 - A 2 year average is required unless borrower recently moved to a commission basis. Consideration of > 1 year and < 2 years should be submitted to the Scenario Desk.
- **Second jobs**
 - Second job income considered stable if received for 2 years and likely to continue.
- **Unreimbursed 2106 expenses**
 - Unreimbursed business expenses reported on IRS Form 2106 should be evaluated only when commission earnings are greater than or equal to 25% of the borrower's total income. A 2 year average of unreimbursed expenses should be deducted from the borrower's income.
- **Alimony subtracted from income vs. included as Debt**
 - Since there are tax consequences of alimony payments, the creditor may choose to treat the monthly alimony obligation as a reduction for the consumer's gross income when calculating quantifying ratios, rather than treating it as a monthly obligation.
- **Foreign sources of Income**
 - Foreign income is income earned by a borrower employed by a foreign government/company and not paid in US dollars. Permitted if the following criteria satisfied:
 - 2 years US Tax returns reflect the foreign income
 - Income is translated to US dollars
 - Income documentation, stability and continuance requirements are met
 - Income from countries under OFAC sanctions not permissible
 - Not applicable for Foreign National loans
- **Grossing up nontaxable income**
 - Non-taxable income to be grossed up 125%.
- **Trailing spouse income**
 - Trailing spouse income is ineligible.
- **Boarder income**
 - Allowable on full doc loans if income is declared on tax returns.

- **Two year Business validation - name change/re-organization**
 - Considered continuous if business name change within last 2 years or restructure (i.e. from sole proprietor to LLC, S-Corp, etc.)

9 ASSETS

9.1 DOCUMENTATION

- Full Asset Documentation is required for both funds to close and reserves. For most asset types, this would include all pages of the most recent 2 months statements, the most recent quarterly statement, or FNMA approved third party direct pull services.
- Business accounts may only be used to meet down payment and/or reserve requirements if the borrower(s) are 100% owners of the business and requires:
 - A letter from the businesses accountant OR
 - An underwriter cash flow analysis of the business balance sheet to confirm that the withdrawal will not negatively impact the business
- Stocks/Bonds/Mutual Funds – 100% may be used for reserves
- Vested Retirement Accounts – 100% may be considered for reserves
- Assets being used for dividend and interest income may not be used to meet reserve requirements
- If needed to close, verification that funds have been liquidated (if applicable) is required
- Gift of Equity is not allowed
- Builder profits are not allowed
- Maximum Interested Party Contributions permitted up to 3% for LTV ≥ 80 , 6% for LTV < 80
- LOE required for large deposits, as defined by Fannie Mae

9.2 GIFT FUNDS

- Requirements:
 - Purchase transaction only
 - Primary Residence only
 - Not permitted on full doc loans with LTVs $> 85\%$ and on bank statement/Express Doc loans with LTV $> 80\%$
- Gifts from family members, as defined by FNMA, are allowed
- The borrower(s) must have a minimum of 5% of own funds available. Gift funds cannot be counted towards reserves
- Non-borrowing spouse residing in property who is contributing funds is not considered a gift

9.3 MISCELLANEOUS

- **Life insurance cash value**
 - Life insurance policy current cash value or loan against the cash value may be used for down payment, closing costs or reserves.
- **Foreign Assets**
 - Foreign assets are acceptable and must be 60 days seasoned with 2 most recent bank statements.
- **Non borrowing Spousal accounts/ access letters**
 - Allowable with relationship letter. If the loan is a bank statement loan, non-borrowing joint accountholder affidavit is required to ensure no deposits by that non borrower are included as income.
- **Restricted Stock**
 - Restricted stock is ineligible for to be used for reserves.
- **Bitcoin (Crypto Currencies)**
 - Not permitted as reserves, but can be liquidated to US dollars for down payment.
- **Sale of Personal Assets**
 - Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the assets is not a party to the property sale transaction or the mortgage financing transaction. Documentation required supporting borrower ownership of the asset, independent valuation of the asset, ownership transfer of the asset and borrower's receipt of sale proceeds.

