



NON-AGENCY ARM PROGRAM GUIDE

Refer to the Fannie Mae Selling Guide when this Program Guide and the *iAPPROVE LENDING Correspondent Seller Guide* are silent. The Fannie Mae Selling Guide, Regulation Z: 12 CFR §1026, the *iAPPROVE LENDING Correspondent Seller Guide* and related Agreement documents are incorporated herein by reference.

PRIMARY RESIDENCE- 5/1 ARM, 5/1 I/O ARM

Purchase or Rate and Term Refinance				Cash-Out Refinance				
Property Type	LTV/CLTV/HCLTV*	Maximum Loan Amount	Minimum Credit Score	Property Type	LTV/CLTV/HCLTV	Maximum Loan Amount	Minimum Credit Score	Maximum Cash-Out
1 Unit	89.90 (No MI) (No I/O)*	1,500,000	740	1 Unit	70	1,000,000	720	250,000
	80	2,000,000	740		65	1,250,000	700	350,000
	80	1,500,000	720		60	1,500,000	700	350,000
	80	1,000,000	700		55	1,500,000	700	500,000
	75	1,500,000	700	2 Units	65	1,500,000	720	250,000
	75	1,750,000	720	NOTES: APPLICABLE TO ALL CORE JUMBO PRODUCTS 1. Minimum loan amount is the maximum Fannie Mae "general loan limit" (not high cost- area limit) by county and number of units + \$1. Click the Fannie Mae link to access general loan limits. 2. Maximum DTI for all loans is 42.00% 3. Interest Only (I/O) ARM option: Minimum credit score 720 , Maximum LTV/CLTV/HCLTV = 80% 4. Depending on loan amount and LTV/CLTV either a second appraisal or a Clear Capital "CDA" review may be required 5. Rural property c/o refi, identity of interest transactions, declining markets require reduced max. LTV/CLTV/HCLTV 6. See Product Codes and ARM Features for product and ARM information including Notes and riders. 7. Reserve requirements: See Reserve Requirement Calculation Table . 8. Property owned 6 months or less : LTV/CLTV/HCLTV is based on the lesser of the appraised value or acquisition cost and loan is not eligible for cash-out .				
	70	2,500,000	720					
	55	3,000,000	720					
2 Units	75	1,500,000	720	*No subordinate financing allowed on transactions where LTV or CLTV or HCLTV > 80%.				
	70	1,250,000	700					

SECOND HOME - 5/1 ARM, 5/1 I/O ARM

Purchase or Rate and Term Refinance				Cash-Out Refinance				
Property Type	LTV/CLTV/HCLTV	Maximum Loan Amount	Minimum Credit Score	Property Type	LTV/CLTV/HCLTV	Maximum Loan Amount	Minimum Credit Score	Maximum Cash-Out
1 Unit	80	1,000,000	720	1 Unit	65	1,000,000	720	250,000
	75	1,500,000	720					
	70	1,750,000	720					
	65	2,250,000	720					
	70	1,250,000	700					
	65	1,500,000	700					

INVESTMENT PROPERTY - 5/1 ARM, 5/1 I/O ARM

Purchase or Rate and Term Refinance				Cash-Out Refinance				
Property Type	LTV/CLTV/HCLTV	Maximum Loan Amount	Minimum Credit Score	Property Type	LTV/CLTV/HCLTV	Maximum Loan Amount	Minimum Credit Score	Maximum Cash-Out
1 Unit	70	1,000,000	720	1 Unit	60	1,000,000	720	250,000

