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REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

CONFORMING PRODUCT MATRIX						
Owner Occupied						
Transaction Type	Units	Maximum LTV ¹ /CLTV ² /HCLTV ³			Loan Amount ⁴	Credit Score ⁵
Purchase Limited Cash-Out	1 Unit	Amortization Type	DU 9.3	DU 10.0	See Below	Per AUS
		Fixed Rate	97.00% ⁷			
		ARM	90.00%			
	Manufactured Home	Fixed Rate	95.00%		See Below	Per AUS
	2 Unit	Fixed Rate	85.00%			
		ARM	75.00%			
	3-4 Unit	Fixed Rate	75.00%		See Below	Per AUS
ARM	65.00%					
Cash-Out ⁶	1 Unit	Fixed Rate	80.00%		See Below	Per AUS
		ARM	75.00%			
	Manufactured Home	Fixed Rate (15-20yr only)		65.00%	See Below	Per AUS
	2-4 Unit	Fixed Rate	75.00%			
		ARM	65.00%			
Second Home						
Purchase Limited Cash-Out	1 Unit	Amortization Type	DU 9.3	DU 10.0	See Below	Per AUS
		Fixed Rate	90.00%			
		ARM	80.00%			
	Manufactured Home	Fixed Rate	90.00%			
Cash-Out ⁶	1 Unit	Fixed Rate	75.00%		See Below	Per AUS
ARM	65.00%					
Non-Owner Occupied						
Purchase	1 Unit	Fixed Rate	85.00%		See Below	Per AUS
		ARM	75.00%			
Limited Cash-Out	2-4 Unit	Fixed Rate	75.00%		See Below	Per AUS
		ARM	65.00%			
Cash-Out ⁶	1-4 Unit	Fixed Rate	75.00%		See Below	Per AUS
		ARM	65.00%			
	1 Unit	Fixed Rate	75.00%		See Below	Per AUS
		ARM	65.00%			
2-4 Unit	Fixed Rate	70.00%		See Below	Per AUS	
	ARM	60.00%				
Maximum Loan Limits 2017						
Effective for loan casefiles run through DU on or after the weekend of December 10, 2016						
Number of Units		Contiguous States District of Columbia & Puerto Rico			Alaska, Guam, Hawaii & US Virgin Islands	
1		\$424,100			\$636,150	
2		\$543,000			\$814,500	
3		\$656,350			\$984,525	
4		\$815,650			\$1,223,475	
Footnotes		¹ LTV ≥80.01% requires Mortgage Insurance (Must follow more restrictive of these guidelines or MI Guidelines). Financed MI; the maximums as indicated above cannot be exceeded with DU Version 9.1.				
		² 105% CLTV Community Seconds: With the exception of ARM loans, the CLTV ratio may exceed the limits stated above only if the mortgage is part of a Community Seconds transaction. However; 5, 7 & 10 year ARM loans are limited to the LTV/CLTV/HCLTV ratio indicated above.				
		³ See Multiple Properties Financed for LTV/CLTV/HCLTV reduction that must be manually applied.				
		⁴ REMN Minimum Loan Amount - \$50,000.				
		⁵ DU performs its own analysis of the credit report data, but in no case will credit scores be <620.				
		⁶ If the property was purchased within the prior six (6) months, the borrower is ineligible for a cash-out refinance transaction unless the loan meets the Delayed Financing Exception Guidelines .				
		If the property was listed for sale within the past 6 months, the LTV/CLTV/HCLTV ratios for cash-out are limited to the lower of 70% or the maximum allowed per the matrix.				
NOTE: DU Version 10.0 is effective for all loan casefiles submitted to DU on or after the weekend of September 24, 2016. Loan casefiles created in DU Version 9.3 and resubmitted after the weekend of September 24, 2016 will continue to be underwritten through DU Version 9.3. As of September 24, 2016 DU Version 9.2 is retired.						
⁷ LTV, CLTV and HCLTV Ratios greater than 95.00%: Purchase transactions, at least one (1) borrower must be a first-time home buyer (excluding HomeReady). Limited Cash-Out Refinances, FNMA must be owner of existing mortgage.						

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

HIGH-BALANCE LOAN PRODUCT MATRIX				
Primary Residence				
Transaction Type	Units	Maximum LTV/CLTV/HCLTV		Credit Score
Purchase Limited Cash-Out	1 Unit	Fixed Rate ARM	95.00% 90.00%	Per AUS
	2 Unit	Fixed Rate ARM	85.00% 75.00%	Per AUS
	3-4 Unit	Fixed Rate ARM	75.00% 65.00%	Per AUS
Cash-Out	1 Unit	Fixed ARM	80.00% 75.00%	Per AUS
	2-4 Unit	Fixed Rate ARM	75.00% 65.00%	Per AUS
Second Home				
Purchase Limited Cash-Out	1 Unit	Fixed Rate ARM	90.00% 80.00%	Per AUS
Cash-Out	1 Unit	Fixed Rate ARM	75.00% 65.00%	Per AUS
Non-Owner Occupied				
Purchase	1 Unit	Fixed Rate ARM	85.00% 75.00%	Per AUS
	2-4 Unit	Fixed Rate ARM	75.00% 65.00%	Per AUS
Limited Cash-Out	1-4 Unit	Fixed Rate ARM	75.00% 65.00%	Per AUS
Cash-Out	1 Unit	Fixed Rate ARM	75.00% 65.00%	Per AUS
	2-4 Unit	Fixed Rate ARM	70.00% 60.00%	Per AUS
Maximum Loan Limits for High Cost Areas 2017				
Effective for loan casefiles run through DU on or after January 1, 2017				
Number of Units		Contiguous States & District of Columbia		Alaska, Guam, Hawaii & US Virgin Islands
1		\$636,150		\$954,225
2		\$814,500		\$1,221,750
3		\$984,525		\$1,476,775
4		\$1,223,475		\$1,835,200
» High Balance mortgage loans (HBLs) are subject to high-cost area loan limits set annually by the Federal Housing Finance Agency (FHFA). Refer to FNMA’s website for eligible areas and loan limits for each area; see Loan Limits Page . The Loan Look-Up Table 2015 can be found under the Resources section on the left side of the page. Note: Regarding refinance of existing FNMA loans, the refinance loan must meet the loan limits applicable at the time of sale of the refinanced loan to FNMA, regardless of whether higher limits might have applied to the existing loan being refinanced.				
» Puerto Rico and a number of other states do not have any high cost areas in 2015. Refer to Loan Limit Geocoder to Geocode Individual Address verification.				
» See Multiple Properties Financed for LTV/CLTV/HCLTV reduction that must be manually applied.				

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

HIGH BALANCE PRODUCT OVERVIEW	
HBL Loan Purpose	» Purchase, Limited Cash-Out Refinance & Cash-Out Refinance eligible on all property types & occupancy types for High Balance. See High Balance Loan Product Matrix for details.
HBL Property Type	» 1-4 Unit; including condos and co-ops.
HBL Underwriting	» DU Approve/Eligible recommendation must be received.
HBL Mortgage Insurance	<p>» Loans with >80% LTV, mortgage insurance is required and are subject to MI guidelines. The more restrictive of REMN or MI company guidelines apply.</p> <p>» Eligible MI products:</p> <ul style="list-style-type: none"> – Borrower-paid Mortgage Insurance (BPMI). Monthly or single premiums are eligible. – Lender-paid Mortgage Insurance (LPMI). Single premium only. <p>» Eligible MI options:</p> <ul style="list-style-type: none"> – Financed MI eligible for BPMI single premium – Non-refundable – Refundable (eligible with BPMI single premium only) – Renewal type, as applicable <ul style="list-style-type: none"> ▪ Level/constant ▪ Declining /amortized <p>REMN approved MI companies: Essent, Genworth, Radian, United Guaranty</p> <p>LPMI</p> <p>» Broker must indicate LPMI when locking loan. Refer to REMN WS Rate Sheet for pricing.</p>
HBL Appraisal Requirements	<p>Standard appraisal requirements apply, except;</p> <p>» One-Unit Residential Appraisal Field Review Report (Form 2000) or a 2-4 Unit Residential Appraisal Field Review Report (Form 2000A) also required if the property value is ≥ \$1,000,000 and the LTV/CLTV/HCLTV is >75%.</p> <ul style="list-style-type: none"> – Use the lower of the original appraised value, Field Review value, or Sales Price for purchases to calculate the LTV.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

97% PRODUCT OPTION MATRIX		
	Fannie Mae Standard 97%	FNMA HomeReady*
Eligible Loan Type	Fixed Rate up to 30yrs	Fixed Rate up to 30yrs
Loan Purpose	Purchase Limited Cash-Out Refinance	Purchase Limited Cash-Out Refinance
Property & Occupancy	1 unit Primary Residence (SFR, Warrantable Condo/PUD)	1 unit Primary Residence (SFR, Warrantable Condo/PUD); 2-4 unit allowed to standard LTV/CLTV's
LTV/CLTV/CLTV Limits	Purchase/Limited Cash-Out – 97.00% LTV/CLTV/HCLTV CLTV's up to 105% - allowed w/ Community 2 nd loan.	1 Unit Purchase – 97% LTV / 105% CLTV** 1 Unit LCOR – limited to 95% LTV/CLTV **CLTV's up to 105% allowed w/ eligible Community Seconds program.
Maximum Loan Amount	\$424,100	\$424,100 High Balance loan limits allowed at standard LTV/CLTV limits.
Underwriting Method	DU Approve/Eligible only	DU Approve/Eligible only
First Time Homebuyer (Purchase)	At least one (1) borrower must be a FTHB	Not required
Non-Occupant Co-Borrowers	Non-Occupant Co-Borrowers are permitted up to 95% w/ DU Approve/Eligible findings	Non-Occupant Co-Borrowers are permitted up to 95% w/ DU Approve/Eligible findings
Ownership of Other Property	No limit on borrower's ownership in other residential property at time of closing.	Borrowers (Occupant & Non-Occupant) are allowed to own other residential properties at time of loan transaction.
Borrower Income Limits	No Income Limits	» Total annual qualifying income may not exceed 100% of the AMI for the property's location » No income limits in low-income census tracts, defined as those census tracts where the median tract income is no greater than 80% AMI.
Non-Borrower Household Income	Not permitted	Allowed as a compensating factor only in DU for DTI's > 45%, up to 50% max. Not included in the qualifying income for the loan
Boarder Income	Not permitted	Permitted – 1 unit only Up to 30% of the qualifying income Must document at least 12mos of shared residency
Accessory Dwelling Units	Not permitted	Permitted – 1 unit only Rental income from the unit considered in qualifying the borrower per rental income guidelines.
Mortgage Insurance Coverage	35%	25%
Cash on Hand	Not allowed	Allowed – 1 unit only
Homeownership Education & Housing Counseling	Not Required	Homeownership education & counseling required for at least one borrower on all purchase transactions.
*Please reference the REMN FNMA HomeReady Product Description for additional program guidelines and criteria that apply to Fannie Mae HomeReady.		

