Contents
UNDERWRITING REQUIREMENTS .......................................................................................................................... 4
1.0 PROGRAMS .................................................................................................................................................. 5
  1.1 Overview .................................................................................................................................................. 5
  1.2 Eligible Products ..................................................................................................................................... 5
    1.2.1 Fully Amortizing .......................................................................................................................... 5
    1.2.2 Interest-Only .................................................................................................................................. 5
  1.3 Interest Only Restrictions .......................................................................................................................... 5
  1.4 Underwriting ............................................................................................................................................ 5
  1.5 Loan Amounts .......................................................................................................................................... 6
  1.6 Minimum FICO ......................................................................................................................................... 6
  1.7 Maximum LTV/CLTV .............................................................................................................................. 6
  1.8 Seller Concessions ................................................................................................................................. 6
  1.9 Escrows .................................................................................................................................................. 6
  1.10 Secondary Financing ............................................................................................................................. 6
  1.11 Fees ...................................................................................................................................................... 6
  1.12 Borrower Statement of Occupancy ....................................................................................................... 7
  1.13 Automatic Payment Authorization (ACH) ............................................................................................ 7
  1.14 Ability to Repay (ATR) / Qualified Mortgage (QM) ........................................................................... 7
  1.15 Prepayment Penalty ............................................................................................................................... 7
  1.16 AUS Findings ....................................................................................................................................... 7
  1.17 State and Federal High Cost Loans ...................................................................................................... 7
  1.18 Properties previously listed for sale ...................................................................................................... 7
  1.19 Early Pay Off (EPO's) .......................................................................................................................... 7
  1.20 Early Payment Default (EPD) ............................................................................................................... 7
  1.21 Legal Documentation ............................................................................................................................ 8
  1.22 Assumability ....................................................................................................................................... 8
2.0 PROPERTY ELIGIBILITY ................................................................................................................................. 8
  2.1 Appraisals ................................................................................................................................................ 8
    2.1.1 Minimum Square Footage ............................................................................................................. 8
    2.1.2 Personal Property .......................................................................................................................... 8
    2.1.3 Appraisal Review ........................................................................................................................... 8
  2.2 Ineligible Property types ......................................................................................................................... 9
  2.3 Acreage Limitations .............................................................................................................................. 9
  2.4 Geographical Restrictions ..................................................................................................................... 9
  2.5 Property Flipping .................................................................................................................................. 9
UNDERWRITING REQUIREMENTS

ResMac is committed to the policy of originating sound mortgage loans of investment quality. Investment quality is determined by evaluating the three components of the underwriting analysis.

Credit: An acceptable credit reputation is established by a history that, when viewed as a whole, evidences a borrower’s willingness to make timely payments on obligations.

Capacity: The borrower must have the ability to repay the mortgage in the amount and terms stated. Adequate capacity is established by documenting stable monthly income and/or assets along with other information about how the borrower paid obligations in the past that, when viewed as a whole, evidences a borrower’s ability to make periodic payments approximating the amount of the proposed monthly debt payment. Regardless of the level of the borrower’s previous monthly payments, the file must contain evidence of the borrower’s ability to meet all new obligations after the new mortgage is made. When the borrower’s obligations will increase significantly with the mortgage, the Transmittal Summary (1008) must contain an explanation as to how the borrower will meet the higher payment.

Collateral: The collateral must meet minimum property requirements as specified herein. Each property must also have an established value to support the loan transaction. This value will help in determining the risk associated with the loan transaction.

Each of the above components must be found to be acceptable. Investment quality is determined by the borrower’s credit, capacity, and collateral. A weakness in any one of the three components must be compensated by strengths in one or both of the remaining two components.
1.0 PROGRAMS

1.1 Overview
ResMac Non-QM program guidelines are structured to guide its Clients towards making common sense lending decisions on loans to borrowers who may have limited access to credit. These borrower’s situations generally require the lender to consider alternative forms of documenting income and/or compensating factors which offset risk indicated by a recent credit event or elevated debt-to-income ratio. The borrower’s ability to repay must be proven in all instances.

1.2 Eligible Products

1.2.1 Fully Amortizing
Qualifying Ratios are based on PITI payment with the principal and interest payments amortized over the loan term
- 5/1 LIBOR: (2/2/5 Cap Structure)
  - Qualifying Rate: Qualify borrower(s) at the greater of the Fully-Indexed Rate or Note Rate + Initial Cap (2%).
- 7/1 LIBOR: (5/2/5 Cap Structure)
  - Qualifying rate (All Doc Types): qualify borrower(s) at the greater of the fully-indexed rate or Note Rate.

1.2.2 Interest-Only
Qualifying Ratios are based on PITI payment with the principal and interest payments amortized over the scheduled remaining loan term at the time of recast after the interest only period has expired.
- 5/1 LIBOR: (2/2/5 Cap Structure)
  - Qualifying rate (All Doc Types): qualify borrower(s) at the greater of the fully-indexed rate or Note Rate.
    - Interest-Only Period: 10 Year Interest-Only Period followed by 20 Year Amortization
- 7/1 LIBOR: (5/2/5 Cap Structure)
  - Qualifying rate (All Doc Types): qualify borrower(s) at the greater of the fully-indexed rate or Note Rate.
    - Interest-Only Period: 10 Year Interest-Only Period followed by 20 Year Amortization

1.3 Interest Only Restrictions
- A, A-, and B+ Grades Only
- Primary Residences Only
- Maximum LTV/CLTV: 80%
- Minimum FICO:
  - Full Documentation: 660

1.4 Underwriting
All Non-QM Products are manually underwritten
1.5 Loan Amounts
- Minimum loan amount is $100,000
- Maximum loan amount $2,000,000

1.6 Minimum FICO
A minimum FICO of 500 is required, please see matrices for program requirements.

1.7 Maximum LTV/CLTV
90%/90%, please see matrices for program requirements.

1.8 Seller Concessions
- LTV equal to or greater than 75%: max 4%
- LTV less than 75%: max 6%

All seller concessions must be properly disclosed in the sales contract, appraisal, loan estimate and closing disclosure and be compliant with applicable federal, state and local law.

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.

Interested party contributions may only be used for closing costs and prepaid expenses, and may never be applied to any portion of the down payment or contributed to the borrower’s financial reserve requirements. If a seller concession is present, both the appraised value and sales price must be reduced by the concession amount for LTV/CLTV calculations.

1.9 Escrows
Escrow funds/impound accounts are required to be established for all loans. Escrows may be established for funds collected by the lender, originator or servicer as required to be paid under the security instrument. Escrow funds include, but are not limited to, taxes, insurance (hazard, flood, and mortgage) premiums, special assessments, ground rents, water, sewer, etc.

1.10 Secondary Financing
Secondary financing must be institutional. Lenders must employ reasonable underwriting policies and procedures designed to determine whether the borrower has applied for another credit transaction secured by the same dwelling. Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation the line of credit is past its draw period.

1.11 Fees
Underwriting fee: $995
Condo Project Approval fees:
  Established: $135
  New: $550
1.12 Borrower Statement of Occupancy
Borrower must acknowledge the intended purpose of the subject property (“Primary Residence” or “Second Home”) by completing and signing the appropriate sections of the “Occupancy Certification” found in Exhibit A of this guide.

1.13 Automatic Payment Authorization (ACH)
It is recommended that the borrower execute an assignable Automatic Debit Payment Agreement (ACH) Form, and include either a copy of a voided check or savings account deposit form. The ACH form should include the bank routing number, account number, and type of account, similar to Exhibit B.

1.14 Ability to Repay (ATR) / Qualified Mortgage (QM)
ResMac will only purchase loans under the Non-QM Program that meet the CFPB’s requirements under its Ability- to-Repay (ATR) / Qualified Mortgage Rule, including loans that meet the general ATR requirements and certain qualified mortgage loans with rebuttable presumption liability protection, as prescribed by the applicable regulation.

Each loan must include a completed ATR Borrower Confirmation form, available in the forms section. See Exhibit C: Ability-To-Repay Borrower Confirmation for an example in the Exhibits section at the end of this guide.

1.15 Prepayment Penalty
Prepayment penalties are not permitted on any of the Non-QM products.

1.16 AUS Findings
A manual underwrite is required. The Underwriting Approval and the Underwriter’s determination of Ability to Repay is required as part of the credit file. The file must also include one of the following as evidence the borrower is not eligible for financing through a GSE or Government loan program on full income documentation loans; an AUS Findings with a “Refer” or “Approve/Ineligible” response or a completed Alternative Loan Review Form, Exhibit G may be provided to verify GSE or Government program ineligibility.

1.17 State and Federal High Cost Loans
High cost loans are not permitted

1.18 Properties previously listed for sale
For all cash-out refinances, properties previously listed for sale should be seasoned at least 6 months from the listing contract expiration date.

1.19 Early Pay Off (EPO’s)
Full Premium Recapture upon loan payoff within the first 6 months following the loan funding date.

1.20 Early Payment Default (EPD)
If any of the first four (4) monthly payments due after the loan sale date becomes delinquent ResMac, Inc. considers this an Early Payment Default (EPD). EPD loans are subject to repurchase by the Client pursuant to the Mortgage Loan Purchase Agreement.
1.21 Legal Documentation
Available Fannie Mae security instruments, notes, riders/addenda, and special purpose documents can be utilized for loan documentation. In the case when Fannie Mae doesn’t offer current documentation, such as interest only, a document vendor should be utilized for forms.

1.22 Assumability
Adjustable Rate Notes – May be assumable based upon the note, in general Fannie Mae Notes contain an assumable clause. In any case, the verbiage in the Note and Closing Disclosure must match.