- **Employer assistance**
 - Employer assistance in the form of a grant, direct fully repayable second mortgage or unsecured loan, forgivable second mortgage or deferred-payment second mortgage or unsecured loan, and shared appreciation down payment assistance are permitted. Funds must come directly from the employer, may be used for down payment/closing costs subject to minimum borrower contributions, may be used for reserves except for unsecured loans and are only eligible for primary residence.
- **1031 Assets**
 - Funds held by a 1031 administrator/agent or permitted for down payment and closing costs.

10 LIABILITIES

- **Departing Residence:**
 - Departing residence positive rental income cannot be used as qualifying income. Departing residence PITIA can be offset by 75% of projected net rental income.
 - Departing residence rental that produces a loss must be included in DTI.
 - Departing residence obligation can be excluded if:
 - If no contract in place –
 - Signed letter of intent from borrower indicating they intend to list the departure residence for sale within ninety (90) days of closing on subject transaction.
 - Equity in the departure residence must be documented with a 2055 exterior appraisal or full appraisal. Departure residence must have a minimum of 20% equity after deduction of outstanding liens to exclude the payment from the DTI. If less than 20% equity, the full payment must be included in the DTI.
 - Required reserves for the departure residence are based on the marketing time indicated by the departure residence appraisal: If appraisal indicates marketing time of six (6) months or less = 12 months PITIA If appraisal indicates marketing time over six (6) months = 24 months PITIA
 - If under contract –
 - A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared/satisfied. The departure transaction must be closing within 30 days of the subject transaction. The pending sale transaction must be arm's length. No appraisal required for departure residence. The borrower must be netting a positive number from the sale of the property or assets must be accounted for to cover any funds the borrower may have to bring to closing on the sale of the departure residence.
 - Required reserves for the departure residence = 6 months PITIA
- **Property tax estimates for new construction**
 - Property taxes should be calculated using 1.5% of sales price for qualification (1.25% in California).
- **Student Loan**
 - Student loan payments must be included regardless of deferment or repayment in the DTI ratio. If a payment amount is not identified, 1% of the current loan balance may be utilized.
 - Affordability based payments may be used
- **Solar leases**
 - Solar leases are allowed if the lease payment is included in the DTI, equipment owner is responsible for any damage as a result of installation/removal/defect/malfunction, and equipment owner is not listed as loss payee of on the insurance policy. Must conform to FNMA.
 - PACE loans (or any similar loans with payments that are included in property taxes) are not eligible.
- **Payoff / pay down of debt to qualify**
 - Installment and revolving debt paid at closing may be excluded from the debt-to-income ratio with i. a credit supplement, ii. Verification from the creditor liability as paid in full or iii. Evidence of payoff on Closing Disclosure.

- **Alimony subtracted from income vs. included as Debt**
 - Since there are tax consequences of alimony payments, the creditor may choose to treat the monthly alimony obligation as a reduction for the consumer's gross income when calculating quantifying ratios, rather than treating it as a monthly obligation.
- **Child Support**
 - Must be considered a recurring monthly debt
- **Debts paid by others/contingent liabilities**
 - Contingent liabilities can be excluded from DTI if the borrower provides evidence that their business or another individual/entity has made payments for 12 months (0x30). Any liability related to a separation or divorce can be omitted if ordered by family court. Documentation from the court is required. Cannot exclude mortgage debt.
- **Obligations paid by business**
 - Excludable if can be tied to business related activities (i.e. – vehicle) and 12 months (0x30) proof that business pays. Expense must be evident on business financials. Cannot exclude mortgage debt.
- **Turning in leased car early**
 - Vehicle lease payments must be included in DTI ratio if being returned early. Treated the same as a lease with < 10 payments remaining which must be included in DTI.
- **30 day Amex**
 - Amex 30 day accounts should be qualified using the full monthly payment or 5% for monthly accounts unless borrower documents balance can be covered by excess reserves.
- **IRS Tax Liens**
 - IRS tax payment plans approved by the IRS are permitted if current and do not carry a lien on any property

11 UNDERWRITER ANALYSIS

- All loan files should contain underwriter worksheets which detail the qualifying income calculations and debt obligations considered or not considered (and reason for exclusion)