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

97% LIMITED CASH-OUT REFINANCE TRANSACTIONS																			
Existing Loan	» Standard Fannie Mae 97% LTV only;																		
	» REMN must document that the existing loan being refinanced is owned (or securitized) by FNMA. Documentation may come from; <ul style="list-style-type: none">– REMN’s servicing system,– Current servicer (if REMN is not the servicer),– FNMA’s Loan Lookup Tool; or,– Any other source confirmed by REMN.																		
	» REMN must inform DU that FNMA owns the existing mortgage by indicating “Fannie Mae” in the Owner of the Existing Mortgage field on the FNMA Streamlined 1003 screen within Encompass under the Refinance Loan section.																		
	<div>FNMA Streamlined 1003</div> <div>Refinance Loan</div> <table><tr><td>Year Acquired</td><td>Original Cost</td><td>Existing Lien</td><td>Purpose of Refinance</td></tr><tr><td>2010</td><td>500,000.00</td><td>350,000.00</td><td>Cash-Out Limited</td></tr><tr><td colspan="3">Owner of existing mortgage</td><td>Refinance Type</td></tr><tr><td><input checked="" type="checkbox"/> Fannie Mae</td><td><input type="checkbox"/> Freddie Mac</td><td><input type="checkbox"/> Seller / Other</td><td>Full Documentation</td></tr></table>			Year Acquired	Original Cost	Existing Lien	Purpose of Refinance	2010	500,000.00	350,000.00	Cash-Out Limited	Owner of existing mortgage			Refinance Type	<input checked="" type="checkbox"/> Fannie Mae	<input type="checkbox"/> Freddie Mac	<input type="checkbox"/> Seller / Other	Full Documentation
Year Acquired	Original Cost	Existing Lien	Purpose of Refinance																
2010	500,000.00	350,000.00	Cash-Out Limited																
Owner of existing mortgage			Refinance Type																
<input checked="" type="checkbox"/> Fannie Mae	<input type="checkbox"/> Freddie Mac	<input type="checkbox"/> Seller / Other	Full Documentation																
LTV, CLTV and HCLTV Ratios	LTV	CLTV	HCLTV																
	95.01% - 97.00%	95.01% - 97.00% 105.00% - With Community Seconds® loan.	95.01% - 97.00%																
Maximum Loan	» \$424,100																		
Eligible Loan Type	» Fixed Rate <ul style="list-style-type: none">– Up to 30 year terms																		
Ineligible Loan Type	» High Balance																		
	» Adjustable Rate																		
	» HomeStyle Renovation®																		
Property and Occupancy	» 1 Unit Principal Residence (including Condo/PUD)																		
	» Manufactured housing is not permitted.																		
Underwriting Method	» DU ONLY																		
	» Approve/Eligible																		
Mortgage Insurance Coverage	» 35%																		
Other	» All standard limited cash-out refinance policies apply.																		

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW		
Eligible Transactions	» Purchase » Limited Cash-Out Refinance » Cash-Out Refinance » Homestyle Renovation – refer to REMN Wholesale HomeStyle Product Description for specific guidelines	
Eligible Properties	» 1-4 Unit » Condominiums (Attached – Established Projects Only/Detached) » Townhomes – PUD’s (Attached/Detached) » Manufactured Homes – see Manufactured Home Product Compare on REMNWholesale.com for complete guidelines/criteria.	
Ineligible Transactions	» Manual Underwrite » Temporary Buydown » DU Findings <u>without</u> Approve/Eligible recommendation » MCC (Mortgage Credit Certificate); allowed after closing; cannot be used for qualifying. » Loans subject to Private Transfer Fees (PTF’s) – Excluding loans with private transfer fees paid to homeowners associations, condominiums, cooperatives and certain tax-exempt organizations that use private transfer fee proceeds to benefit the property. Fees that do not directly benefit the property would disqualify mortgages from being originated by REMN. » Power of Attorney on a Cash-Out Refinance transaction. » Loans with PACE or HERO programs as a secondary/subordinate financing option (all states) » Loans with qualifying income earned from state-legalized marijuana businesses, as this is not considered as legally-derived income based on Federal law. » Loans where a borrower(s) has a Deferred Action for Childhood Arrivals (DACA) status	
Ineligible Properties	» Non-warrantable condo & New attached condo projects » Vacant land or land development properties, » Properties that are net readily accessible by roads that meet local standards, » Agricultural properties, such as farms or ranches, » On-frame modular construction (See B2-3-02 Special Property Eligibility and Underwriting Considerations: Factory-Built Housing in FNMA Selling Guide 4-15-2014) for details, » Units in Condo or Co-op Hotels (See B4-2.1-02 Ineligible Projects 5-28-2014) for complete listing of ineligible properties, » Boarding houses, » Bed and breakfast properties; or » Properties not suitable for year round occupancy regardless of location. » Properties located in Lava Zones 1 & 2	
LDP/GSA	The following parties must be checked against the LDP & GSA (SAM) list (first, middle, last)	
	Borrower(s)	Seller(s)
	Loan Officer & Broker Company	Appraiser(s)
	Listing Realtor / Agent (as applicable)	Selling Realtor / Agent (as applicable)
	» The HUD LDP List can be found at https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp » The HUD GSA list can be found at https://www.sam.gov/portal/public/SAM/ » FHFA’s Suspended Counterparty Program List can now be verified within the DataVerify report.	
Assumption	» Not permitted	
Prepayment Penalty	» Not permitted	
Temporary Buydown	» Not permitted	
Mortgage Insurance	» Loans with >80% LTV, mortgage insurance is required and are subject to MI guidelines. The more restrictive of REMN or MI company guidelines apply. » Eligible MI products: – Borrower-paid Mortgage Insurance (BPMI). Monthly or single premiums are eligible. – Lender-paid Mortgage Insurance (LPMI). Single premium only. » Eligible MI options: – Financed MI eligible for BPMI single premium – Non-refundable – Refundable (eligible with BPMI single premium only) – Renewal type, as applicable ▪ Level/constant ▪ Declining /amortized » REMN approved MI companies: Essent, Genworth, Radian, United Guaranty » LPMI: Broker must indicate LPMI when locking loan. Refer to REMN WS Rate Sheet for pricing.	

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW					
Mortgage Insurance LTV Determination for New York State	Under a New York statute, a mortgage insurer must issue mortgage insurance based on a determination of the “fair market value” of the property. The term “fair market value” is not defined in the statute, but has been defined by the NY insurance regulator as being the “appraised value”. Per the statute, for co-op properties, the issuance of mortgage insurance must be based on the “purchase price of the ownership interest and the proprietary lease.” As a result, the determination of value for properties in New York is different from Fannie Mae’s standard definition of value that is used to calculate the LTV ratio. The following table identifies the value calculation that is to be used for mortgage loans secured by properties in New York for policies that are based on the LTV ratio.				
	LTV Ratio Calculation		Policy		
	LTV ratio based on the appraised value for non-co-op properties		<ul style="list-style-type: none"> » Lenders must base their determination of when mortgage insurance (MI) is required solely on the appraised value of the property. If the appraised value exceeds the sales price, this determination may result in MI not being placed on the mortgage loan as would otherwise be required using FNMA’s standard definition. » If this calculation results in MI not being placed on the loan as would otherwise be required, HBFS must deliver the loan to FNMA using the MI Absence Reason Type of “No MI Based on Original LTV” (Sort ID 429). 		
	LTV ratio based on the sales price for co-op properties		<ul style="list-style-type: none"> » For purchase transactions, lenders must base their determination of when MI is required solely on the sales price for the co-op property. If the sales price is more than the appraised value, this determination may result in MI not being placed on the mortgage loan as would otherwise be required using FNMA’s standard definition. NOTE: For purchase transactions when the co-op property is subject to resale restrictions that terminate automatically upon foreclosure and the appraised value exceeds the sales price, HBFS may use the appraised value of the property without resale restrictions, rather than the sales price when determining when mortgage insurance is required. » If this calculation results in MI not being placed on the loan as would otherwise be required, HBFS must deliver the loan to FNMA using the MI Absence Reason Type of “No MI Based on Original LTV” (Sort ID 429). 		
	LTV ratio based on the appraised value for co-op properties.		Lenders must base their determination of when MI is required for a refinance transaction for co-op share loans solely on the appraised value.		
	LTV ratio based on the lower of the sales price or appraised value (standard LTV ratio calculation) for all property types		<ul style="list-style-type: none"> » Irrespective of the use of appraised value or sales price for determining whether MI is required, the standard LTV calculation must be used to determine the level of MI coverage that is required on the mortgage loan. (See MI Coverage Requirements for additional information). » The standard LTV ratio calculation must also be used to: <ul style="list-style-type: none"> • Determine whether the loan satisfies any of FNMA’s other eligibility criteria that are based on the LTV ratio of the loan; • Determine any loan-level price adjustments that include LTV or CLTV ratios as a risk attribute; and • When the loan is delivered to FNMA (Sort ID 254). The standard LTV ratio must be delivered, even if the appraised value or sales price is used to determine that mortgage insurance is not required. 		
MI Coverage Requirements (Standard)	Transaction Type	80.01% - 85.00%	85.01% - 90.00%	90.01% - 95.00%	95.01% - 97.00%
	Fixed Rate ≤ 20 Years	6%	12%	25%	35%
	Fixed Rate > 20 Years ARMS	12%	25%	30%	35%

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW		
ARM's	<ul style="list-style-type: none">» REMN Securitized ARM Product<ul style="list-style-type: none">– Terms: 3/1, 5/1, 7/1 & 10/1– Caps: 3/1 ARM – 2/2/6; 5/1, 7/1, 10/1 ARMs - 5/2/5– Margin: 2.250– Index: 1 Year Libor» Qualifying Payment<ul style="list-style-type: none">– Initial fixed rate period of 5 years or less (6 Month to 5 Year ARM) – Qualify at the greater of the indexed note rate or the note rate + 2%.– Initial fixed rate period of greater than 5 years (7/1 and 10/1) - Qualify at the greater of the note rate or the fully indexed rate.<ul style="list-style-type: none">▪ The fully indexed rate is defined as the index plus margin, as entered in DU.– Loans subject to a temporary interest rate buydown must be qualified <u>without</u> consideration of the bought-down rate.» The index and margin are required for all ARM loans submitted for underwriting for DU.	
Occupancy	<ul style="list-style-type: none">» Owner Occupied» Second Home» Non-Owner Occupied	
Principal Residence Properties	» A principal residence is a property that the borrower occupies as his or her primary residence. The following table describes conditions in which FNMA considers a residence to be a principal residence even though the borrower will not be occupying the property.	
	Borrower Types	Requirements for Owner-Occupancy
	Multiple Borrowers	Only one borrower needs to occupy and take title to the property, except as otherwise required for mortgage that have guarantors or co-signers.
	Parents of legal guardian wanting to provide housing for their physically handicapped or developmentally disabled adult child	If the child is unable to work or does not have sufficient income to qualify for a mortgage on his/her own, the parent or legal guardian is considered the owner/occupant.
	Children wanting to provide housing for parents	If the parent is unable to work or does not have sufficient income to qualify for a mortgage on his/her own, the child is considered the owner/occupant.
Second Home Properties	<ul style="list-style-type: none">» Second Home Requirements<ul style="list-style-type: none">– Must be occupied by the borrower for some portion of the year– Is restricted to one unit dwellings– Must be suitable for year-round occupancy– Borrowers must have exclusive control over the property– Must not be rental property or a timeshare arrangement– Cannot be subject to any agreements that give a management firm control over the occupancy of the property.	
Tax Exemptions / Abatements	<ul style="list-style-type: none">» There can be no uncertainty about whether the borrower qualifies for the homestead, abatement or other tax exemption or reduction.» In order for the lower amount to be used for qualifying purposes; the abatement, homestead or exception must remain in place for a minimum of five (5) years after closing.» Note: If the Underwriter has knowledge that a “Homestead” is considered “Permanent” (example: Florida – OR – Single Family in IL), the time period does not need to be documented and the UW can note the same on the Loan Transmittal (1008).	