2.0 PROPERTY ELIGIBILITY

2.1 Appraisals
Full Interior / Exterior appraisal required. Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465 or 2090 must be used. All Fannie Guidelines apply to appraisal process and value determination, in addition, an Appraisal Management Company must be utilized for appraiser selection.

The Appraisal should be dated no more than 120 days prior to the Note Date. After a 120-day period, a new appraisal is required. Re-certification of value is not acceptable.

ResMac will not accept properties for which the appraisal indicates condition ratings of C5 or C6 or a quality rating of Q6, each as determined under the Uniform Appraisal Dataset (UAD) guidelines. ResMac will consider properties only if the issue(s) have been corrected prior to loan funding with proper documentation.

2.1.1 Minimum Square Footage

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Minimum Square Footage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family Residence</td>
<td>700 Sq. ft.</td>
</tr>
<tr>
<td>Condominium</td>
<td>500 Sq. ft.</td>
</tr>
<tr>
<td>2-4 Unit</td>
<td>400 Sq. ft. per unit</td>
</tr>
</tbody>
</table>

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

2.1.3 Appraisal Review

Appraisal Review Products
An enhanced desk review product (CDA) from Clear Capital, is required on all transactions. If the Appraisal Review Product reflects a value more than 10% below the appraised value a second appraisal is required.
Second Appraisal
A Second Appraisal from Assurant – Streetlinks is required when any of the following conditions exist.

- Loan Amount exceeds $1,000,000
- The transaction is a flip as defined in the Property Flipping section of this guide
- As required under the Appraisal Review Products section of this guide

When a second appraisal is provided, the transactions “Appraised Value” will be the lower of the two appraisals.

2.2 Ineligible Property types

- Mixed Use properties;
- Vacant land or land development properties;
- Properties not readily accessible by roads that meet local standards;
- Properties not suitable for year-round occupancy regardless of location;
- Agricultural properties including: farms, ranches, orchards;
- Manufactured, Mobile or Modular Homes;
- Condo-hotels or co-op/timeshare hotels;
- A project that includes registration services and offer rentals of units on a daily, weekly or monthly basis.
- Cooperative share loans;
- Boarding houses or bed/breakfast properties;
- Properties with zoning violations;
- Dome or geodesic homes;
- Assisted living facilities;
- Homes on Indian reservations;
- Log homes;
- Hawaii properties located in lava zones 1 and/or 2;
- Houseboats.

2.3 Acreage Limitations

- Maximum 10 acres
- No truncating permitted

2.4 Geographical Restrictions

- Nationwide excluding Puerto Rico, Guam and the US Virgin Islands
- NY, DC, MD, and NJ restrictions;
  - NY CEMA loans not permitted
  - Maximum LTV/CLTV: 80%
  - Minimum FICO: 660

2.5 Property Flipping
For properties purchased by the seller of the property within 12 months of application date where the contract price exceeds the sellers acquisition price by 10% or more, additional requirements apply:

- Second appraisal required from a ResMac Approved AMC
- Property seller on the purchase contract must be the owner of record
- Increases in value should be documented with commentary from the appraiser and recent comparable sales.
- Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.)

2.6 Title Vesting and Ownership
Title must be in the Borrower’s name at time of application for refinance transactions and on closing date for all transactions. Ownership must be fee simple.

Acceptable forms of vesting are:
- Individuals
- Joint tenants
- Tenants in common
- Inter Vivos Revocable Trust

Land trusts and IRA’s are not permitted.

2.7 Leasehold Properties
In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower’s leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender’s title policy.

Originator must provide documentation and Leaseholds must meet all FNMA eligibility requirements (i.e. term of lease).

2.8 Limitations on Financed Properties
- Maximum of twenty (20) financed properties including subject loan;
- ResMac’s exposure to a single borrower shall not exceed $3,000,000 in current UPB or six (6) properties;

All financed properties, other than the subject property, require an additional two (2) months PITI in reserves for each property. Total reserve requirement is not to exceed twenty-four (24) months.

2.9 Disaster Policy
The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site at: http://www.fema.gov/news/disasters.fema. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed.
2.9.1 Appraisals Completed Prior to Disaster
An interior and exterior inspection of the subject property, performed by the original appraiser if possible, is required.

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

2.9.2 Appraisals Completed After Disaster Event
- Appraiser must comment on the adverse event and certify that there has been no change in the valuation.
- Any existing damage notated from the original report must be repaired and re-inspected prior to purchase.

2.10 Condominiums
- Fannie Mae eligible projects and Non-Warrantable projects are permitted
- ResMac project exposure maximum shall be $3,000,000 or 15% of project whichever is lower;
- Borrower project/unit concentration limit: two (2) units
- See ResMac Product Matrix for additional LTV/CLTV and Non-Warrantable project limits and guidelines.

2.11 Ineligible Projects
- A project subject to the rules and regulations of the U.S. Securities Exchange Commission.
- Condominium Hotel - Condotel
  - Condominium Project in which any unit owner or the homeowners’ association is a party to a revenue-sharing agreement with either the developer or another third-party entity.
  - Condominium project where the unit is not the lessee’s residence.
  - Projects that are managed and operated as a hotel or motel, even though the units are individually owned.
  - Projects with the names that include the words “hotel,” “motel,” “resort,” or “lodge.”
  - A project that includes registration services and offer rentals of units on a daily, weekly or monthly basis.
  - Hotel or motel conversions (or conversions of other similar transient properties.)
- Resort type project
- Timeshare or Projects that restrict the owner’s ability to occupy the unit
- New Condo conversion completed less than 2 years
- Houseboat project
- Manufactured home projects
- Assisted living facilities or any project where unit owners contract in advance for a lifetime commitment from the facility to care for them regardless of future health or housing needs.
- Any project in which a single entity owns more than 20% of the total number of units. Projects that have 5-19 Units, one owner is allowed to own two units.
- Multi-family units where single deed has ownership of more than one or all of the units.
- Where more than 35% of total square footage in the project or in the building that the project is located in is used for non-residential purposes.
- A Common-interest apartment
  - A project in which individuals have an undivided interest in a residential apartment building and land, and have the right of exclusive occupancy of a specific apartment unit in the building.
  - The project or building is often owned by several owners as tenants-in-common or by a homeowners’ association.
- Fragmented or segmented ownership
  - Ownership is limited to a specific period on a recurring basis i.e. Timeshare
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA
- Non-conforming zoning (can’t be rebuilt to current density).
- Project units sold with excessive Seller contributions that may affect the value of the subject property.
- Any project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association
- Project in litigation, arbitration, mediation or other dispute regarding safety, soundness or habitability.
- Project with adverse environmental issue(s) involving safety, soundness or habitability.
- Projects that are not well managed or in poor physical or financial condition.
  - Excessive special assessments; Low Reserves; Neglected Repairs

2.12 General Project Criteria
- Project has been created and exists in full compliance with applicable local jurisdiction, State and all other applicable laws and regulations
- Project meets all FNMA Insurance requirements for property, liability and fidelity coverage
- Borrower must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins and any improvements made to the unit.
- Project documents do not give a unit owner or any other party priority over the rights of the 1st mortgagee.
- Projects that are FNMA Warrantable may be reviewed and approved by ResMac.
- Non-Warrantable Projects require Project Approval by ResMac’s Due Diligence Partner.
  - Project ID must be requested prior to upload of Project documents. Send email to: condoprojectreview@covius.com with the project name and address to obtain ID.

2.13 Non-Warrantable Condominium Projects
- Maximum LTV/CLTV: 75%
- Maximum Loan Amount: $1,000,000
- Not Available for loans graded C
- Require Project Approval by ResMac Diligence Partner

**NOTE:** Stacking of risk is not allowed (Only 1 Non-Warrantable factor per project)

**Single Owner / Investor Entity Concentration:**
- Maximum of 20% of project owned by any Single Owner / Investor Entity.
- Maximum of 2 units owned by any Single Owner / Investor Entity if the project has fewer than 10 units.
2.14 New Projects
A Project is considered new if any of the following apply:

- Project is not fully completed or is subject to additional phasing or annexation
- Fewer than 90 percent of the total number of units in the project have been conveyed to owners other than the developer, or
- Control of the homeowner’s association has not been turned over to the unit owners.

New Condominium Projects that meet all the following requirements are eligible for purchase.

- Subject legal phase and any prior legal phases where units have been offered for sale are substantially complete. Substantially complete means that a certificate of occupancy or its equivalent has been issued and all units in the subject unit building are complete.
- Occupancy: A minimum of 50% of the total number of units in the project are conveyed or under contract to purchaser other than developer or successor as Primary or second home OR a minimum of 50% of the units in subject phase plus all prior legal phases must have been conveyed or under contract as Primary or Second Home.
- Developer must be responsible for assessments on unsold units built but not yet closed.
- Budget: A minimum of 10% of the association’s annual budget must provide for funding of replacement reserves for capital expenditures and deferred maintenance.
- Budget must reflect adequate funding for insurance deductible
- Delinquent Assessments: Delinquent assessments greater than 60 days cannot exceed 15% of the total number of units
- Commercial space up to 35% of building space allowed when pre-sale exceeds 70%. Otherwise limited to 25%. Commercial entity cannot control HOA.