Topic / Seller Guide Reference	CORE JUMBO PRODUCT GUIDELINES
<p>General Underwriting Standards for QM and non-QM Loans 7/28/2014 8.9.8 Borrower Ability to Repay (ATR) and Residual Income Analysis</p>	<ul style="list-style-type: none"> • Manual underwriting: No AUS used for this program. Written details or worksheet documenting income, debt, and debt to income ratio calculations MUST be in the Mortgage Loan File, supporting the data on the Form 1008 Uniform Underwriting and Transmittal Summary and iAPPROVE Loan Submission Voucher (LSV). • ATR: All Mortgage Loans in this Program (including investment property loans and “Interest Only” (I/O) Loans) must meet the requirements of the “Ability to Repay” (ATR) rule in 12 CFR §1026.43, regardless of whether or not the Mortgage Loan is a “covered transaction” under Regulation Z and the ATR rule. • Underwriting to QM/Appendix Q: In addition to the ATR rule, all loans must be underwritten using the standards and methods of the Qualified Mortgage (QM) rule in 12 CFR §1026.43 and Appendix Q to 12 CFR §1026 where it is possible to apply these, except (for example) that I/O loans may not conform to QM standards with respect to their I/O and amortization features only. • QM Status: All loans that are “covered transactions” under Regulation Z, other than I/O loans, must be Qualified Mortgages. • Residual Income Requirement: Residual income must meet VA residual income guidelines PLUS an additional \$1200 per month as evidenced by a <i>Residual Income Certification</i> if the loan is a “covered transaction” under Reg Z and the ATR rule, but is not a “safe harbor” QM loan. <ul style="list-style-type: none"> ○ See Income, DTI Calculations, Residual Income Requirements in this Program Guide for income qualification and documentation requirements. • Guidelines: Where this Program Guide and the iAPPROVE Seller Guide are silent, Fannie Mae guidelines will prevail. • LSV Required: Loans submitted for purchase must be accompanied by a fully completed Loan Submission Voucher (LSV) Form. • Mortgage Insurance: NO Mortgage Insurance required.
<p>Age of Loan at Delivery 5.3.1. Mortgage Loan File Age</p>	<ul style="list-style-type: none"> • Maximum 45 days from HUD 1 disbursement date of subject transaction until delivery of complete loan file to iAPPROVE.
<p>Age of Credit File Documents 5.3.1. Mortgage Loan File Age</p>	<ul style="list-style-type: none"> • All documents must be no more than 90 days old at the Note date, except that the appraisal may be 120 days old.
<p>Appraisal Requirements 7/28/2014 9.0. Appraisal</p>	<ul style="list-style-type: none"> • Appraisal Type: A full URAR appraisal report with interior and exterior inspection on appropriate Fannie / Freddie form is required for all properties. No Property Inspection Waiver (PIW) or exterior-only inspections are allowed. • Appraisal Age: Appraisals must be dated within 120 days prior to Note date, age of appraisal may not be extended with an update or re-certification of value, etc. • UDCP Requirement: Appraisals must be submitted to GSE’s “UDCP” (Uniform Collateral Data Portal) and obtain a “successful” finding on the “SSR” (Submission Summary Report). The SSR must be in the delivered loan file. • Appraisal Format: Appraisals must be delivered in a format acceptable to iAPPROVE where the data is embedded in the document, and not as an “image” (acceptable format: 1st Generation PDF) • Ineligible Appraisals: Appraisals generated for 3rd parties or transferred are NOT eligible. Appraisal must be completed in name of Seller or originating TPO. • Properties Owned < 6 Months: LTV/CLTV/HCLTV is based on the lesser of the appraised value or acquisition cost for properties owned 6 months or less. • Declining markets: maximum allowable LTV/CLTV/HCLTV is reduced by 5% for properties in declining markets as indicated by appraiser
<p>Appraisal Review and Second Appraisal Requirements 7/28/2014 9.0. Appraisal 9.9. Property Flipping and Purchase Contract Assignments</p>	<ul style="list-style-type: none"> • Second Appraisal Requirement for ALL Loan Amounts > \$1.5 M: A second appraisal from a different appraiser not affiliated with the original appraiser or the appraisal company (ordered through same AMC is acceptable) is required for loan amounts over \$1,500,000. Appraised value for underwriting purposes is the lower of the two appraisals. • Review Appraisal, CDA Requirements: A <i>Clear Capital Collateral Desktop Analysis - CA (CDA)</i> (without MLS data) is required if: <ul style="list-style-type: none"> ○ Loan amount ≤ \$1,500,000 and either (i) LTV or CLTV or HCLTV > 75% for purchase or R/T refinance, OR (ii) LTV or CLTV or HCLTV > 65% for cash-out refinance, or ○ Loan amount ≤ \$1,500,000 and transaction is “Identity of interest” or non-arms-length, or ○ Subject transaction is a “flip” or resale of the property where purchase contract date < 180 days after the prior sale date, and subject sales price is more than 10% over the previous sales price. ALSO, THE APPRAISAL(S) MUST SPECIFICALLY ADDRESS THE PRIOR SALE AND JUSTIFY THE PRICE INCREASE. • CDA > 7% Below Appraisal: If the CDA returns a value more than 7% below the original appraisal(s) value, then the Seller may use either the CDA value as the appraised value to calculate the LTV/CLTV/HCLTV OR obtain a <i>Clear Capital Broker Price Opinion (BPO)</i> and <i>Clear Capital Value Reconciliation of Three Reports (Recon Form 3.0)</i>. The Value Reconciliation will take into account the original appraisal, CDA and BPO. The final value determined by Clear Capital will be used as the appraised value for the property.