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW	
Escrow/Impounds	<ul style="list-style-type: none"> » Borrowers have the option to request a waiver of escrows/impounds at the time of lock, subject to the limitations noted below. » There is a fee for this option (except New York) and the request must be noted on the lock request in order for the loan to be properly priced. <ul style="list-style-type: none"> – If an escrow/impound waiver request is made, it will be for all impounded items associated with the loan (i.e. taxes and insurance). It is not possible to offer a waiver of only one (1) item. As an example, it is not possible to ask that taxes be escrowed, but waive insurance escrows. – If the loan has borrower paid mortgage insurance, an escrow waiver is not possible and the premium must be collected. » Note: In CA you are permitted to waive escrows up to 90% LTV. » As of 1/1/2016, if a mortgage loan required flood insurance, Federal Law requires that the premium MUST be escrowed by the servicer and a waiver of establishing an escrow account is not allowed. This applies to all States and LTV's, regardless of whether the state has a provision for waiving taxes & insurance. <p>Escrow Waivers</p> <p>Escrow deposit accounts for all refinance transactions where the current year or prior year's taxes were 60 days or more delinquent and are being included in the new loan amount may <u>not</u> be waived.</p> <p>Limited Cash-Out Refinance</p> <ul style="list-style-type: none"> » With the exception of real estate taxes that are more than 60 days delinquent, the borrower can include real estate taxes in the new loan amount as long as an escrow account is established, subject to applicable law or regulation. (For example, if a particular state law does not allow a lender to require escrow account under certain circumstances, the loan would be eligible as a limited cash-out refinance without an escrow account). » If an escrow account is not being established, it would default to Cash-Out Refinance guidelines. <p>Cash-Out Refinance</p> <ul style="list-style-type: none"> » The borrower can include real estate taxes in the new loan amount if the taxes are not delinquent. » Delinquent real estate taxes (taxes past due by more than 60 days) can also be included in the new loan amount, but if they are, an escrow account must be established, subject to applicable law or regulation. <p>DU Refi Plus</p> <ul style="list-style-type: none"> » Cannot be waived, unless required by State Law.
Non-Arm's Length Transactions	<ul style="list-style-type: none"> » Non-Arm's Length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property » FNMA allows for the purchase of existing properties » Newly constructed properties, if the borrower has a relationship or business affiliation (any ownership interest or employment) with the builder, developer or seller of the property, FNMA will only purchase mortgage loans secured by primary residences » FNMA will not purchase mortgage loans on newly constructions homes secured by a second home or investment property if the borrower has a relationship or business affiliation with the builder, developer or seller of the property » Non-Arm's Length transactions are not eligible when using Delayed Financing
Principal Curtailment	<ul style="list-style-type: none"> » A principal curtailment is the application of funds that are used to reduce the unpaid principal balance of the mortgage loan. » REMN may apply a curtailment to refund the overpayment of fees or charges paid by the borrower, in any amount, in accordance with applicable regulatory requirements » If the borrower receives more cash back than is permitted for limited cash-out refinances, REMN can apply a curtailment to reduce the amount of cash back to the borrower to bring the loan into compliance with the maximum cash-back requirement. The maximum amount of the curtailment cannot exceed the lesser of \$2,500 or 2% of the original loan amount for the subject loan. <ul style="list-style-type: none"> – For example, if the borrower received \$4,500 cash back at closing on a loan amount of \$400,000, HBFS could apply a \$2,500 curtailment. This would result in "net cash back" to the borrower of \$2,000, thus meeting FNMA's limited cash-out refinance requirement. For a DU Refi Plus loan; borrower received \$2,750 cash back at closing on a loan amount of \$400,000, REMN could apply a \$2,500 curtailment. This would result in "net cash back" to the burrower of \$250, thus meeting DU Refi Plus requirement. » If the curtailment is made at the time of closing, it must be documented on the HUD-1 Settlement Statement with the amount of the curtailment and the reason.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW	
Power of Attorney	<p>Except as provided below, an attorney-in-fact or agent under a Power of Attorney may sign the security instrument and/or note, as long as REMN obtains a copy of the applicable power of attorney. In jurisdictions where a power of attorney used for a signature on a security instrument must be recorded with the security instrument, REMN must ensure that recordation has been effected. The name(s) on the power of attorney must match the name(s) of the person on the affected loan document, and the power of attorney must be dated such that it was valid at the time of the affected loan document was executed. The power of attorney must be notarized and, unless otherwise required by applicable law, must reference the address of the subject property. If applicable law requires and original power of attorney for endorsement or foreclosure purposes, and original (rather than a copy) must be forwarded to the document custodian. Please follow the above link to reference REMN's POA Policy and Procedure Checklist.</p> <p>Allowable Attorneys-in-Fact or Agents under a Power of Attorney</p> <ul style="list-style-type: none"> » Except as otherwise required by applicable law, or unless they are the borrower's relative, none of the following persons connected to the transaction shall sign the security instrument or note as the attorney-in-fact or agent under a power of attorney. <ul style="list-style-type: none"> – REMN Wholesale; – Any affiliate to REMN; – Any employee of REMN or any other affiliate of REMN; – The Loan Originator, Employer of Loan Originator or Employee of the Employer of the Loan Originator; – The title insurance company providing the title insurance policy or any affiliate of such title insurance company (included, but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate; or, – Any real estate agent with a financial interest in the transaction or any personal affiliated with such real estate agent. » As used herein, the borrower's relative includes any person defined as a relative in this guide, or a person who is a fiancé, fiancée, or domestic partner of the borrower. <p>Restrictions on the use of a Power of Attorney</p> <ul style="list-style-type: none"> » Except a required by applicable law, a power of attorney may not be utilized to sign a security instrument or note if either (or both) of the following applies: <ul style="list-style-type: none"> – The transaction is a cash-out refinance, including Delayed Financing transactions. – No other borrower executes such loan document in person in the presence of a notary public. <p>Exceptions: A power of attorney may be utilized to sign such loan document for each borrower:</p> <ul style="list-style-type: none"> ▪ As long as the attorney-in-fact or agent under the power of attorney is either the borrower's attorney-at-law or the borrower's relative. » A power of attorney is <u>now</u> permitted in connection with a Texas Section 50(a)(6) mortgage loan. <p>Additional Requirements</p> <ul style="list-style-type: none"> » If a power of attorney is used because REMN determines such use is required by applicable law, REMN must include in the mortgage loan file a written statement that explains the circumstances. Such statement must be provided to the document custodian with the power of attorney. » All REMN guidelines must be followed.

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW	
DU Loan Casefiles	<ul style="list-style-type: none"> » Approve/Eligible Findings required. » DU Refi Plus – DU will issue a message to make it clear that the presence of a previous bankruptcy, deed-in-lieu, preforeclosure or mortgage charge-off will <u>not</u> impact the eligibility of the loan. <ul style="list-style-type: none"> – DU does not have the ability to determine if a loan casefile is a high-priced loan under RegZ – DU will issue a message on all DU Refi Plus loan casefiles stating that the lender must determine if the DU Refi Plus loan casefiles is an HPML. <ul style="list-style-type: none"> ▪ A high priced loan is one where the final APR exceeds the average prime offering rate by more than 1.5% - based on the index at the time the interest rate was set/locked. ▪ If a DU Refi Plus loan is HPML and the DTI exceeds 45% OR the credit score is below 620 the loan is INELIGIBLE. <p>NOTE: This is a FNMA eligibility requirement; there will be no exception to DTI or Score.</p> <ul style="list-style-type: none"> » When DU identifies bankruptcy, foreclosure, deed-in-lieu, preforeclosure, or mortgage charge-off, it is up to REMN to determine if the waiting period has been met. DU will indicate that the waiting period is measured from the disbursement date of the new loan, not the credit report date. <p>Waiting Period</p> <ul style="list-style-type: none"> » On loan casefiles where DU measures the waiting period and uses that information in the eligibility assessment, the credit report date will continue to be used as DU does not know the disbursement date of the new loan. For loan casefiles that will have met the waiting period requirement based on the disbursement date, but not credit report date, REMN may pull a new report after the waiting period has elapsed in order to receive an Eligible recommendation.
Compensating Factors	<ul style="list-style-type: none"> » For loans underwritten with DU, DU will determine the reserve requirements based on the overall risk assessment of the loan and the minimum reserves that may be required for the transaction <ul style="list-style-type: none"> – Reserves may be considered a compensating factor in DU's risk analysis and may serve to improve the underwriting recommendation. » For loans underwritten through DU, DU will determine the maximum allowable debt-to-income ratio based on the overall risk assessment of the loan file. <ul style="list-style-type: none"> – DU will apply a maximum allowable total expense ratio of 45.00%; with flexibilities offered up to 50.00% for certain loan files with strong compensating factors as accepted by DU.

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW

DU Credit Report Analysis

Prior Bankruptcy, Foreclosure, Deed-in-Lieu, Preforeclosure Sales and Charge-Off Mortgage Accounts

- » See [Identification of Significant Derogatory Credit Events](#), [Waiting Period](#) and [Re-Established Credit](#) for additional information on these types of accounts.

NOTE: DU is not able to identify whether the borrower's derogatory credit event(s) was the result of extenuating circumstances. See [Extenuating Circumstances](#) for additional information.

- » Per the requirements of Significant Derogatory Credit Events – Waiting Periods and Re-establishing Credit, an amount of time must elapse (the “waiting period”) after a significant derogatory credit event before the borrower is eligible for a new loan. The waiting period commences on the completion, discharge or dismissal date (as applicable) of the derogatory credit event and ends on the disbursement date of the new loan. Because DU does not have the disbursement date of the subject loan, DU uses the date of the credit report to measure whether or not the applicable waiting period has been met. However, because the credit report date may not result in an accurate calculation of the waiting period (it is earlier than the disbursement date), REMN may use the disbursement date to confirm that the waiting period has been met.

Event	Measurement of Waiting Period
<ul style="list-style-type: none"> » Bankruptcy » Foreclosure 	<ul style="list-style-type: none"> » If the completion, discharge or dismissal dates (as applicable) reflected in the credit report are complete and appears to comply with the applicable waiting period requirements, DU will issue a recommendation, but REMN must still confirm that the waiting period has been met and may base our determination on the disbursement date of the new loan. » If the completion, discharge or dismissal dates (as applicable) reflected in the credit report are complete, but do not appear to comply with the applicable waiting period requirements, a Refer with Caution recommendation will be issued. DU uses the date of the credit report to determine whether or not the applicable waiting period has been met. HBFS may obtain an updated credit report and resubmit to DU after the required time has elapsed. » If the completion, discharge or dismissal dates (as applicable) reflected in the credit report are incomplete, REMN must confirm that the waiting period has been met and base our determination on the disbursement date of the new loan.
<ul style="list-style-type: none"> » Deed-in-Lieu of Foreclosure » Preforeclosure Sale » Mortgage Charge-Off 	<ul style="list-style-type: none"> » DU is not able to determine when the even occurred. Therefore, it is not able to confirm if the applicable waiting period has been met. » REMN must confirm the waiting period requirement has been met, and may base our determination on the disbursement date of the new loan.
» Approve/Eligible Findings required.	

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW

Multiple Properties Financed

REMN Wholesale Overlay:

- » Borrowers who own more than four (4) properties (including the subject property) are not eligible for financing with REMN Wholesale. Exceptions may be granted on a case-by-case basis with REMN Wholesale Executive management approval. A price adjustment may apply. FNMA's standard eligibility and underwriting policies apply for any loans granted an exception.
- » No multiple simultaneous loan submissions allowed if contingent to qualify
- » REMN limits its exposure to a maximum of 4 loans per borrower.

If a management exception is obtained the following apply:

Loan and Borrower Requirements

- » A borrower may finance multiple properties if qualified and if the following requirements are met:
 - The loan must comply with FNMA's limitations on the maximum number of financed properties, including ownership interests in financed properties as well as eligibility, delivery and reserve requirements.
 - The borrower must have sufficient assets to close after calculating reserve requirements. Additional reserve requirements apply, based on the number of financed properties a borrower will own. Please see Reserve Requirements.