2.15 Required Documentation for New Project Approval

- Completed Condo Project Questionnaire and Developer/Builder Questionnaire, or similar., found in Exhibit E and Exhibit F of this guide.
- Current Annual Budget
- Current Balance sheet (dated within the last 60 days),
- Evidence of current HOA/Project Insurance in compliance with FNMA guidelines
- FNMA Warranty of Project Presale signed by Developer/Builder as Authorized Rep (form1029)
- FNMA Final Certification of Substantial Project Completion completed by Developer (form1081)
- FNMA Warranty of Condominium Project Legal Documents (form 1054) or comparable Lenders Warranty
- Project legal documents: Declarations, Bylaws and any Amendments
- Schedule of outstanding loan info
- Letter from construction lender stating financing is in good standing
- Evidence there are no contractor liens outstanding
- Project marketing analysis: sales and marketing plan
- Photos of subject project including site, improvements, facilities/amenities, parking and same on 2 to 3 comparable projects
- PERS preliminary Approval, if applicable
2.16 Established Projects
- Established Projects, as defined by FNMA, which meet all the following requirements are eligible for purchase.
- Occupancy: There is no owner-occupancy requirement if the subject unit will be Owner Occupied.
- If property will be used as an Investment property, a minimum of 30% of the total number of units in the Project must be conveyed to owners who occupy their unit as a Primary Residence or Second Home. The Project may not have delinquencies greater than 15%, the Project Reserve Fund must represent a minimum of 100% of Project’s annual budget and Appraisal must support rental market. If project does not meet the above requirements non-owner occupied limited to 49%.
- Budget and Reserve Fund Balance: A minimum Reserve Fund balance of 30% of annual budget must be in place. A minimum of 10% of the association’s annual budget should provide for funding of replacement reserves for capital expenditures and deferred maintenance. If not, a lower percentage of annual income may be considered if the appraisal notes no major repairs and Reserve Fund balance supports a lower allocation as follows:
  - 7% to 9.99% requires a Reserve Fund balance of 50% of annual budget
  - 5% to 6.99% requires a Reserve Fund balance of 75% of annual budget
  - 3% to 4.99% requires a Reserve Fund balance of 100% of annual budget
- Delinquent Assessments: Delinquent assessments greater than 60 days may not exceed 15% of the total number of units in the project. 30-day delinquency up to 20% may be allowed as non-warrantable if HOA reserve fund represents 120% of its annual budgeted income.
- Commercial space limited to 35% of building space. Commercial entity cannot control HOA.

2.17 Required Documentation for Established Project Approval
- Established Project Certification
- Current Annual Budget
- Current Balance sheet (dated within the last 60 days)
- Evidence of current HOA/Project Insurance in compliance with FNMA guidelines

3.0 TRANSACTION TYPES

3.1 Non-Arm’s Length and Interested Party Transactions

Non-Arm’s Length Transaction
A non-arm’s length transaction occurs when the borrower has a direct relationship or business affiliation with subject property Builder, Developer, or Seller. Examples of non-arm’s length transactions include family sales, property in an estate, employer/employee sales and flip transactions.

When the property seller is a corporation, partnership or any other business entity it must be ensured that the borrower is not an owner of the business entity selling the property.

A non-arm’s length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required as well as the payment history pattern (VOM on the Seller’s mortgage)
Interested Party Transaction
A Conflict-Of-Interest Transaction occurs when the borrower has an affiliation or relationship with the Mortgage Broker, Loan Officer, Real Estate Broker or Agent, or any other interested party to the transaction.

In the case of the Mortgage Broker, Loan Officer, or Real Estate Broker/Agent extra due diligence must be exercised. For example, the seller’s real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property. An examination of the relationship among the Mortgage Broker, Title/Escrow Companies, Appraiser and any other party to the transaction must be closely examined. A Letter of Explanation regarding the relationship between the parties is required

3.1.1 Eligible Non-Arm’s Length and Interested Party Transactions
- Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction
  - Commission earned by buyer/borrower cannot be used for down payment, closing costs, or monthly PITIA reserves
- Seller(s) representing themselves as agent in real estate transaction
- Renter(s) purchasing from Landlord
  - 24 months cancelled checks to prove timely payments required
  - A VOR is not acceptable
- Purchase between family members
  - Full Documentation only
  - Gift of Equity requires a gift letter and the equity gift credit is to be shown on the CD
  - Must provide a 12-month mortgage history on existing mortgage securing subject property confirming Family Sale is not a foreclosure bailout

3.1.2 Non-Arm’s Length and Interested Party Restrictions
- Primary Residences only
- Borrower to provide cancelled check verifying the earnest money deposit
- Cash-Out refinances not allowed
- Maximum LTV/CLTV: 80%
- For-Sale-By-Owner (FSBO) transactions must be arms-length
- Employer to employee sales or transfers not allowed
- Property trades between buyer and seller not allowed

3.2 Cash-Out Transactions
- All cash-out transactions should be of benefit to the borrower.
- Cash-out proceeds cannot be used for required reserves.
- Properties listed for sale in the past 6-months are ineligible.
- See Matrices for cash-out limits.
Seasoning
Cash-Out Seasoning is defined as the difference between application date of the new loan and prior financing note date or date of purchase.

If Cash-Out Seasoning is less than (12) months, the transaction property value is limited to the lower of the current appraised value or the property’s purchase price + documented improvements.

- Cash-Out Seasoning of at least six (6) months is permitted.
- Cash-Out Seasoning of less than six (6) months is only permitted with the following restrictions:
  - The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the current appraised value).
  - The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
  - At least one of the following must exist...
    - No mortgage financing was used to obtain the property.
    - The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale.)
    - The preliminary title search or report must confirm that there are no existing liens on the subject property or the existing lien being refinanced was taken out after the property was obtained as evidenced by a copy of the note.
  - The mortgage being refinanced was used to purchase the property and has an original term of 24 months or less as evidenced by a copy of the settlement statement and original note.
  - If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.
  - The lender has documented that the borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.

4.0 BORROWER ELIGIBILITY

4.1 Non-Occupant Co-borrowers
- Allowed for Full Doc only, co-borrowers must be immediate family members.
- Borrower and Co-Borrower must complete and sign a Non-Occupant Co-Borrower Certification substantially similar to the form found in Exhibit D of this guide.
- Occupying borrower(s) must have a DTI ratio of 55% or less. Excluding income/debs of non-occupant borrower.
4.2 First Time Home Buyers (FTHB)
The following requirements apply to first time home buyer transactions:

- Primary residence only
- Minimum 540 credit score
- Minimum 6 months of reserves
- 12-month rental history required reflecting OX30. Rental history is not required for borrowers living rent free (See the Housing History section of this guide for restrictions on borrowers living rent free)
- Payment shock limited as follows:

<table>
<thead>
<tr>
<th></th>
<th>&gt; 36% DTI</th>
<th>≤ 36 DTI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Score &gt;= 620:</td>
<td>300% current housing</td>
<td>Payment shock not applicable</td>
</tr>
<tr>
<td>Credit Score &lt; 620:</td>
<td>200% current housing</td>
<td>Payment shock not applicable</td>
</tr>
<tr>
<td>FTHB with gift funds:</td>
<td>150% current housing</td>
<td>Payment shock not applicable</td>
</tr>
</tbody>
</table>

Payment Shock = (Proposed Housing Payment /Present Housing Payment) * 100

The underwriter should use prudent judgment in evaluating any payment shock implications and the ability of the Borrower to repay the new mortgage loan. Payment shock exceeding acceptable limits will be reviewed case by case and must be accompanied by a documented history of saving which supports the borrower’s ability to handle the increased payment.

4.3 Residency
Eligible:
- U.S. Citizen
- Permanent Resident Alien
- Non-Permanent Resident Alien

Ineligible:
- Applicants possessing diplomatic immunity
- Borrowers from OFAC sanctioned countries
- Politically exposed borrowers
- Any material parties (company or individual) to transaction listed on HUD’s Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party list or any other exclusionary list.

Refer to Fannie Mae guidelines for all definitions of eligibility status.

4.4 US Citizen
Eligible without guideline restrictions
4.5 Permanent Resident Alien
An alien admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States.

Acceptable evidence of permanent residency to include the following:
- Alien Registration Receipt Card I-151 (referred to as a green card).
- Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card).
- Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) that has an expiration date on the back, and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions).
- Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading “Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until (mm-dd-yy). Employment Authorized.”

Eligible without guideline restrictions.

4.6 Non-Permanent Resident Alien
An alien admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States.

- Legal Status Documentation
  - Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, NATO, O-1, R-1, TN NAFTA
  - Visa must be current and may not expire for a minimum of 3 years following the close date.
  - When applicable, valid employment authorization doc (EAD) required for US employment if not sponsored by current employer.
- Guideline restrictions
  - Maximum LTV/CLTV: 75%
  - Full Documentation only
  - Minimum Grade: B+
  - Non-Occupant Co-Borrowers not allowed
  - Gift Funds not allowed
  - US credit requirements detailed under the credit section of this guide should be utilized.

4.7 Inter Vivos Revocable Trust
An inter vivos revocable trust is permitted when the trust has an ownership interest in the subject property for all transaction types. The following requirements should be followed. Not all requirements may be addressed, Fannie Mae requirements should be followed if these guides are silent.

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

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

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

The following documentation is required:

- The trust was validly created and is duly existing under applicable law,
- Attorney's Opinion Letter from the borrower’s attorney verifying all of the following:
  - The trust is revocable,
  - The borrower is the settler of the trust and the beneficiary of the trust,
  - The trust assets may be used as collateral for a loan,
  - The trustee is:
    - Duly qualified under applicable law to serve as trustee,
    - The borrower,
    - The settler,
    - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets.

A complete copy of the trust documents certified by the borrower to be accurate, or a copy of the abstract or summary for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents instead of the trust agreements must be provided in the loan file. The Attorney needs to also verify that the trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect.

4.8 Ineligible Borrowers
- Irrevocable Trust
- Land Trust
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction

5.0 CREDIT

5.1 Credit Reports
Fannie Mae guidelines should be utilized for processing and documenting all required credit reports and determining borrower’s credit eligibility.