11.1 PAYMENT SHOCK

Payment shock is limited to 300% on primary residence transactions. Payment shock exceeding **300%** must be submitted to the GMFS Scenario Desk for review with an LOE documenting underwriter's payment shock approval and applicable compensating factors, as outlined below in **section 12.2**. Payment shock is not considered for borrowers who do not have a current housing payment, or own a home free and clear

- GMFS Payment Shock Calculation: $(\text{Proposed PITI} - \text{Current PITI}) / \text{Current PITI} \times 100$

11.2 COMPENSATING FACTORS

- FICO score above minimum by 20 points or higher
- DTI below max by 5% or greater
- PITIA reserves above minimum by 6 months or higher
- Reduction in housing payment by 10% or greater
- Increase in residual income by 10% or greater
- Residual income **\$1,000 above the minimum required**
- 0 X 30 X 24 month housing history
- 5 years minimum in subject property
- Job stability of 5 years or more
- Ancillary income sources for borrower not being used for qualifying

11.3 RESIDUAL INCOME

- **Residual income equals Gross Qualifying Income less Monthly Debt (as included in the debt-to-income ratio)**
- If the loan is an HPML, or if the DTI exceeds 43%, borrowers must have a minimum monthly residual income as required below:

in Household - Required Amount
1 - \$1,550
2 - \$2,500
<i>Add \$150 for additional family members</i>

- Not required for non-owner occupied properties, asset utilization, or foreign nationals

11.4 DOCUMENTATION AGE

- All credit documents including credit report, income docs, and asset statements must be dated no more than 120 days prior to the note date. The note date is utilized for document expiration for all funding types

12 PROPERTY

12.1 APPRAISAL

- All appraisals must comply with and conform to USPAP and the Appraisal Independence Requirements, and any requirement for HPMLs, if applicable
- The appraiser must not have a direct or indirect interest, financial or otherwise, in the property or in the transaction.
- An appraisal prepared by an individual who was selected or engaged by a borrower, property seller, real estate agent or other interested party is not acceptable
- Assigned appraisals are acceptable, unless ordered by borrower.
- Two appraisals are required to be delivered for loan amounts > \$1,500,000 and HPML flip transactions as defined by the CFPB. Interior photos are required
- Appraisals are good for 120 days. Any appraisal seasoned greater than 120 days will require a recertification of value completed by the original licensed appraiser. A recertification of value will be permitted up to 180 days
- Legal non-conforming zoned properties must indicate that the subject property can be rebuilt if it is severely damaged or destroyed
- Form 1007 Schedule of Rents is required for all Non-Owner Occupied loans on Single Family residences
- For 2-4 unit properties, a FNMA 1025 Small Residential Income Property Appraisal Report is required
- Negative property influences must be disclosed and adjusted accordingly by appraiser
- Properties with unpermitted additions should be sent to the SGCP Scenario Desk for an eligibility review
- Loans with appraisals that predate a FEMA disaster area require SGCP review prior to purchase

12.2 THIRD PARTY APPRAISAL REVIEW

- Prior to submitting a loan for GMFS's Credit & Compliance review, sellers should submit the appraisal to GMFS's fulfillment vendor who will obtain a third party appraisal review to validate the origination appraisal(s)
- The Vendor Appraisal Review final opinion of value must be within 10% (i.e. above or below) the lowest origination appraisal(s) or sales price
 - **LTVs ≥ 85% must be within 5%**
- Desk review is not required for loans with 2 appraisals

12.3 ELIGIBLE PROPERTY TYPES

- One Unit Single Family Residences
 - Attached/Detached/Modular
- 2-4 Unit Properties
 - 3/4 unit eligible for investor properties only
- PUDs - Attached and Detached
- Coops
- Warrantable Condo
 - A project review is required to be performed by sellers to document FNMA eligibility & must be in accordance with the FNMA Seller guide
- Non-Warrantable Condos
 - GMFS condo questionnaire required to be performed by sellers
 - GMFS condo questionnaire required to be performed by sellers and investment properties
 - Must meet Fannie Mae warrantability requirements, with the exception of permitted variances as described in the chart below (Section 13.6)
- Townhouse
- 20 Acres Maximum

12.4 INELIGIBLE PROPERTY TYPES

- Manufactured Homes
- Log Homes
- Condotels
- Unique Properties
- Mixed Use properties
- Builder Model Leaseback
- Boarding Houses
- Live/Work Condos
- Fractional Ownership/Time Shares
- Assisted Living/Continuing Care Facilities
- Mandatory Country Club Memberships
- Zoning violations
- Properties under construction
- Working Farms
- C5 or C6 property condition grades
- Geodesic Domes

12.5 DECLINING MARKETS

A 5% reduction in LTV/CLTV will be required for all properties located in a declining market as designated by the appraiser.