Limits on the Number of Financed Properties

- » If the property being delivered to FNMA is secured by the borrower's principal residence, there are no limitations on the number of properties that the borrower will have financed.
- » If the mortgage is secured by a second home or investment property, the multiple financed properties policy applies.
- » The financed property limit
 - applies to borrower's ownership of 1-4 unit residential properties where the borrower is personally obligated on the mortgage(s);
 - applies to the total number of properties financed, not to the number of mortgages on the property or the number of mortgages sold to FNMA;
 - includes the borrower's principal residence if it is financed; and
 - is cumulative for all borrowers (though jointly financed properties are only counted once).
- » The following property types are not subject to these limitations, even if the borrower is personally obligated on a mortgage on the property:
 - Commercial real estate
 - Multifamily property consisting of more than four (4) units
 - Ownership in a timeshare
 - Ownership of a vacant lot (residential or commercial), or
 - Ownership of a manufactured home on a leasehold estate not titled as real property (chattel lien on the home).

Examples – Counting Financed Properties

- » The borrower is personally obligated on mortgages securing two (2) investment properties and the co-borrower is personally obligated on mortgages securing three (3) other investment properties, and they are jointly obligated on their principal residence mortgage. The borrower is refinancing the mortgage on one of the two investment properties. Thus, the borrowers have six (6) financed properties.
- » The borrower and co-borrower are purchasing an investment property and they are already jointly obligated on the mortgages securing five (5) other investment properties. In addition, they each own their own principal residence and are personally obligated on the mortgages. The new property being purchased is considered the borrowers' eighth (8th) financed property.
- » The borrower is purchasing a second home and is personally obligated on his or her principal residence mortgage. Additionally, the borrower owns four (4) two unit investment properties that are financed in the name of a limited liability company (LLC) of which he or she has a 50% ownership. Because the borrower is not personally obligated on the mortgages securing the investment properties, they would not be included in the property count and the result is only two (2) financed properties.

The borrower is purchasing and financing two (2) investment properties simultaneously. The borrower does not have a mortgage lien against his or her principal residence but does have a financed second home and is personally obligated on the mortgage, two existing financed investment properties and is personally obligated on both mortgages, and a financed building lot. In this instance, the borrower will have five (5) financed properties because the financed building lot does not need to be included in the property count.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW	
Applying the Multiple Financed Property Policy to DU Loan Casefiles	<ul style="list-style-type: none"> » If the borrower is financing a second home or investment property that is underwritten through DU, the maximum number of financed properties the borrower can have is ten (10). <ul style="list-style-type: none"> – REMN WS OVERLAY – REMN WS limits the maximum number of financed properties for a second home or investment property transaction to four (4). Any loans exceeding this overlay must receive an exception approval from REMN Wholesale Executive Management, along with a corresponding price adjustment for the exception. » If the borrower will have one (1) to six (6) financed properties, FNMA's standard eligibility policies apply (for example, LTV ratios and minimum credit scores). » If the borrower will have seven (7) to ten (10) financed properties, the mortgage loan must have a minimum representative credit score of 720; all other standard eligibility policies apply. » DU will determine the number of financed properties for the loan casefiles based on the following approach: <ul style="list-style-type: none"> – If the Number of Financed Properties field is completed, DU will use that as the number of financed properties. REMN WS must complete this field with the number of financed 1-4 unit residential properties (including the subject transaction) for which the borrower(s) are personally obligated. – If the Number of Financed Properties field is not provided, DU will use the number of residential properties in the Real Estate Owned (REO) section that include a mortgage payment, or that are associated with a mortgage or HELOC in the liabilities section of the loan application, as the number of financed properties. – If the Number of Financed Properties field and the REO information was not provided, DU will use the number of mortgages and HELOC's disclosed in the liabilities section of the loan application as the number of financed properties. – NOTE: In order to account for the subject property, DU will add "1" to the number of financed properties on purchase transactions when the REO section, number of mortgages on the application, or number of mortgages on the credit report are used as the number of financed properties. » After determining the number of financed properties, DU will use that value to assess the eligibility of the loan, including the minimum credit score requirement for seven to ten (7-10) financed properties, and the minimum required reserves to be verified by the Underwriter. » DU will issue a message informing REMN WS of the number of financed properties that DU used and where that information was obtained (Number of financed Properties field, REO section, number of mortgages on application, or number of mortgages on the credit report). <ul style="list-style-type: none"> – If DU used the information provided in the Number of Financed Properties field or in the REO section as the number of financed properties, and that information is inaccurate, REMN WS must update the data and resubmit the loan casefile to DU. – If DU used the number of mortgages and HELOCs on the loan application or credit report as the number of financed properties, and that number is inaccurate, REMN WS must provide the correct number in the Number of Financed Properties field, or complete the Real Estate Owned section of the loan application and resubmit the loan casefile to DU.
Multiple Properties Financed Minimum Reserve Requirements	<ul style="list-style-type: none"> » If the borrower owns other financed properties (determined in accordance with Applying the Multiple Financed Property Policy to DU Loan Casefiles), additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's principal residence. The other financed properties reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid balance (UPB) for mortgages and HELOCs on these financed properties. The percentages are based on the number of financed properties: <ul style="list-style-type: none"> – 2% of the aggregate UPB if the borrower has 1-4 financed properties, – 4% of the aggregate UPB if the borrower has 5-6 financed properties, or – 6% of the aggregate UPB if the borrower has 7-10 financed properties. » The aggregate UPB calculation does not include the mortgage and HELOC's that are on <ul style="list-style-type: none"> – The subject property, – The borrower's principal residence, – Properties that are sold or pending sale, and – Accounts that will be paid by closing (or omitted in DU on the online loan application) – Note: DU will also include in the UPB calculation open mortgages and HELOCs on the credit report that are not disclosed on the online loan application. » If there are multiple second home or investment property applications for the same borrower(s) simultaneously, the same assets may be used to satisfy the reserve requirements for both mortgage applications. Reserves are not cumulative for multiple applications. <ul style="list-style-type: none"> – Example – Two refinance applications are being simultaneously processed for two investment properties owned by the borrower. The application for property A requires reserves of \$5,000. The application for property B requires reserves of \$10,000. Because the reserves are covering the same properties, REMN WS does not have to verify \$15,000 in reserves, but only those required per each application.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW	
Subordinate Financing	<ul style="list-style-type: none"> » See Eligibility Matrix on page 3 for CLTV/HCLTV limits » If subordinate financing HELOC; full line amount must be used to determine HCLTV » Acceptable Subordinate Financing Types; <ul style="list-style-type: none"> – Variable payment mortgages that comply with the details below. – Mortgages with regular payments that cover at least the interest due so that negative amortization does not occur. – Mortgages with deferred payments in connection with employer subordinate financing (see below). – Mortgage terms that require interest at market rate. » If financing provided by the property seller is more than 2% below current standard rates for second mortgages, the subordinate financing must be considered a sales concession and the subordinate financing amount must be deducted from the sales price. » Unacceptable Subordinate Financing Terms; <ul style="list-style-type: none"> – Mortgages with negative amortization (with the exception of employer subordinate financing that has deferred payments). – Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five (5) years after the note date of the new first mortgage (with the exception of employer subordinate financing that has deferred payments). Note: FNMA will accept these subordinate financing terms when the amount of subordinate debt is minimal relative to the borrower's financial assets and/or credit profile. – Subordinate financing that restricts prepayment (that is; subordinate liens with prepayment penalties). – Mortgages with PACE or HERO programs as a subordinate/secondary financing option are not eligible for financing (all states). » Eligible Variable Payment Terms for Subordinate Financing; <ul style="list-style-type: none"> – With the exception of HELOC's when the repayment terms provide for a variable interest rate, the monthly payment must remain constant for each 12-month period over the term of the subordinate lien mortgage (HELOC's, the monthly payment does not have to remain constant). – The monthly payments for all subordinate liens must cover at least the interest due so that negative amortization does not occur (with the exception of employer subordinate financing that has deferred payments). » Eligible Repayment Terms for Employer Subordinate Financing; » If the subordinate financing is from the borrower's employer, it does not have to require regular payments of either principal or interest or interest only. Employer subordinate financing may be structured in any of the following ways; <ul style="list-style-type: none"> – Fully amortizing level monthly payments, – Deferred payments for some period before changing to fully amortizing level payments, – Deferred payments over the entire term; or, – Forgiveness of the debt over time. » The financing terms may provide for the employer to require full repayment of the debt if the borrower's employment is terminated (either voluntarily or involuntarily) before the maturity date of the subordinate financing. » Defining Refinance Transactions Based on Subordinate Lien Payoff; The table below provides the underwriting considerations related to subordinate financing under refinance transactions.

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW			
Subordinate Financing Underwriting Considerations	Refinance transaction includes payoff of the first lien and...	REM N must underwrite the transaction as a...	Comments
	The payoff of a purchase money second with no cash out	Limited Cash-Out Refinance	N/A
	The payoff of a non-purchase money second, regardless of whether additional cash out is taken	Cash-Out Refinance	N/A
	The subordinate financing is being left in place, regardless of whether the subordinate financing was used to purchase the property, and the borrower is not taking cash out except to the extent permitted for a limited cash-out refinance transaction	Limited Cash-Out Refinance	The subordinate lien must be re-subordinated to the new first lien mortgage loan.
	The subordinate financing is being left in place, regardless of whether the subordinate financing was used to purchase the property and the borrower is taking cash out	Cash-Out Refinance	
Community Seconds	» The following are not permitted with Community Seconds: <ul style="list-style-type: none"> – Second Homes, – Investment Properties, – Cash-Out Refinance 		
Purchase	» Mortgage amount limited to; lesser of the Sales Price, Appraised Value or Maximum Loan Limit. » Minimum borrower contribution requirements for the selected mortgage loan type must be met. » Proceeds from the transaction must be used to: <ul style="list-style-type: none"> – Finance the acquisition of the subject property, – Finance the acquisition and rehabilitation of the subject property, – Convert an interim construction loan or term note into permanent financing; or, – Payoff the outstanding balance on an installment land contract or contract for deed. See Paying off Land Contract Requirements . » If the loan has financed MI, loans underwritten to DU Version 9.1 are subject to 95.00% LTV cap. The “total” loan amount may not exceed 95.00% of the lesser of the sales price, appraised value or maximum loan limit. » Proceeds from the transaction may not be used to give the borrower cash other than the following: <ul style="list-style-type: none"> – An amount representing reimbursement for the borrowers’ overpayment of fees and charges, including refunds that may be required in accordance with curtail federal laws or regulations. – A legitimate pro-rated real estate tax credit in locales where real estate taxes are paid in arrears. Note: If the borrower receives cash back for a permissible purpose as listed above, REM N must confirm that the minimum borrower contribution requirements associated with the selected mortgage product, if any, have been met. Reimbursements or refunds permitted above may also be applied as a Principal Curtailment .		