<p style="text-align: center;">Assets Minimum Borrower Contribution, Gifts</p>	<ul style="list-style-type: none"> • Down payment, funds to close, and reserves must be documented in accordance with <i>Fannie Mae Selling Guide Section B3-4.2</i>, including but not limited to “<i>Verification of Deposits and Assets</i>” and “<i>Evaluating Large Deposits</i>” • Minimum Borrower Contribution: In addition to required reserves, borrower(s) must contribute from their own funds a down payment and closing costs equal to: <ul style="list-style-type: none"> ○ 5% of the sales price for primary residences from the <i>occupying</i> borrower(s), ○ 10% of the sales price for second homes from the <i>occupying</i> borrower(s), ○ 15% of the sales price for investment properties from the borrower(s) on the transaction. • Properly documented gifts from a Family Member (using Fannie Mae definition) are permitted only if minimum borrower contribution requirements above are met. • Gifts may not be used to meet reserve requirements. • Gifts of equity are not allowed.
<p style="text-align: center;">Assets Use of Business Funds – New Section 7/28/2014</p>	<ul style="list-style-type: none"> • Business assets may be used if the borrower is 100% owner of the business and a letter from the business accountant is obtained to confirm that the withdrawal will not negatively impact the business.
<p style="text-align: center;">Assets Interested Party Contributions, Concessions</p>	<ul style="list-style-type: none"> • Loans with undisclosed interested party contributions are not acceptable to iAPPROVE • Maximum interested party contributions (to be used for Fannie Mae permissible purposes only): <ul style="list-style-type: none"> ○ Owner occupied primary residences – maximum 3% for CLTV ≥ 75%, 6% for CLTV < 75%, ○ Second home and investment properties - maximum 3% ○ Excess amounts are considered concessions that must be subtracted from the sales price when determining LTV/CLTV • Interest Rate Buy-downs and Payment Abatements are NOT acceptable on loans to be sold to iAPPROVE, nor are other contributions/concessions that are not Fannie Mae eligible - <i>Fannie Mae Selling Guide Section B3-4.1</i>.
<p style="text-align: center;">Assets Reserve Requirements</p>	<ul style="list-style-type: none"> • Reserve Requirements: Vary based on subject property type, occupancy, loan amount, loan product, other financed properties owned and departure residence status. See the Reserve Requirement Calculation Table in this Program Guide for the required calculations. • Source: Must come from occupying borrower(s) own funds on primary residence and 2nd homes, must come from borrower(s) on investment properties. • Eligible Reserve Sources- Follow Fannie Mae Selling Guide Section B3-4, except that Gifts may not be used to meet reserve requirements.
<p style="text-align: center;">Borrower Eligibility, and Number of Financed Properties 10.5. Borrower Eligibility</p>	<ul style="list-style-type: none"> • Maximum Financed Properties: Borrowers may have a maximum of five (5) financed residential 1-4 unit properties, including the subject transaction. (See also the Reserve Requirement Calculation Section). • Maximum Borrowers Per Loan: Maximum four (4) borrowers per loan. • Non-Occupant Co-Borrowers: Must be family members only (as defined in Fannie Mae Selling Guide Section B3-4.3), and occupant borrower(s) must <u>by themselves</u> qualify at 42.00% DTI maximum and make the minimum contribution from their own funds required for the program. • Eligible Borrowers: <ul style="list-style-type: none"> ○ Borrower must be an iAPPROVE-eligible, revocable inter vivos “living” trust or a natural person • Ineligible Borrowers: The following borrower types are not allowed - <ul style="list-style-type: none"> ○ Title taken as a business entity ○ Borrowers with diplomatic immunity, “foreign politically exposed” borrowers ○ Foreign Nationals, Non-Resident Aliens, Non-Permanent Resident Aliens ○ Loans to owners and employees of the Correspondent Seller, its affiliates and subsidiaries or TPOs are NOT eligible • See also First Time Homebuyer Loan Amount Restrictions
<p style="text-align: center;">Cash-Out Refinance Definition and Requirements</p>	<ul style="list-style-type: none"> • Rate and Term Refinance Max. Cash Back: Maximum cash to borrower allowed for a Rate and Term refinance transaction is \$5,000. • Payoff of Unseasoned Liens: Payoff of liens seasoned less than 12 months at time of Loan application, or HELOCs with a draw in excess of \$2,000 in the 12 months preceding the Loan application date are considered “cash-out,” unless the lien being paid off was used to acquire subject property. Seller must provide documentation covering relevant time period. • Seasoning and Eligibility for Cash Out: Cash-out refinance not allowed unless there is ≥ six (6) months seasoning of all existing liens on subject property and 6 months of subject property ownership by borrower(s). • Continuity of Obligation: Borrower(s) must meet Fannie Mae Continuity of Obligations requirements, Fannie Mae Selling Guide Section B2-1.2.04. • LTV Restrictions: For cash-out refinance transactions, the maximum LTV/CLTV/HCLTV for rural properties and identity of interest or non-arms-length transactions is reduced by 5% from the maximum on the program eligibility table above. See Identity of Interest and Non Arms-Length Transactions in this Guide.