5.2 Date Integrity & Fraud Check
Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. All loans must be submitted to an automated fraud and data check tool (i.e. FraudGuard, DataVerify, etc.). A copy of the findings report must be provided in the loan file along with any documentation resolving any deficiencies or red flags noted.
5.3 Credit Inquiries
Creditor must obtain verification from borrower in the form of a signed statement attesting that their current obligations are accurate. Additionally, any credit inquiries listed on the report within 90 days of the report date must be explained, if new credit was extended borrowers must provide documentation on the current balance and payment; if no credit was extended borrower must state the purpose of the inquiry. Lenders must inform borrowers that they are obligated to inform the lender of any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

5.4 Housing History
Mortgage/rental history is required for all programs. If a borrower’s mortgage or rental history is not reported on the credit report, alternative documentation showing the most recent 12-month history (cancelled checks, mortgage/rental statements including payment history, etc.) must be provided.

Borrowers who live rent free or without a complete 12-month housing history are allowed with the following restrictions;

- DTI may not exceed 36%
- Full documentation only
- Primary Residence only
- Four (4) months of reserves added to the otherwise applicable requirement
- 10% minimum borrower contribution
- Any available portion of a 12-month housing history must be paid as agreed.

Borrower mortgage and/or rental history may reflect lates based on documentation option and grade criteria, see matrices for requirements. All housing lates must be cured at the time of application and remain paid as agreed through closing.

Housing lates exceeding 1x60x24 require a letter of explanation from the borrower. The situation causing the delinquency must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved.

See Matrix for grade specific restrictions.

5.5 Consumer Credit
If a short sale, deed in lieu of foreclosure, or foreclosure has occurred within the last 12 months, no more than a 1x30x6 is allowed on each revolving debt account and no more than a 1x30x12 is allowed on each installment debt account.

All accounts must be current at application and remain paid as agreed through closing.

5.5 Timeshares
Timeshare obligations will be treated as a consumer installment loan
5.6 Charge-offs and Collections

- Individual collection and non-mortgage charge-off accounts equal to or greater than $250 and accounts that total more than $2,000 must be paid in full prior to or at closing.
- Medical collections may remain open with a max cumulative balance of $10,000
- Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded. Evidence of expiration must be documented.

Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following:

- Payments for open charge-offs or collections are included in the DTI (Subject to program DTI restrictions)
- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.

5.7 Credit Counseling Services

Borrowers currently participating in Fannie Mae approved credit counseling services are acceptable if most recent 12 months paid as agreed, and the CCCS administrator provides a letter allowing borrower to seek new mortgage financing

5.8 Judgements or Liens

All open judgments, garnishments, and all outstanding liens must be paid off prior to loan closing.

5.9 Income Tax Liens

All income tax liens (federal, state, local) must be paid off prior to loan closing.

5.10 Bankruptcy History

Bankruptcies are allowed as long as they have been settled. Evidence of bankruptcy resolution is required.

Bankruptcies resolved in the last 48 months require a letter of explanation from the borrower. The situation causing the bankruptcy must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple bankruptcies exist in this time frame each must be addressed in the explanation.

See Matrix for grade specific restrictions

5.11 Foreclosure Seasoning

Foreclosures completed in the last 48 months require a letter of explanation from the borrower. The situation causing the foreclosure must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple foreclosures exist in this time frame each must be addressed in the explanation.

In the case of a foreclosure, which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the foreclosure completion date. Re-established credit of at least two tradelines paid as agreed for 12 months is required or the foreclosure date will be used. Active foreclosures are not permitted. See Matrix for grade specific restrictions.
5.12 Short Sale/Deed-in Lieu Seasoning
Short Sales and Deed in Lieu of Foreclosures completed in the last 36 months require a letter of explanation from the borrower. The situation causing the Short Sale / Deed-In-Lieu must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple Short Sales and/or Deed-In-Lieu exist in this time frame each must be addressed in the explanation.

In the case of a short sale/deed-in-lieu, which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the short sale/deed-in-lieu completion date. Re-established credit of at least two tradelines paid as agreed for 12 months is required or the completion date will be used. Short Sale or Deed-In-Lieu currently in process are not permitted.

See Matrix for grade specific restrictions.

5.13 Forbearance or Modification
Forbearance or loan modifications are treated as a short sale / deed in lieu for grading and pricing purposes. For the Credit Grades of B, B-, and C, where the housing event can be settled, the delinquency proceeding the housing event can be ignored. Servicing retention related interest rate modifications are excluded from the seasoning requirement. A letter or explanation from the borrower addressing the situation that made forbearance or modification necessary must be provided. The current housing payment history along with the new housing payment must be considered when determining if the situation is adequately resolved.

5.14 Credit Score
- Decision Score: Minimum of 1 borrower with 2 credit scores. Use lower of 2 or middle of 3 credit scores generated;
- For multiple borrowers:
  - Full Doc: Use the Decision Score for the primary wage earner if that income represents a minimum of 55% of total household income. Otherwise use the lowest Decision Score amongst all borrowers who will be on Note and Title
  - All Other Income Documentation Options: Use lowest Decision Score amongst all borrowers who will be on Note and Title.

5.15 Tradelines and Grade Determination

Standard Tradelines
All Grades – A minimum of three (3) tradelines per credit report;

At least one tradeline should be active for most recent 24 months; and two tradelines should have reported within the last 12 months.

The following are not acceptable to be counted as a tradeline: “non-traditional” credit as defined by Fannie Mae, any liabilities in deferment status, accounts discharged through bankruptcy, authorized user accounts, charge-offs, collection accounts, foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales.
Limited Tradelines
If standard tradelines requirements are not met and the borrower has a valid credit score per the Credit Score section of this guide the following restrictions apply:

- Max grade of B
- Max LTV/CLTV of 75%
- A 10% down payment has been made by the borrower from their own resources
- Primary residences only
- Not allowed for Self-Employed 12-month bank statement and asset doc types

5.16 Obligations not Appearing on Credit Report

Housing and Mortgage Related Obligations
Housing and mortgage-related obligations include property taxes, premiums and similar charges that are required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments. All properties owned by the borrower must be fully documented in this regard. These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowner’s association billing statements, information obtained from a valid and legally executed contract.

Current Debt Obligations, Alimony, and Child Support
A lender may use a credit report to verify a borrower’s current debt obligations, unless the lender has reason to know that the information on the report is inaccurate or disputed. Obligations that do not appear on the credit report, such as alimony and child support, must be documented through other methods according to Fannie Mae guidelines.

5.17 Payment Shock
Payment shock should not exceed 300% of the borrower’s current housing payment unless DTI is less than or equal to 36%. If payment shock exceeds this limit the underwriter must provide justification of borrower’s ability to handle the increased payment.

NOTE: See additional payment shock restrictions in the first time home buyers section of this guide.

\[
\text{Payment Shock} = \left( \frac{\text{Proposed Housing Payment}}{\text{Present Housing Payment}} \right) \times 100
\]

5.18 Additional Credit Requirements
- Inquiries – Recent inquiries within 120 days of the credit report date must be explained by the borrower.
- New debt/liabilities – A verification of all new debt/liabilities must be provided and borrower should be qualified with the additional monthly payment.
- Gap credit—Prior to closing, originator should confirm there are no new borrower debt obligations. This can be confirmed via borrower affidavit and / or a new credit report. Refer to credit inquiries section above.

Note: ResMac reserves the right to request a newly processed credit report prior to closing or funding date to confirm no new debt/liabilities have been added.
6.0 ASSETS
The following apply to all transactions unless otherwise stated

6.1 Documentation Options
Various forms of documentation are acceptable depending on borrower asset type. Assets and reserves should be calculated and documented to Fannie Mae guidelines unless otherwise specified in ResMac guidelines. Fannie Mae guidelines prevail where this guide is silent regarding sources and types of assets as well as asset types not eligible to be included.

6.2 Reserves
- The loan program includes minimum reserves as outlined on the Product matrices;
- Additional Reserves - Each financed property in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITI on the subject property to a maximum requirement of 24 months (Additional reserves based upon the PITI of the subject property);
- Reserves must be sourced and seasoned according to Fannie Mae guidelines;
- Proceeds from a cash-out refinance cannot be used to meet the minimum reserve requirements.
- Proceeds from 1031 Exchange cannot be used to meet reserve requirements.

6.3 Down Payment Sourcing
Down payment assets should be sourced and seasoned for 60 days to Fannie Mae guidelines with documentation provided in the loan file. Lenders must require that the borrower state the source of the down payment and provide verification. If the lender determines that the source of the down payment is another extension of credit, the lender must then consider that loan as simultaneous secondary financing. Refer to secondary financing section above.

6.4 Gift Funds
- Unless otherwise specified, Gift Funds are acceptable if ONE of the following applies;
  o A 5% down payment has been made by the borrower from their own resources
  o 100% Gift Funds are allowed for Full Doc loans only, with a maximum LTV of 75%. Borrower(s) must meet both reserve and residual income requirements.
- Fannie Mae guidelines should be used for donor relationship to borrower(s), documentation, proof of funds, and evidence of receipt;
- Gift funds may not be used to meet reserve requirements.
- Gift of Equity allowed for Primary Residence only. Must meet all other guidelines for Gift Funds.

6.5 Asset Documentation
In addition to documenting minimum PITI reserve requirements, all borrowers must disclose and Seller must verify all other liquid assets. Fannie Mae guidelines prevail regarding sources and types of assets as well as assets which are not eligible for closing costs and/or reserves.