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW	
Purchase of Preforeclosure or Short Sale Properties	<p>Allowable Fees, Assessments & Payments</p> <ul style="list-style-type: none"> » Borrowers may pay additional fees, assessments or payments in connection with acquiring a property that is a preforeclosure or short sale that are typically the responsibility of the seller or another party. Examples of additional fees, assessments or payments include; but are not limited to: <ul style="list-style-type: none"> – Short sale Processing Fees (also referred to as short sale negotiation fees, buyer discount fees, short sale buyer fees); Note: This fee does not represent a common & customary charge; therefore it must be treated as a sales concession if any portion is reimbursed by an interested party to the transaction. – Payment to a subordinate lienholder; and, – Payment of delinquent taxes or delinquent HOA assessments. » The following requirements apply: <ul style="list-style-type: none"> – The borrower (buyer) must be provided with written details of the additional fees, assessments or payments and the additional necessary funds to complete the transaction must be documented. – The servicer that is agreeing to the preforeclosure or short sale must be provided with written details of the fees, assessments or payments and has the option of renegotiating the payoff amount to release its lien. – All parties (buyer, seller and servicer) must provide their written agreement of the final details of the transaction which must include the additional fees, assessments or payments. – HUD1 Settlement Statement must include all fees, assessments and payments included in the transaction.
Limited Cash-Out Refinance	<ul style="list-style-type: none"> » Limited cash-out refinance transactions must meet the following requirements: <ul style="list-style-type: none"> – The transaction is being used to pay off an existing 1st mortgage (including an existing HELOC in first lien position) by obtaining a new 1st mortgage secured by the same property; or for single closing construction-to-permanent loans to pay construction cost to build the home, which may include paying off an existing lot lien. – Only subordinate liens used to purchase the property may be paid off with the new mortgage. – Subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan, and the borrowers must confirm their intent to occupy the subject property (for principal residence transactions). <p>Acceptable Uses: the following are acceptable in conjunction with a limited cash-out:</p> <ul style="list-style-type: none"> – Modifying the interest rate and/or term for the existing mortgage(s), – Paying off the unpaid principal balance of an existing 1st (including prepayment penalties), – Single close Construction-to-Permanent transactions, paying for construction costs to build a home; which may include the paying off of an existing lot lien. – Financing the payment of closing costs, points and prepaid items. With the exception of real estate taxes that are more than sixty (60) days delinquent, borrower can include real estate taxes in the new loan as long as an escrow account is established subject to applicable law or regulation (i.e. if a particular state law does not allow REMN to require an escrow account). – Receiving cash back in an amount that is not more than the lesser of two percent (2%) of the balance of the new refinance mortgage amount or \$2,000, – Buying out a co-owner pursuant to an agreement, – Paying off a subordinate mortgage lien (including prepayment penalties) used to purchase the subject property. REMN must document that the entire amount of the subordinate financing was used to acquire the property; or, – Paying off the unpaid principal balance of certain PACE loans (FNMA Selling Guide B5-3.4.01). <ul style="list-style-type: none"> » REMN must document that all proceeds of the existing subordinate lien were used to fund part of the subject property purchase price. » Existing Subordinate Liens that will not be paid off; when a new limited cash-out refinance will not satisfy existing subordinate liens, the existing lien must be clearly subordinated to the new mortgage. » New Subordinate Financing; when a borrower obtains new subordinate financing with refinance of 1st mortgage loan, FNMA treats the transaction as a limited cash-out provided the mortgage meets the eligibility criteria for a limited cash-out refinance. <p>Note: It is acceptable for borrowers to obtain cash from the proceeds of the new subordinate loan.</p> <p>(Continued on following page)</p>

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW

Limited Cash-Out Refinance

Cash Back to the Borrower

- As noted above, the borrower may receive a small amount of cash back in a limited cash-out refinance transaction. REMN may also refund the borrower for the overpayment of fees and charges due to federal or state laws or regulations. Refunds such as these are not included in the maximum cash back limitation, provided:
- The HUD-1 Settlement Statement clearly identifies the refund with a notation for the reason; and,
- The loan file includes documentation to support the amount and reason for the refund.
- This applies to standard limited cash-out refinances transactions and DU Refi Plus.

Refinances to Buy Out an Owner's Interest

- A transaction that requires one owner to buy out the interest of another owner (result of divorce settlement or dissolution of a domestic partnership) is considered a limited cash-out if the secured property was jointly owned for at least 12 months preceding disbursement date of the new loan.
- All parties must sign a written agreement that states the terms of the property transfer and the proposed disposition of the proceeds from the refinance transaction. Except in the case of recent inheritance of the subject property, documentation must be provided to indicate that the security property was jointly owned by all parties for at least 12 months preceding the date of the disbursement date of the new loan.
- Borrowers who acquire sole ownership of the property may not receive any of the proceeds of the refinancing. The party buying out the other party's interest must be able to qualify for the mortgage pursuant to FNMA's underwriting guidelines.

Exceptions to Limited Cash-Out for DU Refi Plus

- The borrower is not permitted to pay off any existing subordinate liens with the proceeds from the new DU Refi Plus transaction.
- The borrower may only receive up to \$250 cash back at closing.
- The borrower is not required to establish an escrow account if real estate taxes (regardless of due date) for the subject property are financed in the loan amount of the DU Refi Plus loan.
- The subject property may be listed for sale at the time of application or on the disbursement date.

97.00% LTV, CLTV and HCTLV

- Permitted for standard limited cash-out refinance transactions if FNMA is the owner of the existing loan.

Ineligible transactions

- » When the following exist, the transaction is ineligible as limited cash-out
 - No outstanding 1st lien on the subject property (except for single-closing construction-to-perm),
 - Proceeds are used to pay off a subordinate lien that was not used to purchase the property
 - The borrower finances the payment of real estate taxes for the subject property in the loan amount, but does not establish an escrow account.
 - The borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount; and,
 - Short-term refinance mortgage loan that combines a 1st mortgage and a non-purchase money subordinate mortgage into a new 1st mortgage or any refinance of that loan within 6 months
 - Subject property is currently listed for sale
 - See [Modified Mortgages](#)

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW

Cash-Out Refinance

- » Cash-out refinance transactions must meet the following requirements
- The transaction must be used to pay off existing mortgages by obtaining a new first mortgage secured by the same property or be a new mortgage on a property that does not have a mortgage lien against it.
 - Properties that were listed for sale must have been taken off the market on or before the disbursement date of the new mortgage loan.
 - The property must have been purchased (or acquired) by the borrower at least six (6) months prior to the loan disbursement date of the new mortgage loan except for the following:
 - There is no waiting period if HBFS documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation or dissolution of a domestic partnership). On the other hand, if prior ownership was held in an inter-vivos/revocable trust in the borrower's name and meets FNMA criteria (as defined in [FNMA Selling Guide B2-2-05: Inter Vivos Revocable Trusts](#)), this can be applied towards ownership seasoning if title had transferred from the trust to the borrower.
 - The delayed financing requirements are met; see [Delayed Financing Exception](#) for details.
- NOTE:** Borrower(s) must own the property individually for the aforementioned 6 months to meet the above requirement. Prior ownership in the name of an LLC owned by the borrowers does not count towards the ownership seasoning.
- For the maximum allowable LTV/CLTV/HCLTV ratios for cash-out refinances see [Eligibility Matrix](#).
- Acceptable Uses;** the following are acceptable uses for cash-out refinance transactions;
- Paying off the unpaid principal balance of the existing first mortgage,
 - Financing the payment of closing costs, points and prepaid items. Borrower can include prepaid real estate taxes in the new loan amount if those taxes are due within 60 days prior to or 60 days following the closing date of the new loan. Delinquent real estate taxes (taxes past due by more than 60 days) can also be included in the new loan amount, but if they are, an escrow account must be established, subject to applicable law or regulation,
 - Paying off any outstanding subordinate lien of any age,
 - Taking equity out of the subject property that may be used for any purpose,
 - Financing a short-term refinance mortgage loan that combines a first mortgage and a non-purchase money subordinate mortgage into a new first mortgage or a refinance of the short-term refinance loan within six months
- Ineligible transactions;** when the following exist, the transaction is ineligible as a cash-out
- The mortgage is subject to temporary interest rate buydown
 - The subject property was purchased by the borrower within the six months preceding the disbursement date of the new loan (except if [Delayed Financing Exception](#) requirements are met)
 - Investor and second home borrowers with five to 10 financed properties are ineligible for cash-out refinance transactions unless all of the Delayed Financing Guidelines are met
 - The subject property is currently listed for sale at time of disbursement of the new loan.
 - The existing mortgage is a “restructured mortgage”.
 - For certain transactions on property that have a Property Assessed Clean Energy (PACE) loan, borrowers who refinance the first mortgage loan and have sufficient equity to pay off the PACE loan but choose not to do so will be ineligible for a cash-out refinance (See *FNMA B5-3.4-01*)
 - Transactions in which a portion of the proceeds of the refinance is used to pay off the outstanding balance on an installment land contract, regardless of the date executed
 - The new loan includes the financing of real estate taxes that are more than 60 days delinquent an escrow account is not established, unless requiring an escrow account is not permitted by applicable law or regulation. For example, if a particular state law does not allow HBFS to require an escrow account under certain circumstances, the loan would be eligible for sale to FNMA without an escrow account.
 - See [Modified Mortgages](#)
- (Continued on following page)

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW	
Cash-Out Refinance	<p>Paying off Installment Land Contract</p> <ul style="list-style-type: none"> The proceeds of a mortgage loan are used to pay off the outstanding balance on an installment land contract (also known as contract or bond for deed) that was executed within the 12 months preceding the date of application with REMN; FNMA will consider the mortgage loan to be a purchase money mortgage loan. The LTV ratio for the mortgage loan must be determined by dividing the new loan amount by the lesser of the total acquisition cost (defined as the purchase price indicated in the land contract, plus any costs the purchaser incurs for rehabilitation, renovation or energy conservation improvements) or the appraised value of the property at the time the new mortgage loan is closed. The expenditures included in the total acquisition cost must be fully documented by the borrower. When the installment land contract was executed more than 12 months before the date of the loan application with REMN, FNMA will consider the mortgage loan to be a limited cash-out refinance. In this case, the LTV ratio for the mortgage loan must be determined by dividing the new loan amount by the appraised value of the property at the time the new mortgage loan is closed. Cash-out refinance transactions involving installment land contracts are not eligible.
Delayed Financing Exception	<p>» Borrowers who purchased the subject property within the past 6 months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance transaction if all of the following requirements are met:</p> <ul style="list-style-type: none"> The original purchase transaction was an arms-length transaction. For this transaction, the borrower(s) must meet FNMA's borrower eligibility requirements as described in B2-2-01 General Borrower Eligibility Requirements (07/17/2013). The borrower(s) may have initially purchased the property as one (1) of the following: <ul style="list-style-type: none"> A natural person, An eligible inter vivos revocable trust, when the borrower is both the individual establish the trust and the beneficiary of the trust, An eligible land trust when the borrower is the beneficiary of the land trust, or; An LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%. The original purchase transaction is documented by the HUD-1, 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 the trustee may be substituted for a HUD-1 if a HUD-1 was not provided to the purchaser at the time of sale. The preliminary title search/report must confirm that there are no existing liens on the subject. The source of funds for the purchase transaction are documented (such as; bank statements, personal loan documents, HELOC on another property). If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the HUD-1 for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used the 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. <p>NOTE: Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.</p> 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, pre-paid fees and points on the new mortgage loan (subject to maximum LTV/CLTV/HCLTV ratios for the transaction). As FNMA consider this a cash-out refinance transaction, a Power of Attorney (POA) is not eligible. All other cash-out refinance eligibility requirements are met. Cash out pricing is applied.
Student Loan Cash-Out Refinances	<p>» Allows for the payoff of student loan debt through the refinance transaction with a waiver of the cash-out refinance LLPA if all of the following requirements are met:</p> <ul style="list-style-type: none"> The loan must be underwritten in DU; REMN WS must confirm the loan meets all of the requirements outside of DU, since DU cannot specifically identify or message these transactions The standard cash-out refinance LTV/CLTV/HCLTV apply, as per the Product Matrix At least one (1) student loan must be paid off with proceeds from the subject transaction with the following criteria: <ul style="list-style-type: none"> Proceeds must be paid directly to the student loan servicer at closing; At least one (1) borrower must be obligated on the student loan(s) being paid off, and The student loan must be paid in full – partial payments are not permitted. The transaction may also be used pay off one of the following: <ul style="list-style-type: none"> An existing first mortgage loan (including an existing HELOC in first-lien position); or A single-closing construction-to-permanent loan to pay for construction costs to build the home, which may include paying off an existing lot lien. Payoff of other non-mortgage debts is not allowed; if this is the case, standard cash-out refinance criteria & LLPA's apply Only subordinate liens used to purchase the property may be paid off and included in the new mortgage. The transaction may be used to finance the payment of closing cost, points and prepaid items. With the exception of real estate taxes that are more than 60 days delinquent, the borrower can include real estate taxes in the new loan amount as long as an escrow account is established, subject to applicable law or regulation. The borrower may receive cash back in an amount that is no more than 2% of the new refinance loan amount, or \$2,000. REMN WS may also refund the borrower for the overpayment of fees and charges due to federal or state laws or regulations, or apply a principal curtailment <p>» Unless otherwise stated, all other standard cash-out refinance requirements apply.</p>