<p style="text-align: center;"> Condominiums 7/28/2014 10.7.5. Condominium Requirements </p> <p style="text-align: center;"> Condo and PUD Review Requirements </p>	<ul style="list-style-type: none"> • In addition to the requirements in this Program Guide and the Seller Guide, condominium projects must meet Fannie Mae eligibility requirements. • Refer to the Condo and PUD Review Requirements section below. Sellers without access to Fannie Mae Condo Project Manager (CPM) can request DO Sponsorship along with CPM Sponsorship through iAPPROVE. (See <i>Seller Guide Section 10.4., Desktop Originator Sponsorship</i>). In addition to Fannie Mae eligibility requirements, projects and units must meet the following iAPPROVE requirements: <ul style="list-style-type: none"> ○ Maximum exposure is greater of one (1) unit or 25% of project for iAPPROVE. ○ Maximum ownership per borrower is the greater of 1 unit or 10% of project ○ Minimum unit size is 650 square feet ○ Condos cannot be in any of the ineligible condo project types listed below - <p style="text-align: center;">Ineligible Condo Project Types (See also Property Eligibility, Ineligible Property Types in this Program Guide)</p> <table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top; width: 33%;"> <ul style="list-style-type: none"> ○ Non-warrantable condo projects (Fannie Mae) ○ Multi-dwelling unit condos ○ Condo projects with any units less than 400 square feet ○ Co-op projects ○ Condotels ○ Hotel condos ○ Conversions from hotels or motels ○ No single entity may own >10% of the project ○ No more than 30% of the project may be investment (n/o/o) properties </td> <td style="vertical-align: top; width: 33%;"> <ul style="list-style-type: none"> ○ Condos that permit short term rentals ○ Projects that share facilities with a hotel or motel such as maid service, management desk, bellman, etc., ○ Commercial or business use exceeds 20% of total square footage of buildings in project ○ Newly converted, non-gut rehabilitation condo projects </td> <td style="vertical-align: top; width: 33%;"> <ul style="list-style-type: none"> ○ Condo projects that restrict owner’s ability to occupy the unit ○ New condo projects where seller concessions are being offered in excess of Fannie Mae eligibility policies and/or concessions are not disclosed on the HUD-1 ○ Condo projects with unacceptable litigation, arbitration or mediation </td> </tr> </table> <p style="text-align: center;">Condo and PUD Review Requirements (a)</p> <table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top; width: 33%;"> <ul style="list-style-type: none"> ○ Acceptable Condo Review Types- ○ (1) Fannie Mae “Expedited Review Questions”^(b) (for applicable property type is required for all Loans), with ○ (2) Fannie Mae Condo Project Manager (CPM) Expedited Review Eligibility Cert or ○ Fannie Mae Project Eligibility Review Service (PERS)^(c) (use if project is not eligible for CPM), or ○ Fannie Mae unexpired Final or Conditional Project Approval status under the 1028 process and unexpired approval is posted on the Fannie Mae website and otherwise meets Type T requirements </td> <td style="vertical-align: top; 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<p style="text-align: center;"> Credit Report, Credit Score and Trade Line Requirements 7/28/2014 10.4.2. Credit Report Requirements </p>	<ul style="list-style-type: none"> • Residential Mortgage Credit Report (RMCR) or traditional tri-merge is required for all borrowers. • Number of Credit Scores: Each borrower, including those with no income used to qualify, must have a valid social security number and generate a traditional credit score from at least two of these repositories: Experian, Equifax, and TransUnion. See the Program Matrix for minimum credit score requirements. • Qualifying score for each borrower is the middle of 3 scores or the lower of 2 scores, as applicable. Qualifying score for the loan is the lowest qualifying score of any borrower. • Depth of credit history: For <u>each borrower whose income is used to qualify</u> <ul style="list-style-type: none"> ○ Minimum of 3 open trade lines that show a 24 month history for each trade line is required, 2 of which must be reporting activity within the past 6 months, OR ○ Minimum of 8 satisfactory trade lines must be reported in total, of which 1 is for a mortgage, with a minimum of 1 open trade line reporting over the past 12 months or more, and a minimum 7 years of established credit history. • The following are not acceptable to be counted as trade lines: “non-traditional” credit, loans in deferment period, accounts discharged through bankruptcy, authorized user accounts, judgments, charge-offs, collection accounts, foreclosures, deeds in lieu of foreclosure, short sales or pre-foreclosure sales. • Written explanation for all inquiries within 90 days is required. 						