12.6 NON-WARRANTABLE PROJECT REVIEW

ELIGIBLE	CONSIDERED FOR EXCEPTION	INELIGIBLE
(No Pre-Approval Required)	(Pre-Approval Required)	(N/A)
Presale - at least 30% of units must sold or under bonafide contract.	Non-Material Litigation - slip and fall/single unit complaints/3rd party claims with adequate reserves	Material Litigation - Structural/Functional litigation against developer
Investor Owned - Up to 55% of units can be tenant occupied	Insurance Coverage -Exceptions to Fannie Mae minimum coverage requirements	Delinquent HOA - in excess of Fannie Mae 15% limit
Single Entity Ownership - A single entity can own up to 30% of units	Reserves - <10% replacement, maintenance, and/or deductible	Newly Converted - Non full gut rehabs
Seller Concessions - permitted up to 1% in excess of Fannie limits	(N/A)	Environmental hazards
Commercial Use - Up to 55% non-residential use	(N/A)	(N/A)

12.7 MISCELLANEOUS

- **Outbuildings**
 - Outbuildings are acceptable on rural properties. Use, quality and condition should not be considered in determining the market value of the subject property.
- **Accessory units**
 - Accessory units are acceptable if meet the following conditions:
 - Typical to the area, accessible and significantly smaller than the primary dwelling unit
 - Any rental income received from the accessory may not be used to qualify unless reported on tax returns
 - Unit should not jeopardize potential future hazard insurance claim(s)
 - Conforms to all zoning laws/regulations
 - Appraisal comparables contain accessory units
- **Solar**
 - Properties with solar panels are eligible for purchase, however should not be included in property valuation.
 - Solar panel agreements are permitted in accordance with FNMA guidelines
- **Disaster areas (link to FEMA)**
 - Post Disaster Inspections are required if a property is located in a declared area and appraisal predates the disaster. Listings can be found by visiting: <https://www.fema.gov/disasters>
- **Deed restrictions**
 - Deed restrictions affect transferability of a property. The only Deed Restrictions permitted are Age Restricted communities.
- **Escrow holdbacks for repairs**
 - Repair funds to be held in an escrow account and disbursed in accordance with FNMA
 - Repairs must be completed and funds disbursed prior to loan sale to investor
- **Modular Homes**
 - Modular must conform to all local building codes, classified as real property and assume all the characteristics of a site-built home.
- **Multiple dwellings – 1 lot**
 - Properties with more than 1 SFR are generally not eligible for purchase. Guesthouses may be eligible. Please contact the Scenario Desk with additional questions.

- **Second home and rental income**
 - Property should be > 50 miles from primary residence
 - Unit may be rented up to 30 days per year. IRS regulations should be followed pertaining to reporting requirements.
- **Agriculturally Zoned**
 - May be eligible when all of the following exist:
 - Highest and best use of the subject property is residential
 - Subject property is used as a residence and is typical for the neighborhood or market area
 - The appraiser adequately demonstrates that the subject neighborhood is residential in nature
 - Residential use is permissible under the zoning and land use regulations
 - Property adheres to the maximum acreage standards
 - The appraiser must also provide detail of any outbuildings on the property:
 - Size of the outbuildings
 - Are the outbuildings being used for a special purpose
 - Do the comparable sales have similar outbuildings
 - Is the property residential in nature – no agricultural or commercial use
 - No value should be given to any auxiliary buildings.