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW	
DU Refi Plus (HARP II)	<ul style="list-style-type: none"> » DU Approve/Eligible findings required and must specifically indicate eligible for DU Refi Plus » REMN will follow A/E DU Recommendation findings » Payoff of the unpaid principal balance, late charges (must be included in payoff balance), closing costs, prepaid & discount » Cash back to borrower may not exceed \$250.00 (any excess must be applied as principal reduction) » No seasoning on existing lien » Benefit to the borrower must be established » Conforming & High Balance permitted (loan subject to loan limits at time of refinance) » Eligible Property and Occupancy types <ul style="list-style-type: none"> – 2-4 Unit Primary & 1 Unit Second Home to 150% LTV <ul style="list-style-type: none"> ▪ Includes manufactured home (Primary Residence or Second Home) – 1-4 Unit Investment to 125% LTV » Condominium / PUD project approval is <u>not</u> required » Subordinate Liens allowed » Escrow Requirements - Cannot be waived unless required by State law » Mortgage Insurance <ul style="list-style-type: none"> – If DU provides for an option to transfer MI; transfer from the following companies are allowed; GE, MGIC & UG. RADIAN (with Management Approval). DU will indicate which MI Company – The original MI Company must provide a modification for the new loan – All MI modifications are required to be uploaded into BlitzDocs » Ineligible Loans; <ul style="list-style-type: none"> – Any loan with a closing (disbursement) date on or after June 1, 2009 – Any loan subject to a repurchase agreement with FNMA – Existing loan is not a 1st lien, a government loan and/or a reverse mortgage – Condo-Tel and Co-ops are not eligible
Conversion of Construction-to-Permanent Financing	<ul style="list-style-type: none"> » The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence. » Construction-to-permanent financing can be structured as a transaction with one closing or a transaction with two separate closings. REMN will not provide the construction financing (one closing transaction). The borrower must hold title to the lot, which may have been previously acquired or be purchased as part of the transaction. » All construction work, including any work that could entitle a party to file a mechanics' or materialmen's lien, must be completed and paid for, and all mechanics' liens, materialmen's liens and any other liens and claims that could become liens relating to the construction must be satisfied before the mortgage loan is closed with REMN. REMN must retain in the loan file the appraiser's certificate of completion and a photograph of the completed property. When a construction-to-permanent mortgage loan provides funds for acquisition or refinancing of an unimproved lot and the construction of a residence on the loan, REMN must retain a certificate of occupancy or an equivalent form from the applicable government authority. » Units in a condo or co-op project and manufactured housing are not eligible for construction-to-permanent financing. <p>Two-Closing Transaction</p> <ul style="list-style-type: none"> » Two-closing construction-to-permanent mortgage transactions utilize two separate loan closings with two (2) separate sets of legal documents. A modification may not be used to update the original note; rather a new note must be completed and signed by the borrowers. The first closing is to obtain the interim construction financing (and may include the purchase of the lot) and the second closing is to obtain the permanent financing upon completion of the improvements. REMN does not provide financing for constructions loans; however, we will provide financing for the permanent financing. <ul style="list-style-type: none"> – REMN will underwrite the borrower based on the terms of the permanent mortgage. – Two-Closing Construction-to-Permanent mortgages are subject to the limited cash-out and cash-out refinance maximum LTV, CLTV and HCLTV ratios provided in the Eligibility Matrix. » Cash-out refinance transaction requires the borrower to have held legal title to the lot for at least 6 months prior to the closing of the permanent mortgage. » All other standard cash-out refinance eligibility and underwriting requirements apply.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PRODUCT OVERVIEW	
Texas Home Equity 50(a)(6)	<ul style="list-style-type: none"> » Cash-out refinance <ul style="list-style-type: none"> – Owner Occupied – All borrowers must reside in the home – Non-occupant co-borrowers are not allowed – Maximum 80% LTV/CLTV – 1 Unit SFD, PUD or Condo (2-4 Unit not eligible) – Approve/Eligible DU Findings – Maximum of 10 acres » Maximum 3% fee limitation for all closing costs, fees and charges <ul style="list-style-type: none"> – Excluded; Prepaids & Bona fide discount points (borrowers will have to sign an "Election to pay Discount Points" affidavit at closing) » Notice Concerning Extension of Credit <ul style="list-style-type: none"> – Borrower & non-borrowing spouse (if applicable) MUST sign a Notice Concerning Extensions and Credit (aka "12 Day Disclosure") – 12 days must pass from the time this disclosure is signed and the day the loan is scheduled to close » Survey required » Loan must be closed at Closing Agents Office; cannot close at borrowers home » Borrower must receive a copy of the Final 1003 with the HUD1 for review a minimum of 24 hours prior to closing and send back to REMN Close » Community Property State; all married parties regardless if on loan or not must sign Deed of Trust and Notice of Right to Cancel » Borrower(s) cannot sign early (i.e. cannot sign before the date of the closing package) » Deed of Trust; Trustee must be completed on Security Instrument (must be a Texas resident and is typically an attorney) <ul style="list-style-type: none"> – HE Deed of Trust must be executed at closing » Property taxes are due in December of each year; Tax Certificates are generally provided <ul style="list-style-type: none"> – School, City, County & MUD taxes are common » Home Equity Waiting Periods: <ul style="list-style-type: none"> – "12 Day Disclosure" - the loan cannot close until the Notice Concerning Extensions and Credits has been signed and received by REMN for 12 days. – 24 Hours - must pass after the borrower(s) have signed their final HUD1 Settlement Statement and final 1003 loan application before the loan can close – 12 Months - the loan may not close sooner than 12 months after the closing of the previous (a)(6) loan. » Once a Texas Home Equity Loan; ALWAYS a Texas Home Equity Loan » Ineligible transactions: <ul style="list-style-type: none"> – Freddie Open Access/Relief – Loans with an interest-only period – Loans with a potential for negative amortization – Loans with temporary interest rate buy downs – Property with an Agriculture (AG) Exemption – Loans with Property Inspection Waivers (PIW) » Loan Program Code in Encompass <ul style="list-style-type: none"> – Fixed Rate TX Home Equity » Fixed rate terms available: <ul style="list-style-type: none"> – 10 year – 15 year – 30 year » A power of attorney is <u>now</u> permitted in connection with a Texas Section 50(a)(6) mortgage loan. » See DU Refi Plus/Harp II® for Texas Section 50(a)(6) requirements.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

BORROWERS	
Eligible Borrowers	» FNMA purchases or securitizes mortgages made to borrowers who are natural persons that have reached the age at which the mortgage note can be enforced; there is no maximum age limit.
Types of Borrowers	<p>Borrower and Co-Borrower</p> <ul style="list-style-type: none"> » Owns property and is liable for the debt » Signs all documents <ul style="list-style-type: none"> – Application – Note – Mortgage/Deed of Trust and is on title (Deed) » Income, assets and debt used in qualification <p>Non-Occupant Co-Borrower</p> <ul style="list-style-type: none"> » Owns property and is liable for the debt, but does not live in property » Signs all documents <ul style="list-style-type: none"> – Application – Note – Mortgage/Deed of Trust and is on title (Deed) » DU analyzes the risk factors in the loan casefile for all borrowers on the mortgage loan. Regardless of whether an individual borrower will be occupying the property as his/her principal residence, DU will consider the income, assets, liabilities, and credit of that borrower. » Assets that are owned by the non-occupant co-borrower can be included in the five percent (5%) minimum borrower contribution requirement (when applicable), and those funds must be entered in DU. Total liquid assets for the occupying borrower and non-occupant co-borrower are included in DU's calculation of total available assets. <p>Co-Signor</p> <ul style="list-style-type: none"> » Has no ownership interest in the property, but is liable for the debt » Signs all documents except the Mortgage/Deed of Trust (no ownership interest) <ul style="list-style-type: none"> – Application – Note » Income, assets and debt used in qualification » Do not have an interest in the property sales transaction; such as the property seller, builder or the real estate broker <p>Co-Mortgagor</p> <ul style="list-style-type: none"> » Has ownership interest in the property but, is not liable for the debt » Signs all <i>collateral</i> documents (Mortgage/Deed of Trust, TIL & Right to Rescind; as applicable) Signature is to subordinate their interest in the property to the lien » Income, assets and debts <u>not</u> used in qualification <p>Marital Rights</p> <ul style="list-style-type: none"> » Has no ownership interest in the property nor liable for the debt » Only used in States where they have an "interest" in the property due to marital status » Signature on <i>collateral</i> documents determined by State law <p>Down Payment and Qualifying Ratio Requirements</p> <ul style="list-style-type: none"> » When the guarantor's, co-signers or non-occupant co-borrower's income is used for qualifying purposes, and that guarantor, co-signor, or co-borrower will not occupy the subject property, the LTV/CLTV ratio may not exceed 95% (unless a Community Second is part of the transaction, in which case the CLTV ratio may not exceed 105% or the maximum stated in the Conforming Product Matrix for ARM loans).
Non-U.S. Citizens	<ul style="list-style-type: none"> » FNMA purchases and securitizes mortgages made to non-U.S. citizens who are lawful permanent or non-permanent residents of the United States under the same terms that are available to U.S. Citizens. » FNMA does not specify the precise documentation REMN must obtain to verify that a non-U.S. Citizen borrower is legally present in the United States. <ul style="list-style-type: none"> ▪ If borrower is a non-permanent resident alien, REMN will determine visa eligibility for the borrower based on the Visa Eligibility for Non-Citizens (Conventional Conforming Loans) chart. » REMN must make a determination of the non-U.S. citizen's status based on the circumstances of the individual case, using documentation we deem appropriate. By delivering the mortgage to FNMA, REMN represents and warrants that the non-U.S. citizen borrower is legally present in this country. <ul style="list-style-type: none"> ▪ If borrower(s) has a Deferred Action for Childhood Arrivals (DACA) status, the loan is not eligible for financing with REMN WS. » Fannie Mae requires all borrowers to have a valid Social Security number or Individual Taxpayer Identification Number (ITIN) (in addition to meeting existing legal residency and documentation requirements).
Prior Mortgage Fraud	<ul style="list-style-type: none"> » REMN WS will not lend to any borrower(s) who has been previously convicted of mortgage fraud. » For all other interested parties in the transaction, if any one of the parties has been previously convicted of mortgage fraud, REMN WS will not provide financing for the transaction. » There are NO exceptions the aforementioned criteria.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