<p style="text-align: center;">Credit - Housing Payment History 7/28/2014 (Mortgage or Rent)</p>	<ul style="list-style-type: none"> • The occupant borrower(s) must have a complete, most recent, 24 months rental and/or mortgage payment history documented in the loan file (at least 12 months minimum rental history required for occupant borrowers who are First Time Homebuyers (FTHB) – see definition below). • No 30 day late payments in the past 24 months on any rent payment or on any mortgage on ANY real estate owned by any borrower on the transaction. • Mortgages must either be on the credit report or have the most recent 24 month’s payment history (or as long as the property owned, if owned less than 24 months) documented to meet program requirements <ul style="list-style-type: none"> ○ Documented by cancelled checks or evidence of electronic transfers if a private party loan (VOM alone is not sufficient), or ○ Documented by cancelled checks, evidence of electronic transfers, or through an official statement produced by the lender, if a loan from an institutional lender. • Rental history for 24 months or the portion of the last 24 months in which the borrower was renting (12 months minimum for FTHB) must be evidenced by: <ul style="list-style-type: none"> ○ for the most recent 12 months, either: (a) an Institutional VOR, or (b) cancelled checks or evidence of electronic transfers ○ for months 13-24, either: (a) an institutional VOR, or (b) cancelled checks or evidence of electronic transfers, or (c) private party VOR, which is only acceptable if not from a family member or interested party to the subject transaction
<p style="text-align: center;">Credit - Derogatory Credit Events and Tradelines 7/28/2014</p>	<ul style="list-style-type: none"> • Required time elapsed since serious derogatory credit event from event date as defined below to the disbursement date of the new loan: <ul style="list-style-type: none"> ○ Foreclosure – 7 years measured from completion date of the F/C action ○ Short sale, deed-in-lieu, or pre-foreclosure sale – 4 years ○ Bankruptcy <ul style="list-style-type: none"> ▪ Chapter 7 or 11 – 4 years from discharge or dismissal ▪ Chapter 13 – 3 years from discharge or 4 years from dismissal • All delinquent credit obligations that have the potential to affect the subject Mortgage Loan’s lien position or diminish borrower’s equity in the subject property must be paid off at or before closing, including without limitation all delinquent taxes, tax liens, judgments, and mechanics’ or materialmen’s liens. • In addition, all non-lien charge-off and collection accounts exceeding \$1,000 in the aggregate must be paid off.
<p style="text-align: center;">Deed Restrictions 10.9. Resale Deed Restrictions</p>	<ul style="list-style-type: none"> • iAPPROVE does NOT purchase loans subject to resale deed restrictions, other than an acceptable Age-Related Deed Restriction on a one-unit Property for Borrower’s principal residence that meets Agency guidelines. See <i>Seller Guide Section 10.9</i>.
<p style="text-align: center;">Departure Residence Policy Conversion of Primary Residence to Rental Property, Second Home, or Pending Sale 9.8. Automated Valuation Models (AVMs)</p>	<ul style="list-style-type: none"> • Sellers must use the DTI calculations and meet the other requirements of Appendix Q to 12 CFR 1026), in particular Section II D, “Rental Income.” (Copy available on SellerWeb / Resources / Compliance. <ul style="list-style-type: none"> ○ Note: Appendix Q’s calculation method and requirements differ from Fannie Mae requirements. • Borrower must have an additional 6 months PITIA reserves. <ul style="list-style-type: none"> ○ To calculate PITIA for the departure residence 6 month reserve requirement, use the greater of: (a) the PITIA of the current residence, or (b) the PITIA of the subject property. ○ See Reserve Requirement Calculation Table to determine total reserve requirements.
<p style="text-align: center;">Disaster Re-Inspection Requirements 10.10. Disaster Policy</p>	<ul style="list-style-type: none"> • Properties in disaster areas have re-inspection requirements as per the <i>Seller Guide</i> and the <i>Disaster Requirements Table</i> on the <i>Resources</i> link on SellerWeb.
<p style="text-align: center;">Early Payment Default (EPD) Early Payoff (EPO) 3.2.5.1 Early Payment Default, 3.2.2 Remedies 3.2.6 Early Payoff Fee, 3.2.2 Remedies</p>	<ul style="list-style-type: none"> • See the <i>Representations and Warranties</i> section in the <i>Seller Guide</i> for Early Payment Default (EPD) and Early Payoff (EPO) definitions and remedies for the Core Jumbo Program.
<p style="text-align: center;">Electronic Signatures 6.9. Electronic Delivery and Electronic Signature</p>	<ul style="list-style-type: none"> • Initial 1003 and initial regulatory disclosures may be delivered to Borrowers electronically if Seller’s process and technology is in full compliance with the ESIGN Act. • See <i>Seller Guide Section 6.9</i> for iAPPROVE requirements.
<p style="text-align: center;">Eligibility Review 10.1.5 Eligibility Review of Mortgage Loans by iAPPROVE</p>	<ul style="list-style-type: none"> • Requesting Eligibility Review: if requested by the Seller, iAPPROVE will review loans for program eligibility prior to the closing of the loan by Seller. To request an eligibility review, submit a complete, fully underwritten Mortgage Loan File with an <i>Eligibility Review Submission Form</i> to iAPPROVE. See the <i>Eligibility Review Users Guide</i> on SellerWeb / Resources / User Guides. • Seller Requirements: <ul style="list-style-type: none"> ○ Seller is responsible for providing borrowers with notice of action taken in the event a loan is not offered by Seller and accepted by borrower, listing iAPPROVE as one of the creditors on whose behalf the notice is being sent, per the requirements of Regulation B. ○ Seller must comply with HMDA reporting requirements per Regulation C. ○ Seller is solely responsible for the underwriting and the credit decision on all Mortgage Loans, and the provision of all required disclosures and reporting related to same