- Account Statements should cover most recent 60-day period;
- VOD should be dated within 30 days of loan application date;
- Stocks/Bond/Mutual Funds - 100% of stock accounts can be considered in the calculation of assets for closing and reserves;
- Vested Retirement Account funds – 60% may be considered for closing and/or reserves;
- Non-vested or restricted stock accounts are not eligible for use as down payment or reserves.
• Any assets which produce income or are used as income already included in the income calculation are not eligible for use as down payment or reserves.
• When bank statements are used, large deposits must be evaluated. Large deposits are defined as any single deposit that represents more than 75% of the monthly average deposit balance. Large deposits need to be sourced based upon Section 6.3 of this guide. An example of how to identify a large deposit follows:
  o Month 1 deposits
    ▪ $1,000
    ▪ $1,500
  o Month 2 deposits
    ▪ $2,500
    ▪ $5,000
  o Total deposits equal $10,000 or a monthly average of $5,000.
  o 75% of the monthly average is $3,750.
    ▪ The $5,000 deposit from month 2 needs to be sourced/seasoned.

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower’s name at least ten (10) days prior to closing.

Documenting Assets Held in Foreign Accounts:
• Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table.
• A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds.

6.6 Sole Proprietor Assets / Business Funds
• Business funds may be used for down payment, closing costs and for the purposes of calculating reserves. The borrower must be listed as sole owner of the account and the account needs to be verified per requirements in Section 6.3 of this Guide.
• If Business funds are used, the borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%).
• The underwriter must determine that the withdrawal of funds will not have a negative impact on the business by one of the following methods;

Full Income Documentation
The underwriter must perform a business cash flow analysis to confirm that the withdrawal of the funds for this transaction will not have a negative impact on the business. The underwriter should utilize FNMA form 1084 or a similar cash flow analysis to show the business can support the withdrawal of the funds.
**Self-Employed - 24 Month Business Bank Statement** (May use one of the following methods)

Business Expense Coverage: Using the most recent business bank statement(s) used for income documentation perform the following calculation:

\[
\text{Statement(s) Ending Balance} - \text{Transaction Down Payment} - \text{Transaction Closing Costs} - \text{Program Required Reserves} + \text{Available funds from personal account(s)}
\]

Funds Available for Business Expense Coverage

- Funds Available for Business Expense Coverage must be a positive number and reflect a minimum of 2 months of average expenses as reflected on the P&L; or

- The balance sheet for the business must reflect positive working capital. Working capital is the difference between the current assets less current liabilities. The result represents the maximum amount of business funds available to use towards down payment, closing cost and reserves.

**7.0 INCOME**

**7.1 Income Analysis**
The following apply to all income documentation options unless otherwise stated in the specific section of the guidelines.

**7.1.1 Income Worksheet**
The loan file must include an Income worksheet detailing income calculations. Income analysis for borrowers with multiple businesses must show income/(loss) details separately, not in aggregate.

**7.1.2 Employment / Income Verification**
Most recent two (2) years income documentation is required for all income/documentation types unless otherwise noted.

**7.1.3 Stability of Income**
- Stable monthly income is the Borrower's verified gross monthly income, which can be reasonably expected to continue for at least the next three years. The Seller must determine that both the source and the amount of the income are stable;
- A two-year history of receiving income is required in order for the income to be considered stable and used for qualifying;
- When the Borrower has less than a two-year history of receiving income, Seller must provide written analysis to justify the stability of the income used to qualify the Borrower;
- While the sources of income may vary, the Borrower should have a consistent level of income despite changes in the sources of income.
7.1.4 Earnings Trends
When analyzing borrower earnings, year over year earnings trends must be incorporated into the borrower’s income calculation in accordance with Appendix Q to Part 1026 of Regulation Z—Standards for Determining Monthly Debt and Income.

YTD income amount must be compared to prior years’ earnings using the borrower’s W-2’s, signed federal income tax returns, or bank statements.

- Stable or increasing: Income amount should be averaged;
- Declining but stable: If the trend was declining, but has since stabilized and there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of variable income must be used;
- Declining: If trend is declining, the income is not eligible.

7.2 Debt to Income Ratio
The Debt-to-Income ("DTI") ratio is calculated and reviewed for adherence to Fannie Mae guidelines and inclusion of all income and liability expenses. See most recent program matrix for applicable details. Please see matrices for allowable DTI’s.

7.3 Residual Income
Residual Income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations. Residual Income = Gross Monthly Income minus total monthly debt.

Minimum Residual Income Requirements are calculated using the table below plus $250 for the first dependent and $125 for each additional dependent.

<table>
<thead>
<tr>
<th>Occupancy</th>
<th>Maximum LTV</th>
<th>Minimum Residual Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Residence</td>
<td>90</td>
<td>$1,750</td>
</tr>
<tr>
<td>Primary Residence</td>
<td>80</td>
<td>$1,250</td>
</tr>
<tr>
<td>Second Home</td>
<td>80</td>
<td>$2,500</td>
</tr>
</tbody>
</table>
7.4 Documentation Options

Various forms of documentation are acceptable depending on borrower income type. Income should be calculated and documented to Fannie Mae guidelines, unless otherwise specified within ResMac guidelines. Fannie Mae guidelines prevail regarding sources and types of income as well as income not eligible to be included. A Fannie Mae Form 1084 or equivalent income worksheet should be included and delivered as part of the credit file.

<table>
<thead>
<tr>
<th>Documentation Type</th>
<th>Full Doc</th>
<th>Self-Employed 24-Month Bank Statement</th>
<th>Self-Employed 12-Month Bank Statement</th>
<th>Asset Depletion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum FICO</td>
<td>500</td>
<td>580</td>
<td>660</td>
<td>680</td>
</tr>
<tr>
<td>Max LTV/CLTV</td>
<td>90</td>
<td>85</td>
<td>80</td>
<td>75</td>
</tr>
<tr>
<td>Income Documentation</td>
<td>2-years W2’s &amp; Tax Returns</td>
<td>24 Months Personal OR Business Bank Statements</td>
<td>12 Months Personal Bank Statements</td>
<td>Amortized Liquid Assets and 2-years W2’s and Tax returns</td>
</tr>
<tr>
<td>Tax Returns Required?</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes, if applicable</td>
</tr>
<tr>
<td>4506-T Required</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes, if Appendix Q income is used</td>
</tr>
<tr>
<td>Employment</td>
<td>W2 or Self-Employed</td>
<td>Self-Employed Only</td>
<td>Self-Employed Only</td>
<td>W2 or Self-Employed</td>
</tr>
</tbody>
</table>

7.5 Full Documentation

Full Doc is available to borrowers who are able to prove 24 months of income in accordance with Appendix Q of Regulation Z. This documentation option is available to borrowers who have experienced recent credit events and allows for higher LTVs for borrowers with clean pay histories. This option allows for DTIs that exceed 43% (up to 50%) with appropriate residual income and reserves as compensating factors. Loans exceeding a 43% DTI will be considered Non-QM. Loans with DTIs less than or equal to 43% will be QM with Rebuttable Presumption if all required conditions are met.

\[1\] Specifically, under the Consumer Financial Protection Bureau’s Ability-to-Repay/Qualified Mortgage Rule the loan must: (i) have a term that does not exceed 30 years, (ii) provide for regular periodic payments that are “substantially equal”, except for the effect that any interest rate change after consummation has on the payment in the case of an adjustable-rate mortgage and do not result in negative amortization, deferral of principal repayment, or any balloon payment. § 1026.43(e)(2)(i)-(ii). In addition, the “total points and fees payable in connection with the loan” cannot exceed 3% of the total loan amount where the loan amount is greater or equal to $100,000. 12 C.F.R. § 1026.43(e)(2)(iii).

7.5.1 Restrictions

- See Matrices for acceptable credit grades, max LTV and DTI
- Minimum 500 credit score.
7.5.2 Full Income Documentation
If any Borrower has applied for a tax return extension, a copy of the extension should be included in the credit file and the prior two years of tax returns included in the credit package;

Salaried Borrowers
- A completed Request for Verification of Employment (Form 1005 or Form 1005(S)), or the borrower’s recent paysstub (reflecting 30 days of pay and YTD earnings) and IRS W-2 forms covering the most recent two-year period
- A verbal VOE from each employer
- Form 1003, most recent two years of tax returns (including all statements and, schedules),
- A signed and executed 4506-T.

Self Employed Borrowers
- Form 1003, most recent two years of tax returns (including all schedules), YTD P&L and balance sheet, and K-1’s (on all corporations and Schedule E business entities) for prior two years. A signed and executed 4506-T is required.
- Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same line of business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search.
- Underwriter must consider the financial strength of a self-employed borrower’s business.

7.5.3 Other Sources of Income
The following sources of income must be verified in accordance with Appendix Q:

- Bonus*
- Commission*
- Overtime*
- Part-time/Variable (must be uninterrupted and stable for past two years*)
- Retirement
- Social security
- Investment and Trust
- Military or government assistance
- Child support and alimony
- Rental Income: should be documented through Schedule E of the borrower’s tax returns. If property has not previously been rented, then income will be calculated based on the lower of the lease agreement or 1007 times 75% for single unit property or 70% for 2-4 unit property.

* An earnings trend must be established and documented in accordance with Appendix Q. A period of more than two years must be used in calculating the average overtime, bonus, and commission income. If either type of income shows a continual decline, written justification on the income worksheet must be provided, or income should not be used. For Part-time employment a minimum two (2) year history is required however a shorter period, of no less than twelve months, may be considered case-by-case if positive factors are present to offset shorter history.
7.6 Self-Employed – 24 Month Bank Statements

The Self-Employed 24 Month Bank Statements program is available to self-employed borrowers only and allows the use of 24 months of bank statements to document self-employment income. Income documented through the Self-Employed 24 Month Bank Statements program may be combined with other income sources that are documented as Full Doc but not associated with self-employment, such as a spouse employed as a wage earner. When wage income is combined with Self-Employed 24 Month Bank Statements program, a tax return is not required for the full income documentation, as this would invalidate the bank statements. The 4506-T is still required, however, box 8 should be checked to verify the W-2.