CREDIT & UNDERWRITING	
Age of Credit Documents	<ul style="list-style-type: none"> » Credit documents including credit report, employment, income and asset. All loans (existing and new construction), documents must be no more than four (4) months old on the date the Note is signed. » Appraisal – See Appraisal Updates for additional information.
Credit Scores	<ul style="list-style-type: none"> » Tri-merge report required on all Borrowers. » Representative credit score used on each Borrower is; middle of 3, lower of 2 or 1 score (per AUS). <ul style="list-style-type: none"> – If 2 of the 3 scores are the same, choose the middle of the 3 scores <ul style="list-style-type: none"> ▪ For example: 700, 680, 680 = 680 or 700, 700, 680 = 700 » DU performs its own analysis of the credit report data, but in no case will credit scores be <620. » If there is only one (1) borrower, the single applicable score used to underwrite that borrower is the representative credit score for the mortgage. » If there are multiple borrowers, determine the applicable credit score for each individual borrower and select the lowest applicable score from the group as the representative credit score. » If there is a borrower on the loan who does not have a credit score, determine the representative credit score for the mortgage based on the credit scores of the other borrowers on the mortgage. » If the transaction does not meet the above requirements, refer to the Non-Traditional Credit for DU Casefiles section for underwriting and eligibility requirements for DU loans in which one or more borrowers do not have a credit score.
Multiple SS Numbers	<ul style="list-style-type: none"> » As soon as the credit report is received, but no later than the time of loan approval, the additional social security number(s) section located on the borrower's credit report must be reviewed. If any additional social security numbers (SSN) appear on the credit report, a clear CAIVRS search on the additional SSN(s) is required. <ul style="list-style-type: none"> – If there are multiple additional SSN's appearing, a CAIVRS report must be obtained for each SSN. – If there are multiple borrowers with additional SSN's appearing, a CAIVRS report must be obtained for each SSN appearing for each borrower. » W-2 Discrepancy: If a borrower's W-2 reflects a SSN other than the SSN legally issued to the borrower, the Underwriter should adequately document the file prior to proceeding with the loan (standard underwriting practice). If the Underwriter/Team Lead/Underwriting Manager is not able to sufficiently resolve and document the W2 SSN discrepancy, the matter may be elevated to QC for review. <p>Procedure</p> <ol style="list-style-type: none"> 1. Review the credit report for additional SSN's. 2. If there are additional SSN's, order a CAIVRS report for each SSN. <p>CAIVRS Results</p> <ul style="list-style-type: none"> » Clear CAIVRS <ul style="list-style-type: none"> – The file may proceed. – Upload the clear CAIVRS report to BlitzDocs, Social Security – Multiple Number » CAIVRS Hit (Reflects Claim or Default) – Confirmation Received that it is Not the Borrower <ul style="list-style-type: none"> – Confirm with HUD the CAIVRS hit is not against the borrower – Follow internal procedure to send to REMN QC Department, CC: the Chief Credit Officer for the respective division and Operations Manager. Provide the following: <ul style="list-style-type: none"> ▪ Borrower Name and Loan Number ▪ CAIVRS report ▪ Evidence from HUD that the CAIVRS is not associated with the borrower – Upload the CAIVRS report and evidence from HUD that the CAIVRS is not associated with the borrower to BlitzDocs, Social Security – Multiple Number. » CAIVRS Hit (Reflects Claim or Default) – Confirmation Not Received that it is Not the Borrower <ul style="list-style-type: none"> – The loan may not proceed.
Borrower Debt Certification	<ul style="list-style-type: none"> » Borrowers will be required to sign an affidavit at closing attesting that no new debt has been taken out since the initial 1003 and that the final 1003 is accurate.

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

CREDIT & UNDERWRITING	
Non-Traditional Credit for DU Casefiles	<p>» If one or more borrowers do not have a credit score due to insufficient credit, REMN WS must establish an acceptable nontraditional credit profile. REMN WS must first check all three (3) major credit repositories to verify the borrower's credit history and confirm that the borrower does not have a credit score.</p> <p>» The credit report will indicate if a credit score could not be produced due to insufficient credit. REMN WS must ensure that the credit report accurately reflects the borrower's information, such as the name, Social Security number, and current residence of the borrower to confirm the lack of traditional credit was not erroneously reported because incorrect information was used to order the credit report.</p> <p>Note: For certain loan transactions, one or more borrower(s) are required to have traditional credit as evidenced by a credit score. See below for additional information</p>
	<p>Unacceptable Uses</p> <p>» The establishment of a non-traditional credit history is not acceptable for the following scenarios:</p> <ul style="list-style-type: none"> • REMN WS is able to obtain a credit score for the borrower despite the borrower's limited use of credit. • The borrower has sufficient amount of credit to obtain a credit score and the representative credit score is less than the minimum required. • The borrower's traditional credit history indicates significant derogatory references, such as a prior bankruptcy or foreclosure. In these cases, the borrower must have the re-established credit in accordance with B3-5.3-07, Significant Derogatory Credit Events – Waiting Periods and Re-establishing Credit, including the establishment of traditional credit and a credit score. <p>» Manually underwritten loans with nontraditional credit history – REMN WS Overlay</p>
	<p>DU Loan Casefiles: No Borrower Has a Credit Score</p> <p>» REMN WS may submit loan casefiles to DU when no borrower has a credit score. DU will apply the following requirements:</p> <ul style="list-style-type: none"> • The property must be a one-unit, principal residence, and all borrowers must occupy the property. • The transaction must be a purchase or limited cash-out refinance. • The loan amount must meet the general conforming loan limits (\$424,100 or less) – high balance mortgage loans are not eligible. • The loan must be a Fixed Rate mortgage. • The maximum LTV/CLTV/HCLTV ratios are 90%. • The debt-to-income (DTI) ratio must be less than 40% (39.99% maximum). • Reserves may be required as determined by DU. • A nontraditional credit history (at least two sources) must be documented for each borrower without a credit score. See B3-5.4-03, Documentation and Assessment of a Nontraditional Credit History for additional information. • If all borrowers on the loan are relying on nontraditional credit to qualify, at least one (1) borrower must complete pre-purchase homeownership education prior to loan closing. <p>» If a loan casefile does not receive an Approve/Eligible recommendation from DU, the loan is not eligible to be financed by REMN WS.</p>
	<p>DU Loan Casefiles: At Least One Borrower Has No Credit Score and Another Borrower Has a Credit Score</p> <p>» If one (or more) borrower(s) has a credit score and at least one borrower does not have a credit score, then DU will apply the following requirements:</p> <ul style="list-style-type: none"> • The property must be a one-unit, principal residence, and all borrowers must occupy the property. • The transaction must be a purchase or limited cash-out refinance. • The loan amount must meet the general conforming loan limits (\$424,100 or less) – high balance mortgage loans are not eligible. • Reserves may be required as determined by DU. • If the borrower(s) with a credit score is contributing more than 50% of the qualifying income, REMN WS is not required to document a nontraditional credit history for the borrower(s) without a credit score. • If the borrower(s) with a credit score is contributing 50% or less of the qualifying income, REMN WS must document a nontraditional credit history (at least two sources) for each borrower without a credit score. See B3-5.4-03, Documentation and Assessment of a Nontraditional Credit History for additional information. <p>» If a loan casefile does not receive an Approve/Eligible recommendation from DU, the loan is not eligible to be financed by REMN WS.</p>
Eligible Types of Nontraditional Credit for DU Casefiles	<p>The following nontraditional credit sources, documented for the most recent consecutive twelve (12) months, may be used:</p> <p>» Rental housing payment (REQUIRED WHEN NONTRADITIONAL CREDIT HISTORY IS UTILIZED VIA DU)</p> <ul style="list-style-type: none"> • Borrowers living "rent free" or whose housing history cannot otherwise be properly documented are not eligible. <p>» Utilities – electricity, gas, water, telephone service, television & internet service provider. Utilities cannot be used as a separate source of nontraditional credit if they are included in the rental payment.</p> <p>» Medical insurance coverage & life insurance policies (excluding payroll deductions)</p> <p>» Automobile insurance payments</p> <p>» Cell phone payments</p> <p>» Payments for household or renter's insurance</p> <p>» Payments to local stores, such as department stores, furniture stores, appliance stores</p> <p>» Rental payments for durable goods, such as automobiles</p> <p>» Payments of medical bills, school tuition, child care</p> <p>» A loan obtained from an individual, provided the repayment terms can be documented in a written agreement</p> <p>» Checking account, savings account, voluntary payments made to a payroll savings plan or contributions to a stock purchase plan, provided the records reflect an increasing balance as a result of periodic deposits over at least 12mos. Contributions must have been made no less than quarterly.</p> <p>» Wire remittance statements demonstrating a consistent amount of funds remitted over the most recent 12mo period.</p>

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

CREDIT & UNDERWRITING	
Credit Inquiries	<p>The borrower(s) must address ALL inquiries listed on their credit report within the past 90 days;</p> <ul style="list-style-type: none"> » All inquiries listed on the credit report the borrower must specifically address them and indicate the disposition of each inquiry <ul style="list-style-type: none"> – Acceptable response; Chase, Wells & Bank of America credit pulled while searching for a mortgage on property located at 123 Main Street (no credit obtained) – Unacceptable response; We did not accept any credit for the inquiries listed on our credit report or we did not accept any credit from Chase, Wells & Bank of America (as neither specifically address both inquiry and disposition)
Disputed Trade Lines	<ul style="list-style-type: none"> » DU will issue the disputed trade line message when a disputed trade line is identified and that trade line contains derogatory payment information (a 30-day or more delinquency) reported within two (2) years prior to the credit report date. » When DU issues this message, the message will list the disputed trade line with a reported derogatory payment within the last two (2) years, and state that the lender must confirm the accuracy and completeness of the information reported on the borrower's credit report for the disputed trade line. » If it is determined that the disputed trade line information is accurate and complete, REMN must ensure the disputed trade lines are considered in the credit risk assessment by obtaining a new credit report with the trade line no longer reported as disputed and resubmitting to DU. <p>Sample Scenarios – The following scenarios are examples of when REMN would not need to obtain and updated credit report, provided the borrower can provide documentation to support the claim:</p> <ul style="list-style-type: none"> » A borrower's account was referred for collection by the creditor. Subsequently, the borrower paid off the account, but the pay-off was not reported on the trade line. The borrower requested that a dispute be placed on the trade line. The trade line information was accurate, but because it did not reflect that the borrower paid off the account, it may be considered incomplete. The borrower must provide that the account was paid in full. » A borrower and his son have the same name (Sr. and Jr.). The borrower's credit report contains a trade line that actually belongs to the son. The trade line is reported as disputed. The borrower can provide confirmation that he is not obligated on the account. » The servicer of a loan being disputed indicates a late payment in January of the previous year. The borrower can provide documentation (i.e.; canceled checks, bank statements) that indicates the payment was made on time. <p>Sample Scenario – The following scenario would require REMN to obtain an updated credit report and resubmit the loan casefile to DU.</p> <ul style="list-style-type: none"> » The credit report indicates a disputed trade line on the borrower's mortgage being refinanced. The trade line indicates a 60-day late payment in January of the previous year. The borrower cannot provide any documentation to support that the payment was made on time. » If DU does not issue the disputed trade line message, REMN is not required to: <ul style="list-style-type: none"> – Further investigate the disputed trade line on the credit report, or – Obtain an updated credit report (with the undisputed trade line). » REMN must ensure that the payment for the trade line, if any, is included in the DTI if the account does belong to the borrower. <p>Note: Trade lines reported as medical debt (Account type of MD or Remark Code of E0166) are not shown in the disputed trade line message if also reported as disputed, and REMN is not required to investigate the disputed medical trade line.</p>
Non Purchasing Spouse	<ul style="list-style-type: none"> » Only the debts of those who will be on the Note are required to be included in the debt-to-income ratio. » In community property/marital rights states, the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law. Community property states are: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin.
Debt to Income Ratios (DTI)	<ul style="list-style-type: none"> » DU will determine the maximum allowable debt-to-income ratio based on the overall risk assessments of the loan casefile. » DU will apply a maximum allowable total expense ratio of 45% with flexibilities offered up to 50% for certain loan casefiles with strong compensating factors. <ul style="list-style-type: none"> • DU casefiles for Borrowers with Nontraditional Credit (No Credit Scores) – the maximum ratio is 39.99% (must be less than 40%).