<p>Escrow Holdbacks 5.20. Escrow/ Impound Accounts</p>	<ul style="list-style-type: none"> • Pending escrow holdbacks are NOT eligible. Escrowed completion funds must have been fully disbursed and work completed as evidenced by an acceptably completed Form 442, Satisfactory Completion Certificate prior to Purchase by iAPPROVE.
<p>Escrow/Impounds New Section 7/31/2014 5.20 Escrow/Impound Accounts</p>	<ul style="list-style-type: none"> • Unless in violation of Applicable Laws, all Mortgage Loans with a loan-to-value ratio greater than 80% must have an escrow/impound account for taxes and insurance established at Loan close. • See also HPML and High Cost for TILA HPML Escrow Rule requirements.
<p>Fees</p>	<ul style="list-style-type: none"> • \$795 administrative fee per loan is charged at time of purchase by iAPPROVE
<p>First Time Homebuyers (FTHB) Loan Amount Restrictions, Payment Shock 7/28/2014</p>	<ul style="list-style-type: none"> • First Time Homebuyer (FTHB) maximum loan amount is \$1,250,000. • Occupancy must be Primary Residence only. • One unit properties only. • See Reserve Requirements Calculation Table (new requirement) • A First Time Homebuyer transaction is where no occupant borrower: <ul style="list-style-type: none"> (1) Has had an ownership interest in a residential property in the U.S. during the past three years, or (2) Has a mortgage history on their credit report spanning at least 24 months • First time homebuyers must have an acceptable rental payment history—see Housing Payment History section • Payment shock: Cannot exceed 250% over the borrower’s current rental payment. Example: <ul style="list-style-type: none"> Current rental payment = \$1,000 per month Current rent X 2.5 (250%) = \$2,500 maximum increase (shock) <p><i>Maximum increase (\$2,500) + \$1,000 current rental payment = \$3,500 maximum new payment</i></p>
<p>HPML and High Cost 7/28/2014 High Cost and Higher Priced Mortgage Loans 8.9.9. Higher Priced Mortgage Loans</p>	<ul style="list-style-type: none"> • High Cost: Loans exceeding any applicable federal, state or municipal High Cost limits are not eligible for purchase by iAPPROVE • HPML: iAPPROVE will purchase Higher-Priced Mortgage Loans (HPML) meeting all applicable guidelines and regulations. HPML rules cover certain primary residence loans that have APRs which exceed the APOR (Average Prime Offer Rate) by: <ul style="list-style-type: none"> ○ ≥ 1.5%, for loan balances up to and including the Fannie Mae “high cost-area” limit for the subject property’s county and # of units, or ○ ≥ 2.5%, for “jumbo” loan balances above the Fannie Mae “high cost-area” limit for the subject property’s county and # of units ○ Refer to CFPB guidance, and 12 CFR 1026.35 for further details regarding HPML. ○ All TILA HPML Escrow Rule (for all HPML) and Appraisal Rule (for non-QM HPML) requirements must be met by Seller, if applicable. See also the <i>Residual Income Analysis and HPML Escrow and Appraisal Rule Reference</i> on SellerWeb / Resources / Compliance. • Homeownership Counseling Disclosure: Must be provided with initial disclosures and documented in the loan file delivered to iAPPROVE, for all loans, whether or not HPML.
<p>Identity of Interest and Non Arms-Length Transactions 7/28/2014 10.4.4.2. Requirements for Identity of Interest and Non Arms-Length Transactions</p>	<ul style="list-style-type: none"> • Loans for transactions with identity of interest or non-arm’s length characteristics are not eligible for sale to iAPPROVE if they are secured by second homes, investment properties, or 2-4 unit properties. Owner-occupied primary residence one unit property transactions are subject to a 5% LTV/CLTV/HCLTV reduction from program matrix parameters, but in any case may not exceed a maximum LTV/CLTV/HCLTV of 75%. • Appraisal must have an acceptable Clear Capital “CDA” review (see Appraisals and Appraisal Reviews section of this Program Guide) unless there are 2 appraisals provided. • Examples of these types of transactions (not a complete list) include: sales of properties between family members or business associates OR involving a business entity and individual who is an officer or principal OR involving the builder/developer of the property and an employee or affiliate OR made in conjunction with any transaction involving an assignment of the sales contract. See the requirements in <i>Seller Guide Section 10.4, Identity of Interest</i>. • Identity of interest or non arms-length transactions where there was a sale of the property within the 180 days prior to the subject purchase contract date are ineligible. • Gifts of equity are not allowed • Transaction must meet all the requirements in <i>Seller Guide Section 10.4.4.2, Requirements for Identity of Interest and Non Arms-Length Transactions</i>, including that the existing mortgage belonging to the seller of the subject property must be current and show no sixty day late payments within the past 12 months.

<p>Income, DTI Calculations, Residual Income Requirements 7/28/2014 8.9.8 Borrower Ability to Repay (ATR) and Residual Income Analysis</p>	<ul style="list-style-type: none"> • Maximum back-end DTI for all loans is 42.00%. <ul style="list-style-type: none"> ○ Income, liabilities, DTI etc. must be calculated following Appendix Q to 12 CFR 1026 (copy available on SellerWeb, Resources / Compliance), subject to any further restrictions set forth in this Program Guide. ○ The loan must meet Qualified Mortgage standards in 12 CFR §1026.43 where it is possible to apply these, except (for example) that I/O ARM loans will not conform to QM standards with respect to the I/O feature only, and must be qualified using the interest rate and amortization period stated below. ○ Use Fannie Mae guidelines ONLY where Appendix Q and iAPPROVE are silent. • Qualifying Interest Rate for all 5/1 ARMs is higher of: (a) fully indexed rate or (b) the note rate +2%. <ul style="list-style-type: none"> ○ Interest Only ARM qualifying – must use the payment amount based on the “Qualifying Interest Rate” and a 20 year amortization period. • Non-Occupant Co-Borrowers: Occupant borrower(s) must by themselves qualify at 42.00% DTI maximum, in addition to the transaction qualifying when considering all occupant and non-occupant co-borrowers • MCCs: Mortgage Credit Certificates (MCCs) are not allowed for income qualifying purposes. • Residual Income Requirement: Unless one of the following exceptions applies, a <i>Residual Income Certification</i> form using the Veteran’s Administration (VA) methodology must be included in all Mortgage Loan Files, documenting that borrower(s) meet VA residual income guidelines PLUS an additional \$1200/month and have the Ability to Repay the loan: <ul style="list-style-type: none"> ○ Investment property loans do not require a <i>Residual Income Certification</i> unless: (a) the owner will occupy the property more than 14 days per year, AND (b) either: (i) the loan is an I/O, or (ii) the loan is a standard amortization type (non-I/O) and APR is more than 1.5% above APOR and therefore is a “rebuttable presumption” QM ○ Non-I/O (standard amortization) primary residence and 2nd home loans that are “safe harbor” QM loans (APR not higher than APOR + 1.5%) do not require a <i>Residual Income Certification</i> form • An iAPPROVE Residual Income Certification form is available at SellerWeb, Resources, Docs and Forms. The iAPPROVE form, if used, must be signed by all borrowers on the loan. If an acceptable equivalent residual income form other than iAPPROVE’s is used, the borrower must execute a “<i>Borrower’s Attestation of Residual Income Analysis Accuracy</i>,” also available in SellerWeb Docs and Forms. The signed attestation must be provided along with the residual income analysis form used by Seller.
<p>Leasehold Properties 7/28/2014 10.8 Leasehold Estates</p>	<ul style="list-style-type: none"> • Provide Freddie Mac Ground Lease Analysis (Form 461) - must meet Freddie Mac requirements. Loans secured by properties located on Indian (Native American) tribal land or Indian Trust Land or Restricted Land, and/or properties for which borrower has a leasehold interest in same, are not eligible.
<p>Power of Attorney 6.10. Power of Attorney</p>	<ul style="list-style-type: none"> • In certain situations, a specific, special, military or limited Power of Attorney may be acceptable. See <i>Seller Guide Section 6.7.</i> <ul style="list-style-type: none"> • No Powers of Attorney are allowed on loans to Trusts or on cash-out refinances
<p>Prepayment Penalties New Section 7/28/2014</p>	<ul style="list-style-type: none"> • Prepayment penalties are not allowed.
<p>Property Quality and Condition</p>	<ul style="list-style-type: none"> • Properties with ratings of C5, C6 or Q6 are not allowed unless the issues that caused the ratings are cured prior to loan delivery and acceptable documentation is provided by the appraiser. No escrow holdbacks are permitted.
<p>Property Eligibility Ineligible Property Types and Property Uses 7/28/2014 10.7. Property Eligibility</p>	<ul style="list-style-type: none"> • iAPPROVE does NOT purchase the following property types: (See also Ineligible Condo Project Types in this Program Guide) • Properties with less than 650 square feet of habitable living space • Co-ops • Log homes • Dome homes and other exotic or non-traditional types of structures • Manufactured homes and mobile homes • Unimproved properties (land loans) • Working farms or ranches, • Ineligible Condo projects as described in the Ineligible Condo Projects section of this Program Guide, including non-warrantable condos, multi-dwelling and hotel condos, • Assisted living or board and care facilities, • Properties with acreage greater than 10 acres (truncating acreage for appraisal purposes is not allowed) • Houseboats, • Assisted Living Facilities, • Condotels, • Hawaii properties in lava zones 1 and 2, • Boarding houses, • Bed & breakfast, • Properties with zoning violations • Properties located on Indian (Native American) tribal or Trust land, or “Indian Leased Land”