Self-Employed 24 Month Bank Statements loans will be considered Non-QM.

7.6.1 Restrictions

- See Matrices for acceptable credit grades, max LTV and DTI
- Non-occupant co-borrowers not allowed
- Minimum 600 credit score
- Primary Borrower must be Self-Employed

7.6.2 Self-Employed Bank Statement Documentation

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal Accounts</strong> - Account reflecting personal income and expenses.</td>
<td>• Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same line of business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search;</td>
</tr>
<tr>
<td></td>
<td>• Most recent 24 months of personal bank statements;</td>
</tr>
<tr>
<td></td>
<td>• Most recent 3 months of business bank statements.</td>
</tr>
<tr>
<td><strong>Business Accounts</strong> - Account in the name of the business reflecting only business income and expenses.</td>
<td>• Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same line of business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search;</td>
</tr>
<tr>
<td></td>
<td>• Verify that the borrower is 100% owner of the business;</td>
</tr>
<tr>
<td></td>
<td>• 24-month Profit and Loss Statement (P&amp;L) prepared by a CPA or Licensed Tax Preparer, matching the time period covered by the bank statements;</td>
</tr>
<tr>
<td></td>
<td>• Most recent 24 months business bank statements</td>
</tr>
</tbody>
</table>
Co-mingled Business and Personal Accounts -
Single account reflecting both personal/business income and expenses.

- Verify the existence of the business and ensure the business is active with the following: a letter from either the businesses tax professional certifying 2 years of self-employment in same line of business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search;
- Verify that the borrower is 100% owner of the business;
- 24-month Profit and Loss Statement (P&L) prepared by a CPA or Licensed Tax Preparer, matching the time period covered by the bank statements;
- Most recent 24 months personal or business bank statements.

- Verification of self-employed businesses by a third-party source must be obtained.
- Tax returns and 4506-T are not required for the program. If Tax returns and/or Transcript are provided the loan will be ineligible for the Self-Employed Bank Statement Programs.

7.6.3 Self-Employed Bank Statement Income Analysis
In addition to the factors described in the Income Analysis section of this guide, underwriters should consider the following:

Personal Bank statement review
- Income should be calculated based on a 24-month average of total deposits minus any inconsistent deposits not justified. Qualifying income may not exceed the income indicated on the initial 1003.
- Pattern of deposits and payment should be consistent;
- Expectations of changes in deposit pattern must be considered;
- Income documented separately but comingled must be backed out of deposits.

Business & Co-Mingled Bank statement review
- P&L Revenue must be supported by the provided bank statements. Total deposits per bank statements, minus any inconsistent deposits, must be no more than 5% below revenue reflected on P&L. The bank statements and P&L must cover the same time period;
- Qualifying income is the lower of the Net Income indicated on the P&L and the income indicated on the initial 1003
- Expenses must be reasonable for the type of business;
- Pattern of deposits and payment should be consistent;
- Expectations of changes in deposit pattern must be considered;
- Income documented separately but co-mingled must be backed out of deposits.
Non-sufficient funds (NSF) or negative balances
If NSF or negative balances reflected on the bank statement must be considered. Overdraft protection (Fees) associated with a pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist...

- Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that;
  - The linked account balance at the time of the transfer exceeded the amount of the overdraft transfer,
  - The linked account’s balance did not report as zero or negative at any point during the statement period of the transfer, and
  - The linked account did not itself receive overdraft protection proceeds during the statement period of the transfer.

- Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that;
  - The line’s credit limit was not exceeded during the statement period of the transfer and
  - A payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.

- Occurrences included in the analysis are subject to the following tolerances;
  - Up to five (5) occurrences in the most recent twelve (12) month time period is acceptable if there are zero (0) occurrences in the most recent three (3) month time period.
  - Up to three (3) occurrences are allowed in the most recent twelve (12) month time period if there are one (1) or more occurrences in the most recent two (2) month time period.
  - Exception requests for tolerance deviations must include;
  - A letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and;
  - Additional compensating factors outlined by the underwriter supporting the viability of income.

- Underwriter must consider the financial strength of a self-employed borrower’s business.

7.7 Self-Employed – 12 Month Bank Statements
The Self-Employed program is available to self-employed borrowers only and allows the use of 12 months of bank statements to document self-employment income. Income documented through the Self-Employed program method may be combined with other income sources that are documented as Full Doc but not associated with self-employment, such as a spouse employed as a wage earner. When wage income is combined with Self-Employed program, a tax return is not required for the full income documentation, as this would invalidate the bank statements. The 4506T is still required, however, box 8 should be checked to verify the W-2. Self-Employed program loans will be considered Non-QM.

7.7.1 Restrictions
- See Matrices for acceptable credit grades, max LTV and DTI;
- Maximum DTI 36%
- Non-occupant co-borrowers not allowed;
- Minimum 660 credit score;
- Primary Borrower must be Self-Employed.
- Limited to sole proprietor and 100% business owners
- First-time Homebuyer not allowed
7.7.2 Self Employed 12-Month Bank Statement Documentation

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Requirement</th>
</tr>
</thead>
</table>
| **Personal Accounts** - Account reflecting personal income and expenses. | • Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 4 years of self-employment in same line of business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search;  
  • Most recent 12 months of personal bank statements;  
  • Most recent 3 months of business bank statements |
| **Business Accounts** - Account in the name of the business reflecting only business income and expenses. | N/A                                                                                                                                 |
| **Co-mingled Business and Personal Accounts** - Single account reflecting both personal/business income and expenses. | N/A                                                                                                                                 |

• Verification of self-employed businesses by a third-party source must be obtained.  
• Tax returns and 4506-T are not required for the program. If Tax returns and/or Transcript are provided the loan will be ineligible for the Self-Employed Program.

7.7.3 Self Employed 12-Month Bank Statement Income Analysis

In addition to the factors described in the Income Analysis section of this guide, underwriters should consider the following:

**Personal Bank statement review**

• Income should be calculated based on a 12-month average of total deposits minus any inconsistent deposits not justified. Qualifying income may not exceed the income indicated on the initial 1003.  
• Pattern of deposits and payment should be consistent;  
• Expectations of changes in deposit pattern must be considered;  
• Income documented separately but comingled must be backed out of deposits.
Non-sufficient funds (NSF) or negative balances
If NSF or negative balances reflected on the bank statement must be considered. Overdraft protection (Fees) associated with a pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist...

- Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that;
  - The linked account balance at the time of the transfer exceeded the amount of the overdraft transfer,
  - The linked account’s balance did not report as zero or negative at any point during the statement period of the transfer, and
  - The linked account did not itself receive overdraft protection proceeds during the statement period of the transfer.

- Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that;
  - The line’s credit limit was not exceeded during the statement period of the transfer and
  - A payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.

- Occurrences included in the analysis are subject to the following tolerances;
  - Up to five (5) occurrences in the most recent twelve (12) month time period is acceptable if there are zero (0) occurrences in the most recent three (3) month time period.
  - Up to three (3) occurrences are allowed in the most recent twelve (12) month time period if there are one (1) or more occurrences in the most recent two (2) month time period.
  - Exception requests for tolerance deviations must include;
    - A letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and;
    - Additional compensating factors outlined by the underwriter supporting the viability of income.

- Underwriter must consider the financial strength of a self-employed borrower’s business.

7.8 Asset Depletion
The Asset Depletion loan program is an option for an underwriter to use a Borrower’s liquid assets to augment income for loan and product qualification purposes.

7.8.1 Restrictions
- See Matrices for acceptable credit grades, max LTV and DTI;
- Non-occupant co-borrowers not allowed;
- Minimum 680 credit score;
- Cash out transactions not eligible.
7.8.2 Asset Depletion Income Calculation
Total Assets eligible for Depleation, subtract Down Payment, subtract Out of Pocket Closing Costs, subtract Required Reserves, then multiply by 70% then divide by 360.

Two Income Calculations should be performed on loans utilizing Asset Depletion:

1. Max Appendix Q DTI is 55%:
   - Income must be calculated and documented in compliance with Appendix Q of Regulation Z. This income calculation and documentation requirement is consistent with that used for ResMac’s Non-QM program;
   - Borrowers who have reached retirement age (at least 59 ½) are not subject to the maximum Appendix Q DTI.

2. Max DTI including Asset Depletion Income Calculation is 43%:
   - Asset Depletion Income (as calculated above) can be added to Appendix Q income when calculating DTI.

7.8.3 Asset Depletion Income Documentation
- All individuals listed on the asset account(s) must be on the Note and Mortgage;
- Assets considered for this program must be verified with most recent 3 months of account statements or a VOD;
- Assets must be seasoned 120 days;
- Income other than Asset Depletion must be documented in accordance with the Full Doc program including tax returns and 4506-T.

7.8.4 Assets Eligible for Depletion
Assets must be liquid and available with no penalty; Source and types to Fannie Mae guidelines; Additional documentation may be requested to validate the origin on the wealth:
- Marketable securities (i.e. CD’s, money market accounts);
- Checking
- Savings
- Stocks
- Bonds
- Mutual Funds;
- Retirement Assets: Eligible if the borrower is of retirement age (at least 59 ½).

7.8.4 Assets Ineligible for Depletion
- Equity in Real Estate;
- Privately traded or restricted/non-vested stocks;
- Retirement Assets: Ineligible if the borrower is not of retirement age (at least 59 ½);
- Any asset which produces income already included in the income calculation.
Exhibit A – Occupancy Certification

OCCUPANCY CERTIFICATION

Borrower(s)

Property Address

Loan Number

I/We the undersigned certify that:

_____ Primary Residence – I/we will occupy the Property as my/our principal residence within 60 days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/We will continue to occupy the Property as my/our principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing.