13 MISCELLANEOUS GUIDELINE REQUIREMENTS

13.1 ASSUMABLE

- Eligible for ARM products after the fixed rate period with prior approval and qualification

13.2 PREPAYMENT PENALTIES

- Prepayment penalties are required on investment property transactions when permissible by state law
 - 6 Month interest on 80% of the amount prepaid. Standard Prepayment Penalty Term – 3 years. May be bought down, see rate sheet for pricing.
- Not permitted on primary residences or second homes

13.3 ESCROWS

- Escrows for taxes and insurance will be required for all HPMLs
- Escrows for taxes and insurance will be required Foreign Nationals

13.4 MAXIMUM FINANCED PROPERTIES

- The maximum number of financed properties to any one borrower is limited to 10 residential properties.
- Additional reserves are required for borrowers with greater than 2 financed properties; please see reserves section for requirements
- Commercial properties and residential > 5 units excluded from calculation.

13.5 POWER OF ATTORNEY

- Limited Power of Attorney (POA) is acceptable for executing closing documents, is specific to the transaction, contains an expiration date, initial 1003 is signed by the borrower executing the POA. Not permitted on cash-out or Foreign National transactions

13.6 E-SIGNATURES

- E-signatures are permitted with the exception of the following documents: Note, Mortgage, Deed of Trust, Closing Disclosure, Power of Attorney, Ryders/Addendums, and any state regulated disclosures. These documents require a wet signature.

14 RESERVES REQUIREMENTS

Occupancy	Loan Purpose	Property Type	Loan Amount	Reserves
Primary Residence	Purchase, Rate/Term Refinance, Cash-Out Refinance	SFR, Condo, PUD, Co-op, 2-Unit	100,000 - 500,000	3 Months
			500,001 - \$1,500,000	6 Months
			1,500,001 - \$3,000,000	12 months

- Borrowers with greater than 2 financed properties require 9 months or otherwise stated higher reserve amount above and an additional 2 months of reserves for each additional financed property. The 2 months additional reserves are based on the PITI plus HOA fees of the other financed properties. ***For primary residence transactions, this requirement can be waived for borrowers who have a minimum 12 months reserves on the primary residence.***
- Reserves are calculated off actual P&I payment plus Taxes, Insurance, and HOA

Occupancy	Loan Purpose	Property Type	Loan Amount	Reserves
Second Home	Purchase, Rate/Term Refinance, Cash-out	SFR, Condo, PUD	150,000 - \$3,000,000	12 Months

- Borrowers with greater than 2 financed properties require an additional 2 months of reserves for each additional financed property. The 2 months additional reserves are based on the PITI plus HOA fees of the other financed properties
- Reserves are calculated off actual P&I payment plus Taxes, Insurance, and HOA

Occupancy	Loan Purpose	Property Type	Loan Amount	Reserves
Non-Owner Occupied	Purchase, Rate/Term Refinance, Cash-out	SFR, Condo, Townhouse, PUD, 2-4 Unit	150,000 - \$2,000,000	12 Months

- Borrowers with greater than 2 financed properties require an additional 2 months of reserves for each additional financed property. The 2 months additional reserves are based on the PITI plus HOA fees of the other financed properties
- Reserves are calculated off actual P&I payment plus Taxes, Insurance, and HOA

14.1 MISCELLANEOUS RESERVE SOURCE REQUIREMENTS

- Cash-out permitted to meet reserves
- Reserves not required for asset utilization
- Non-Occupant Co-Borrowers: Minimum 6 months reserves is required

15 OPERATIONAL GUIDELINES

15.1 UNDERWRITING SCENARIO QUESTIONS

- For specific underwriting questions and scenarios please email UnderwritinghelpEA@gmfslending.com. Please review the guide and matrices and have a specific question prior to submitting to the email above.

15.2 PRICING AND LOCKING- EXPANDED ACCESS

- Pricing is available daily through Optimal Blue. All written guidelines override any Optimal Blue eligibility decisions.
- Due to the complexity of the product, GMFS recommends requesting longer lock periods than you would typically request.
- Please defer to Optimal Blue for the Current Price Loan Level price adjustments. They vary based on loan characteristics.