<p>Property Flipping, Purchase Contract Assignments 9.9. Property Flipping & Purchase Contract Assignments</p>	<ul style="list-style-type: none"> • If the Purchase Contract has been assigned to buyer from a previous purchaser, then the loan is not eligible for sale to iAPPROVE. • If prior sale of subject property occurred within 90 days, then the loan is only eligible for sale to iAPPROVE if: 1. Property seller is Relocation Agency 2. Property seller obtained property through Foreclosure or Deed in Lieu, 3. Property Seller obtained property through Inheritance or Divorce, 4. Subject transaction is for primary residence, 5. Must meet requirements that apply to “<i>Properties Recently Listed for Sale</i>” below, and all requirements for properties re-sold within 180 days (directly following here). • If there has been a sale or ownership transfer of the subject property within the previous 180 days : <ul style="list-style-type: none"> ○ Identity of Interest transactions are not eligible ○ If 10% or more value increase from the prior sale, a Clear Capital Collateral Desktop Analysis - CA (CDA) (i.e., the CDA version without MLS data) is required and additional restrictions apply. If the CDA value is more than 7% below the original appraisal(s), additional BPO and value reconciliation requirements apply. See Appraisal Requirements and Appraisal Review and Second Appraisals sections above. ○ THE APPRAISAL(S) MUST SPECIFICALLY ADDRESS THE PRIOR SALE AND JUSTIFY THE PRICE INCREASE
<p>Properties Recently Listed for Sale</p>	<ul style="list-style-type: none"> • If property listed for sale in the 180 days prior to the application date of the subject transaction, maximum CLTV for cash-out refinances is the lesser of the program limits or 65%. • No refinances allowed on any property listed for sale in the 60 days prior to the application date of the subject transaction.
<p>Refinance Benefit to Borrower 10.4.3. Churning Restrictions and Tangible Net Benefit</p>	<ul style="list-style-type: none"> • Loans are not eligible for sale to iAPPROVE if there is evidence of churning and/or the transaction does not result in a tangible net Benefit to Borrower. • Seller must provide a “Tangible Net Benefit to Borrower” worksheet in each refinance transaction Mortgage Loan file (or in Colorado, purchase). If a particular form is required by the state or local area that the subject property is located in, that form should be used. If there is no such requirement, Seller may use the iAPPROVE sample form available on the Resources link at SellerWeb, or an equivalent form that is acceptable to iAPPROVE.
<p>State Restrictions and Licensing 5.1.1. Quick Reference Guide</p>	<ul style="list-style-type: none"> • iAPPROVE does NOT purchase loans for this Program in: New York, Nebraska, Maine, Georgia, Mississippi, North Carolina, South Dakota, Wisconsin • Sellers must be licensed and approved by iAPPROVE for the state where the subject property is located. • iAPPROVE does not purchase: Loans vested in Illinois Land Trusts, Texas 50 (a)(6) refinance mortgages or “ever A6”, Hawaii properties in lava zones 1 and 2
<p>Subordinate Financing 7/28/2014</p>	<ul style="list-style-type: none"> • No subordinate financing is allowed on transactions where LTV or CLTV or HCLTV >80%. • CLTV/HCLTV thresholds shown in the matrix above may not be exceeded. • Secondary liens must have terms and characteristics that are Fannie Mae eligible. They also must not permit negative amortization or contain a balloon feature or a prepayment restriction/penalty. They must be clearly subordinate to the Mortgage Loan being sold to iAPPROVE. • For HELOCs, the entire credit line limit based on the Note must be used to calculate the HCLTV and determine program eligibility. If a credit line is reduced without a permanent modification of the original Note, then the entire original line limit must be used to calculate the HCLTV. Follow Fannie Mae for calculating CLTV, HCLTV and qualifying payment. • For re-subordinating second liens, a certified copy of the executed subordination agreement and a copy of the Note must be delivered with the Mortgage Loan file. • For new subordinate liens, a copy of the Note and a certified copy of the security instrument indicating that it is recording subordinate to the new first lien are required.
<p>Tax Transcripts 10.5.6. Tax Return Transcripts</p>	<ul style="list-style-type: none"> • A <i>tax transcript</i> must be obtained for each tax year covered by the income documentation used to qualify the Borrower(s). If not yet available, loan file must contain a copy of an IRS or vendor document showing that no transcript is available. See <i>Seller Guide Section 10.5.6</i> for additional details. • Income variations in the current year’s income > 15% from the most recent tax transcript must be adequately explained.
<p>Transfers and Assignments MERS and Intervening Assignments 6.9. MERS</p>	<ul style="list-style-type: none"> • Loans must be registered with MERS at time of delivery and a MERS TOB and TOS initiated by the Seller to iAPPROVE • Loans with intervening assignments require prior approval by iAPPROVE. See <i>Seller Guide Section 5.4, Intervening Assignments</i>
<p>Trusts 10.6. Trust Eligibility</p>	<ul style="list-style-type: none"> • Revocable Inter Vivos “Living” trusts acceptable to iAPPROVE only. No Illinois Land Trusts or other trust types. Documents for loans where title is taken in a trust cannot be signed with a Power of Attorney. See <i>Seller Guide Section 10.6</i> for requirements.