_____ Second Home – I/we will occupy the Property as a second home (vacation, etc) while maintaining a principal residence elsewhere.

_____ Investment Property – I/we will not occupy the Property as a principal residence or second home. I/We will not occupy the Property for more than 14 days in any calendar year. The Property is an investment to be held or rented.

REFINANCE ONLY (the following must be completed on a refinance transaction)

_____ I/We the undersigned, certify that the property referenced above is NOT currently listed for sale or under contract to be listed for sale.

I/We the undersigned acquired this property on __________________________.

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to 30 years in federal prison or a fine of up to $1,000,000, or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.

I/We understand that failure to comply with the requirements in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the Lender to exercise its remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

Borrower Date Borrower Date

Borrower Date Borrower Date

Revised 11/7/2016
Exhibit B – Automatic Debit Payment Agreement (ACH) Form

Automatic Payment Authorization Form

You must attach a voided check or a savings deposit slip

☐ Yes, I would like to enroll in the free* monthly Automatic Payment Program

Name: ________________________________
Street Address: ________________________
City, State, Zip Code: __________________

Mortgage Loan Number: __________________

Daytime Phone Number: ________________
Evening Phone Number: ________________

Financial Institution Name: _________
Financial Institution Phone Number: ______

Account Routing Number: _______
Account Number: ____________
☐ Checking ☐ Savings

*Please note that your financial institution may assess a fee for this transaction.

Please specify the payment date most convenient for you, which must be within the applicable grace period. If a payment date is not specified, or your loan is a daily simple interest loan, payments will be deducted on your current loan due date.

Deduct my payment on the ____________ of each month.

I would like additional funds deducted and applied toward reducing my outstanding principal balance. Please deduct an additional $_________ per month.

I hereby authorize ________________, including its successors and/or assigns, to initiate transfers from my checking or savings account at the financial institution indicated above for the purpose of making my monthly mortgage payment. I authorize the amount of each transfer to include my regularly scheduled payment including principal, interest and escrow items, reimbursement of corporate advances, optional insurance as applicable and the costs of any services I request.

I understand that, in accordance with the terms of my mortgage note and/or adjustments in my escrow for taxes and insurance, my payment may change from time to time as set forth in my loan documents. You are hereby authorized to change the amount of the draft from my checking or savings account, provided that you notify me of the new payment amount at least 10 days prior to the draft date. I agree that the payment change notice provided to me under the Adjustable Rate Mortgage Provisions of the Truth-in-Lending Act and/or escrow analysis form shall constitute notice of payment change as required by the Electronic Funds Transfer Act and Federal Reserve Board Regulation E.

I HEREBY AGREE TO THE TERMS AND CONDITIONS IN THIS FORM.

Borrower’s Signature ___________________________ Date ____________
Co-Borrower’s Signature ___________________________ Date ____________
Exhibit C – Ability to Repay Borrower Confirmation

Important Ability to Repay Notice

Customer Name ________________________  Application# ______________________________

This Important Ability-to-Repay Notice is being provided to each borrower prior to the signing of the loan documents. Borrowers are not required to sign this notice before the federal Loan Estimate disclosure has been provided.

In reviewing your credit application, ResMac has or will consider and verify the following information as it relates to your ability to repay this loan according to its terms as required by applicable law:

1. Your current and reasonably expected income and/or assets (other than the value of the dwelling and any attached real property);
2. Your current employment status (to the extent that employment income is relied on to determine repayment ability);
3. The monthly payment for principal and interest on the loan;
4. The monthly payment on any simultaneous loan that ResMac knows or has reason to know will be made;
5. The monthly payment for mortgage-related obligations (e.g., property taxes, certain insurance premiums, fees and special assessments for condominiums, and homeowner’s association, ground rent, and leasehold payments);
6. Your current debt obligations, alimony, and child support;
7. Your monthly debt-to-income ratio and/or residual income; and
8. Your credit history.

Below and in the attached Application Form (Uniform Residential Loan Application on Fannie Mae Form 1003) is the information that ResMac has or will verify and consider in making this loan, as required by applicable law:

Employment and Income

<table>
<thead>
<tr>
<th>Verified</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax returns (Federal or State)</td>
<td></td>
</tr>
<tr>
<td>IRS Form W-2s</td>
<td></td>
</tr>
<tr>
<td>Payroll statements</td>
<td></td>
</tr>
<tr>
<td>Financial institution records</td>
<td></td>
</tr>
<tr>
<td>Employment-related records from your employer (or other verification of employment)</td>
<td></td>
</tr>
<tr>
<td>Government agency records relating to benefits or entitlements</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>
Total Monthly Income: _______________ Estimated Monthly Income from Assets: _______________

### Housing Expenses:

<table>
<thead>
<tr>
<th>Verified</th>
<th>Expense</th>
<th>Monthly Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monthly Mortgage Payment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Simultaneous Loan Mortgage Payment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Property Taxes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Homeowners Association Dues or Maintenance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Insurance Premiums</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

### Debts:

<table>
<thead>
<tr>
<th>Verified</th>
<th>Debt Obligation</th>
<th>Monthly Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Installment loans</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Installment loans</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Installment loans</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Revolving charge accounts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Real estate loans</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Student loans</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Automobile loans</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

### Other Obligations

<table>
<thead>
<tr>
<th>Verified</th>
<th>Obligation</th>
<th>Monthly Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Alimony</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Child support</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Contingent liabilities (e.g., mortgage assumptions, co-signed obligations)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>
The information listed above and in the Attachments was provided by you in your application and interview, and/or in third-party records and other documents (such as credit reports and tax records). Based on its consideration of this information, ResMac has made a reasonable and good faith determination that you have the reasonable ability to repay this loan according to its terms.

ResMac wants to make sure that the information listed above is correct and complete. ResMac is in the business of making loans and collecting loan payments—it has no desire to make a loan that cannot be repaid under the terms of the agreement.

By your signature(s) below, you are confirming that:

1. You have read and understand this Important Ability-to-Repay Notice, and the information listed above is correct and complete;

2. Your current or reasonably expected income or assets (other than the value of the dwelling and any attached real property) is/are consistent with the information listed above;

3. Your current employment status is consistent with the information listed above and/or attached;

4. Your current housing expenses, debts, and other obligations (including alimony and child support payments) are consistent with the information listed above;

5. You have not applied for or opened any new credit accounts, defaulted on any credit accounts, filed for bankruptcy, or had any judgments entered against you by a court;

6. Your living expenses (including expenses for food, clothing, gasoline, health care, and other recurring non-debt obligations) are consistent with the information listed above and in the attached Monthly Living Expenses Worksheet; and

7. You have not experienced any other changes from the time you signed or otherwise completed the information listed above and in the attached Application Form and Monthly Living Expenses Worksheet that would reduce your reasonable ability to repay this loan according to its terms.

Borrower(s):

Borrower ______________________ Date ________    Co-borrower ______________________ Date ________
Exhibit D – Non-Occupant Co-Borrower Certification
Exhibit E – Condominium Project Questionnaire (Fannie Mae Form 1076/Freddie Mac Form 476)

# Condominium Project Questionnaire – Full Form

## Instructions
Lender: Complete the first table below and enter the date on which the form should be returned to you.

**Homeowners’ Association (HOA) or Management Company:** This form has been sent to you on behalf of an individual seeking mortgage financing to purchase or refinance a unit in this project. The mortgage lender needs this information to determine the eligibility of the project for mortgage financing purposes. Complete and return this form by _________ (enter date) to the lender listed below. Questions about this form should be directed to the lender contact.

<table>
<thead>
<tr>
<th>Lender Name</th>
<th>Lender Phone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact Name</td>
<td>Lender Fax Number</td>
</tr>
<tr>
<td>Lender Address</td>
<td>Lender Email Address</td>
</tr>
</tbody>
</table>

## I: Basic Project Information

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Project Legal Name</td>
</tr>
<tr>
<td>2</td>
<td>Project Physical Address</td>
</tr>
<tr>
<td>3</td>
<td>HOA Management Address</td>
</tr>
<tr>
<td>4</td>
<td>HOA Name (if different from Project Legal Name)</td>
</tr>
<tr>
<td>5</td>
<td>HOA Tax ID #</td>
</tr>
<tr>
<td>6</td>
<td>HOA Management Company Tax ID #</td>
</tr>
<tr>
<td>7</td>
<td>Name of Master or Umbrella Association (if applicable)</td>
</tr>
<tr>
<td>8</td>
<td>Does the project contain any of the following (check all that apply):</td>
</tr>
<tr>
<td></td>
<td>Hotel/motel/resort activities, mandatory or voluntary rental pooling arrangements, or other restrictions on the unitowner’s ability to occupy the unit</td>
</tr>
<tr>
<td></td>
<td>Deed or resale restrictions</td>
</tr>
<tr>
<td></td>
<td>Manufactured homes</td>
</tr>
<tr>
<td></td>
<td>Mandatory fee-based memberships for use of project amenities or services</td>
</tr>
<tr>
<td></td>
<td>Non-incidental income from business operations</td>
</tr>
<tr>
<td></td>
<td>Supportive or continuing care for seniors or for residents with disabilities</td>
</tr>
</tbody>
</table>
## II: Project Completion Information

1. Is the project 100% complete, including all construction or renovation of units, common elements, and shared amenities for all project phases? □ Yes □ No
   If No, complete the table below:

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Is the project subject to additional phasing or annexation?</td>
<td>□</td>
</tr>
<tr>
<td>b</td>
<td>Is the project legally phased?</td>
<td>□</td>
</tr>
<tr>
<td>c</td>
<td>How many phases have been completed?</td>
<td></td>
</tr>
<tr>
<td>d</td>
<td>How many total phases are legally planned for the project?</td>
<td></td>
</tr>
<tr>
<td>e</td>
<td>How many total units are planned for the project?</td>
<td></td>
</tr>
<tr>
<td>f</td>
<td>Are all planned amenities and common facilities fully complete?</td>
<td>□</td>
</tr>
</tbody>
</table>

2. Has the developer transferred control of the HOA to the unit owners?
   □ Yes, date transferred: ___________ □ No, estimated date the transfer will occur: ___________

## III: Newly Converted or Rehabilitated Project Information

1. Is the project a conversion within the past 3 years of an existing structure that was used as an apartment, hotel/resort, retail or professional business, industrial or for other non-residential use? If Yes, complete the table below:

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>In what year was the property built?</td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>In what year was the property converted?</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>Was the conversion a full gut rehabilitation of the existing structure(s), including replacement of all major mechanical components?</td>
<td>□</td>
</tr>
<tr>
<td>d</td>
<td>Does the report from the licensed engineer indicate that the project is structurally sound, and that the condition and remaining useful life of the project’s major components are sufficient?</td>
<td>□</td>
</tr>
<tr>
<td>e</td>
<td>Are all repairs affecting safety, soundness, and structural integrity complete?</td>
<td>□</td>
</tr>
<tr>
<td>f</td>
<td>Are replacement reserves allocated for all capital improvements?</td>
<td>□</td>
</tr>
<tr>
<td>g</td>
<td>Are the project’s reserves sufficient to fund the improvements?</td>
<td>□</td>
</tr>
</tbody>
</table>
IV: Financial Information

1. How many unit owners are 60 or more days delinquent on common expense assessments? _____________

2. In the event a lender acquires a unit due to foreclosure or a deed-in-lieu of foreclosure, is the mortgagee responsible for paying delinquent common expense assessments?  □ Yes  □ No
   If Yes, for how long is the mortgagee responsible for paying common expense assessments? (select one)
   □ 1 to 6 months □ 7 to 12 months □ more than 12 months

3. Is the HOA involved in any active or pending litigation?  □ Yes  □ No
   If Yes, attach documentation regarding the litigation from the attorney or the HOA. Provide the attorney’s name and contact information:
   Name: ___________________________ Phone: ___________________________

V: Ownership & Other Information

1. Complete the following information concerning ownership of units:

<table>
<thead>
<tr>
<th></th>
<th>Entire Project</th>
<th>Subject Legal Phase (in which the unit is located) If Applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of units sold and closed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of units under bona-fide sales contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of units sold and closed or under contract to owner-occupants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of units sold and closed or under contract to second homeowners</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of units sold and closed or under contract to investor owners</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of units being rented by developer, sponsor, or converter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of units owned by the HOA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2. Complete the following table if more than one unit is owned by the same individual or entity.

<table>
<thead>
<tr>
<th>Individual / Entity Name</th>
<th>Developer or Sponsor (Yes or No)</th>
<th>Number of Units Owned</th>
<th>Percentage Owned of Total Project Units</th>
<th>Number Leased at Market Rent</th>
<th>Number Leased under Rent Control</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>□ Yes □ No</td>
<td></td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Yes □ No</td>
<td></td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Yes □ No</td>
<td></td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Yes □ No</td>
<td></td>
<td>%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Do the unit owners have sole ownership interest in and the right to use the project amenities and common areas?  □ Yes □ No

If No, explain who has ownership interest in and rights to use the project amenities and common areas:

4. Are any units in the project used for commercial or non-residential purposes?  □ Yes □ No

If Yes, complete the following table:

<table>
<thead>
<tr>
<th>Type of Commercial or Non-Residential Use</th>
<th>Name of Owner or Tenant</th>
<th>Number of Units</th>
<th>Square Footage</th>
<th>% Square Footage of Total Project Square Footage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>%</td>
</tr>
</tbody>
</table>

5. What is the total square footage of commercial space in the building that is separate from the residential HOA? Include above and below grade space used for commercial purposes, such as public parking facilities, retail space, apartments, commercial offices, and so on.

Total square footage of commercial space
VI: Insurance Information & Financial Controls

1. Are units or common elements located in a flood zone?  □ Yes  □ No
   If Yes, flood coverage is in force equaling (select only one option below):
   □ 100% replacement cost
   □ maximum coverage per condominium available under the National Flood Insurance Program
   □ some other amount (enter amount here) $___________

2. Check all of the following that apply regarding HOA financial accounts:
   □ HOA maintains separate accounts for operating and reserve funds.
   □ Appropriate access controls are in place for each account.
   □ The bank sends copies of monthly bank statements directly to the HOA.
   □ Two members of the HOA Board of Directors are required to sign any check written on the reserve account.
   □ The Management Company maintains separate records and bank accounts for each HOA that uses its services.
   □ The Management Company does have the authority to draw checks on, or transfer funds from, the reserve account of the HOA.

3. Supply the information requested below. Do NOT enter “contact agent.”

<table>
<thead>
<tr>
<th>Type of Insurance</th>
<th>Carrier/Agent Name</th>
<th>Carrier/Agent Phone Number</th>
<th>Policy Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazard</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fidelity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flood</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

VII: Contact Information

| Name of Preparer | | |
| Title of Preparer | | |
| Preparer's Company Name | | |
| Preparer's Phone | | |
| Preparer's Email | | |
| Preparer's Company Address | | |
| Date Completed | | |
Exhibit F – Developer / Builder Questionnaire

DEVELOPER/BUILDER QUESTIONNAIRE

Project Legal Name: ____________________________________________
Legal Address: _________________________________________________

Developer Company Name: ___________________ President/Owner: __________
Address: _____________________________________________________
Website: _______________________________________________________ Phone# __________________

Builder Name: ___________________ President/Owner: __________
Address: _____________________________________________________ Phone# __________________
Website: _____________________________________________________ E-mail: __________________

Broker/Marketing Company Name: ___________________________ Sales Manager: __________

1. Is the marketing firm affiliated with the developer/builder? __________ Yes ______ No ______
2. Are sales or financing concessions offered as part of the marketing of units? If yes, what concessions are being offered? Please provide sales and marketing plan.

BUILDER/DEVELOPER CONSTRUCTION EXPERIENCE

3. Number of condo projects: ___________________
4. Number of Units: ___________________
5. Unit types: ___________________
6. Does the developer have previous experience with conversion projects? __________ Yes______ No______
7. Number of units currently being rented by Builder/Developer: ___________________
8. Number of units currently being renovated/converted into condominiums: ___________________
9. What is the anticipated completion date of the units being renovated or converted? ___________________

PROJECTS COMPLETED

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Location</th>
<th>Number of Units</th>
<th>Year Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

BUILDER/DEVELOPER PRE-SALE CERTIFICATION

<table>
<thead>
<tr>
<th>Status</th>
<th>Subject Phase</th>
<th>Completed Phases</th>
<th>Future Phases</th>
<th>TOTAL Project</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of units closed to borrower other than Builder/Developer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of units under contract/signed Purchase Agreement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of units under construction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of units available for sale</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of units owned or intended as owner occupied</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of units owned or intended as rental units</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of units currently rented by Builder/Developer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total number of units</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
10. Does the builder/developer plan to retain ownership of any units, common elements, or other project facilities other than during the initial marketing period? If yes, please provide an explanation of what is being retained and the reason. Yes______ No______

11. Are there any mechanic’s liens, complaints, or litigation filed against the property? If yes, please provide an explanation and any supporting documentation. Yes______ No______

DEVELOPER/BUILDER REQUIRED DOCUMENTATION

1. Current reserve study (within three years), or equivalent, evidencing current condition of the project elements, what work is needed, remaining life, and estimate of cost to replace.
2. FNMA Form 1081 Final Certification of Substantial Project Completion or Project Occupancy Certification.
3. Rent roll/absorption.
4. Schedule of outstanding loans.
5. Letter from construction lender stating financing is in good standing or statement from Builder/Developer indicating no financing exists.
6. Evidence of available fund to complete the Project, e.g., certificate, letter of credit, or verification of liquid assets.
8. Project status letter detailing what is being completed/improved, cost estimate, and estimated date of completion.

CERTIFICATION

Builder/Developer has completed the information above, including the occupancy grid (or has attached a list documenting same in excel format), and attests to its accuracy.

Builder/Developer Name: ___________________________ Title: ___________________________

Builder/Developer Signature: ________________________ Date: _________________________

Title 18 U.S.C. 1014, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any matter of the jurisdiction of any department or agency of the United States, shall be fined no more than $1,000,000 or imprisoned for not more than 30 years or both. In addition, violation of this or others may result in disbarment and civil liability for damages suffered by the Department.
Exhibit F – Alternative Loan Review Form

**Alternative Loan Review Form**

<table>
<thead>
<tr>
<th>Borrower Name:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Number:</td>
<td></td>
</tr>
</tbody>
</table>

- [ ] Borrower DOES NOT qualify for FHA/FNMA/FHLMC loan programs

- [ ] Borrower DOES qualify for FHA/FNMA/FHLMC loan program (Borrowers who qualify not eligible for ResMac’s Non-QM programs)

Please list reasons the loan is not eligible for FHA/FNMA/FHLMC loan program (Attach DU/LP Findings for support as applicable):

-  
-  
-  
-  

<table>
<thead>
<tr>
<th>Underwriter Name:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriter Signature:</td>
<td></td>
</tr>
<tr>
<td>Date of Review:</td>
<td></td>
</tr>
</tbody>
</table>