15.3 PRICING EXPANDED ACCESS LOAN IN OPTIMAL BLUE

- Enter your information as usual in Optimal Blue, but to get the accurate pricing for Expanded Programs you must select the following:
 - Loan Type(s): NonConforming
 - AUS: Manual
 - Must complete the bottom section on Mortgage History:

Mortgage History X30	Mortgage History X60	Mortgage History X90	Mortgage History X120	Mortgage History Rolling
2	0	0	0	0
Foreclosure	Bankruptcy	Bankruptcy Chapter	Bankruptcy Disposition	
Never	Never	Chapter 7	Discharged	
Bank Statements for Income		Application Date	Disclosure Date	
24 Months				

- Please note: Data in this section does not pull over from the LOS. You must enter the information in completely to get the accurate pricing. If loan is not priced accurately, the Underwriter will have to deny the loan.
- Please note: Optimal Blue does not filter the product for the loan characteristics entered. Please read the description of the product **CAREFULLY** and make sure your loan fits the program. Use the Matrices on Products and Credit to assist. For example, make sure a **Bank Statement** loan has the appropriate title in the Loan Program name and/or a **Seasoned Credit** event also has the appropriate title in the Loan Program name.

15.4 EXTENSIONS-EXPANDED ACCESS

- Extensions are limited both to a max of 30 days and two requests. If more than 30 days or a third extension is necessary, the loan may be subject to re-pricing. Appraisal and loan must be approved in order for an extension to be considered. The Lock Desk will review and approve every extension on a case by case basis.
- Current extension costs are entered in Optimal Blue. Use change request to see cost.

15.5 UNDERWRITING FEES-EXPANDED ACCESS

- Underwriting Fee: \$979.00

15.6 ENTERING AN EXPANDED ACCESS LOAN IN MORTGAGE BUILDER/ENCOMPASS

- Please select one of the following programs based on the loan eligibility described in this guide, the matrices and how you have identified the loan via the lock:
 - EAC_5/1_2-2-5
 - EAC_7/1_5-2-5
 - EAP_5/1_2-2-5
 - EAP_7/1_5-2-5
 - EA_CORE_30YRFIX
 - EA_PLUS_30YRFIX

15.7 APPRAISALS

- Two appraisals are required to be delivered for loan amounts > \$1,500,000 and HPML flip transactions as defined by the CFPB. Interior photos are required.
- Appraisals are good for 120 days. Any appraisal seasoned greater than 120 days will require a recertification of value completed by the original licensed appraiser. A recertification of value will be permitted up to 180 days.

-see Appraisal section of guide for additional general requirements

15.7.1 APPRAISAL SUBMISSION PROCESS

- All appraisals must be ordered through an Approved AMC. If the loan size is over the conforming limit, you will need to select appraisal type as “Jumbo” (if applicable) from the drop down in the order process.
- Upon receipt, please forward the appraisal to JumboAppraisals@gmfslending.com; regardless of whether the loan is a non-conforming (jumbo) or conforming loan amount. Also, please indicate in the body of the email that the appraisal is for an **Expanded Access** loan.
- If 2 appraisals are required, both must be uploaded and approved.
- GMFS submits the appraisal through a fulfillment vendor who will obtain a third party appraisal review to validate the origination appraisal (s). Initial review takes between 3 to 5 business days.
- The Vendor Appraisal Review final opinion of value must be within 10% (i.e. above or below) the lowest origination appraisal(s) or sales price; note: LTVs > 85% must be within 5%.

15.8 SUBMITTING AN EXPANDED ACCESS LOAN FOR APPROVAL

- Submit a Clear to Close (CTC) Loan Submission Form along with mandatory documents needed for review.
- Compare DTI ratio to lock confirmation. If DTI ratio is > 43%, the loan must be repriced!
- If Expanded Access loan is a Bank Statement Loan, submit appropriate worksheets (i.e. Bank Statement Worksheet; Qualifying Income Worksheet) along with Business Narrative (if applicable).
- Initial approval (with conditions, if applicable) expected approximately 48 hours.
- Entire approval process expected to be approximately 4-5 business days from receipt of completed file to finalizing of conditions

15.8.1 FORMS

- [Clear to Close Loan Submission Form](#)

15.8.2 CLOSING

- Management must review LE prior to the CD going out and all CD's prior to the Closing Date for approval. Please allow 48 hour prior turn-time for the review period.

Please see [Expanded Access Training Guide](#) for additional information

For Underwriting Questions: UnderwritinghelpEA@gmfslending.com