Reserve Requirement Calculation Table

RESERVE REQUIREMENT CALCULATION TABLE (7/28/2014)				
Step 1- Calculate Subject Property Reserves				
Subject Property Type	Occupancy	Loan Amount, in Million Dollars	Number of Months Subject Property PITIA Reserves Required ⁽¹⁾	
			5/1 ARM Fully Amortizing	5/1 Interest Only ARM
1 Unit	Primary Residence	≤ 1	6 (12 if first time homebuyer)	12
		>1 - 1.5	9 (12 if LTV > 80% or first time homebuyer)	15
		>1.5 - 2	12	18
		>2 to Limit	24	30
	Second Home or Investment Property	≤ 1	12	18
		>1 - 1.5	18	24
		>1.5 - 2	24	30
		>2 to Limit	30	36
2 Unit	Primary Residence	≤ 1	12	18
		>1 - 1.5	18	24
		>1.5 - 2	24	30
		>2 to Limit	30	36

Step 2 – Calculate Additional Reserves for [Departure Residence Scenario](#)

1. Is the borrower converting their current residence to a second home or investment property, or
2. Is the borrower's current residence pending sale and will not close prior to or concurrently with subject transaction?
3. If yes to 1 or 2 **reserve requirement** = 6 months PITIA, using the greater of: (a) the PITIA of the current residence, and (b) the PITIA of the new/subject property.

Step 3 – Calculate Additional Reserves for [Multiple Financed Properties Owned](#)

1. Does the borrower have additional financed, 1-4 unit, residential, second home and/or investment properties?
2. If yes, **reserve requirement** = 2 months of the PITIA of each additional financed property owned (Reminder: Maximum 5 financed 1-4 unit properties owned including subject transaction, see [Borrower Eligibility](#))

Step 4 – Calculate Total Reserves Required

Add the reserve requirement calculations from **Step 1** Subject Property, **Step 2** Departure Residence Scenario, and **Step 3** Multiple Properties Owned, to determine total reserves required.

(1) Based on **Qualifying Payment**

Eligible reserve sources- Follow [Fannie Mae](#) Selling Guide *Section B3-4*, except that Gifts may not be used to meet reserve requirements.

Product Codes and ARM Features

CORE JUMBO PRODUCT CODES	
CORE JUMBO 5/1 HYBRID ARM	For qualifying interest rate, see Income/DTL
CORE JUMBO 5/1 HYBRID ARM IO (to 80.00% LTVCLTV/HCLTV)	
<p>ARM Features: Caps: 2/2/5, Margin: 2.25, Index: WSJ 1 year LIBOR, ARM look-back: 45 days, ARMS are not convertible, are due-on-sale during the initial fixed rate period, and assumable subject to the conditions on the Note once the interest rate becomes adjustable. I/O period: 10 years, after which the loan amortizes over a 20 year period.</p> <p>Note/Rider: Standard Amortizing 5/1: Fannie Mae/Freddie Mac Uniform Instrument / Rider Form 3528 / 3187. Equivalent Fannie ARM Plan 2725. Interest Only 5/1: Fannie Mae/Freddie Mac Uniform Instrument / Rider Form 3535 / 3153. Equivalent to Fannie Mae ARM Plan 3516.</p>	