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

CREDIT & UNDERWRITING	
Alimony, Child Support, Separate Maintenance Payments	» When the borrower is required to pay alimony, child support, or separate maintenance payments under a divorce decree, separation agreement or any other written legal agreement – and those payments must continue to be made for more than ten (10) months – the payments must be considered as part of the Borrower's recurring monthly debt obligations. However, voluntary payments do not need to be taken into consideration.
Child Support Delinquency	REMN WS OVERLAY: Delinquent child support must be paid current or in a payment plan; or Management approval is required.
Mortgage (Housing) History	» Per AUS findings; if any delinquencies allowed per determination, satisfactory explanation required subject to acceptance by the Underwriter. » Mortgage must be current and due for month of closing.
Installment Debt	» All installment debt that is not secured by a financial asset; including student loans, automobile loans and home equity loans must be considered part of the borrowers' recurring monthly debt obligation if there is more than ten (10) monthly payments remaining. – However, an installment debt with fewer than ten (10) months remaining should also be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet his/her credit obligations. » DU should be run with all debts; allowing the AUS to determine which debts are to be excluded.
Revolving Debt	» Revolving charge accounts and unsecured lines of credit are open-ended and should be treated as long term debts and must be considered part of the borrower's recurring monthly debt. These trade lines include; credit cards, department store and personal lines of credit. Equity lines of credit secured by real estate should be included in the housing expense. » If the credit report does not show a required minimum payment amount and there is no supplemental documentation to support a payment of less than 5%, REMN must use 5% of the outstanding balance as the borrower's recurring monthly debt obligation. » For DU loan casefiles, if a revolving debt is provided on the loan application without a monthly payment amount, DU will use the greater of \$10 or 5% of the outstanding balance as recurring debt. » Payoff of revolving debt solely to qualify must be carefully evaluated.
Open 30-Day Charge Accounts	» Open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, REMN must verify borrower funds to cover the account balance. The verified funds must be in addition to any funds required for closing costs and reserves. NOTE: DU will include the balance of the 30-day charge accounts on the loan application in the Reserves Required to be Verified amount shown on the DU Underwriting Findings report. However, for transactions that do not require the verification of reserves, the balance of the 30-day charge accounts in the Reserves Required to be Verified amount will be reduced by any cash-out the borrower will receive through the transaction. » If the borrower paid off the account balance prior to closing, REMN may provide proof of payoff in lieu of verifying funds to cover the account balance.
Revolving Debt Pay Off	» Payoff of Revolving Debt at/or Prior to Closing: – When a borrower wants to pay off revolving debt in order to qualify, the file should be conditioned for the payoff of the debt at/or prior to closing. It is no longer a requirement for such accounts to be closed as a condition of excluding the payment from the DTI ratio. – DU will continue to issue a message on its findings indicating that the revolving debt accounts being paid off must be closed in order to exclude the payment from the DTI. Fannie will allow this message to be disregarded until it has been updated in a future DU release. – In order not to reoccur the monthly payment when qualifying the loan, we will require evidence that that account has been paid in full prior to or at closing. The payoff amount will be based upon the balance indicated on the current/unexpired credit report. – If the payoff amount indicated on the HUD/CD will exceed the amount of the credit report, the loan may need to be re-qualified to ensure the borrower has sufficient assets to pay the account in full. This will be dependent upon the amount of verified assets and/or the amount of cash back to the borrower.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

CREDIT & UNDERWRITING	
Lease Payments	» Must be considered as recurring monthly debt obligations regardless of the number of months remaining on the lease.
HELOC	» When the mortgage that will be delivered to FNMA also has a home equity line of credit (HELOC) that provides for a monthly payment of principal and interest or interest only, the payment on the HELOC must be considered as part of the borrower's recurring monthly debt obligations. If the HELOC does not require a payment, there is no recurring monthly debt obligation so REMN does not need to develop and equivalent payment amount.
Authorized User Trade Lines	<ul style="list-style-type: none"> » DU takes credit report trade lines designated as authorized user trade lines into consideration as part of the DU credit risk assessment. However, REMN must review credit report trade lines in which the borrower has been designated as an authorized user in order to ensure the trade lines are an accurate reflection of the borrower's credit history. » If the UW believes the authorized user trade lines are not an accurate reflection of the borrower's credit history, the credit should be evaluated without the benefit of these trade lines and use prudent underwriting judgment when making the final decision. » When ensuring trade lines are an accurate reflection of the borrower's credit history, as a general guide, if the borrower has several authorized user accounts but only has a few accounts of his/her own, the UW should establish; <ul style="list-style-type: none"> – The relationship of the borrower to the owner of the account, – If the borrower uses the account; and, – If the borrower makes the payments on the account. » If the authorized user trade line belongs to another borrower on the mortgage loan, no additional investigation is needed. On the other hand, if the borrower has several trade lines in good standing and only a minor number of authorized user accounts, the UW could make the determination that; <ul style="list-style-type: none"> – The authorized user accounts had minimal, if any, impact on the borrower's overall credit profile; and, – The information reported on the credit report is an accurate reflection of the borrower's credit history. » The UW is not required to review authorized user trade lines that belong to the borrower's spouse when the spouse is not on the mortgage transaction.
Deferred Installment Debt	» Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For deferred installment debts <i>other than student loans</i> , if the borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, REMN must obtain copies of the borrower's payment letters or forbearance agreements so that a monthly payment amount can be determined and used in calculating the borrower's total monthly obligations.
Garnishments	» All garnishments with more than ten (10) months remaining must be included in the borrower's recurring monthly debt obligations for qualifying purposes.
Student Loans	<ul style="list-style-type: none"> » For all student loans, whether deferred, in forbearance, or in repayment (not deferred), REMN WS must include a monthly payment in the borrower's recurring monthly debt obligation when qualifying the borrower. » If a monthly payment is provided on the credit report, REMN WS may use that amount as the monthly payment for qualifying purposes. » If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment (which may be the case for deferred loans or loans in forbearance), the underwriter must calculate a qualifying monthly payment using one of the options below: <ul style="list-style-type: none"> – 1% of the outstanding student loan balance (even if this amount is lower than the actual fully-amortized payment), or – A fully-amortizing payment using the documented loan repayment terms. » Income-Based Repayment (IBR) <ul style="list-style-type: none"> – This can only be used if the IBR payment is listed on the credit report (a supplement to the credit report referencing the IBR payment is acceptable) » If the IBR payment is properly documented on the credit report as zero (\$0), then \$0 is the payment that is used for qualifying purposes.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

CREDIT & UNDERWRITING	
Court-Ordered Assignment of Debt	<ul style="list-style-type: none"> » When a borrower has outstanding debt that was assigned to another party by court order (such as under a divorce decree or separation agreement) and the creditor does not release the borrower from the liability, the borrower has a contingent liability. REMN is not required to count this contingent liability as part of the borrower's recurring monthly debt obligations. » REMN is not required to evaluate the payment history for the assigned debt after the effective date of the assignment. REMN cannot disregard the borrower's payment history for the debt before its assignment.
Debt Paid by Others	<ul style="list-style-type: none"> » When a borrower is obligated on a non-mortgage debt – but is not the party who is actually repaying the debt – REMN WS may exclude the debt from the borrower's recurring monthly obligations. This policy applies whether or not the other party is obligated on the debt, but is not applicable if the other party is an interested party to the subject transaction (such as seller or realtor). Non-mortgage debts include installment, revolving, lease payments, alimony, child support and separate maintenance. » REMN WS must obtain the most recent twelve (12) months' cancelled checks (or bank statements) from the other party documenting a twelve (12) month satisfactory payment history. There must be no delinquent payments for that debt in order to exclude it from the borrower's debt-to-income (DTI) ratio.
Contingent Liability Business Debts	<ul style="list-style-type: none"> » The payment does not need to be considered as part of the borrower's recurring DTI, if; <ul style="list-style-type: none"> – The account in question does not have a history of delinquency, – The business provides proof debt was paid from company funds (12 months canceled checks); and, – The cash flow analysis of the business took payment of the obligation into consideration » The payment <u>does</u> need to be considered as part of the borrower's recurring DTI if; <ul style="list-style-type: none"> – If the business does not provide sufficient evidence that the obligation was paid out of company funds. – The account in question has a history of delinquency. To ensure that the obligation is counted only once, adjust the net income of the business by the amount of interest, taxes or insurance expenses, if any, that relates to the account in question – The business provides evidence of its payment of the obligation; however, the cash flow analysis of the business does not reflect any business expenses related to the obligation
Monthly Housing Expense	<ul style="list-style-type: none"> » Monthly housing expense is the sum of the following and is referred to as PITIA: <ul style="list-style-type: none"> – Principal & Interest (P&I), – Hazard, Flood and mortgage insurance premiums (as applicable), – Real Estate Taxes, – Ground rent, – Special assessments, – Owner's association dues (including utilities charges that are attributed to the common areas but excluding any utility shares that apply to the individual unit), – Any monthly co-op corporation fee (less the pro rata share of the master utility charges for servicing individual units that is attributable to the borrower's unit), – Any subordinate financing payments on mortgages secured by the subject property, » REMN must enter all components of the monthly housing expenses on the application including other financing P&I, hazard insurance, real estate taxes, mortgage insurance, homeowners' association dues and other proposed housing expenses.
Calculating Monthly Real Estate Tax Payment	<ul style="list-style-type: none"> » REMN must base its calculation of real estate taxes for borrower qualification on no less than the current assessed value. (The taxes are typically listed within the title commitment). However, REMN may (or must in some circumstances) project the real estate taxes if it can document one of the following: <ul style="list-style-type: none"> – The amount of taxes will be reduced based on federal, state or local jurisdictional requirements. However, the taxes may not be reduced if an appeal to reduce them is only pending and has not been approved. – If the transaction is new construction, REMN must use a reasonable estimate of the real estate taxes based on the value of the land and completed improvements. – There is tax abatement on the subject property for no less than 5 years from the note date. – For a municipality with a 10 year abatement, qualify the borrower with the reduced tax amount – For a municipality with a 10 year abatement and with annual real estate tax increases in years 1 - 10, REMN must qualify the borrower with the annual taxes that will be required at the end of the 5th year after the first mortgage payment due date.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

CREDIT & UNDERWRITING	
Identification of Significant Derogatory Events	<ul style="list-style-type: none"> » The presence of significant derogatory credit events dramatically increases the likelihood of a future default and represents a significantly higher level of default risk. Examples of significant derogatory credit events include bankruptcies, foreclosures, deeds-in-lieu of foreclosure, preforeclosure sales, short sales and charge-offs on mortgage accounts. The terms "preforeclosure sale" and short sale" are used interchangeably by FNMA and have the same meaning. » REMN must determine the cause and significance of derogatory information, verify that sufficient time has elapsed since the date of the last derogatory information and confirm that the borrower has re-established an acceptable credit history. REMN must make the final decision about the acceptability of a borrower's credit history when significant derogatory credit information exists. » The waiting period commences on the completion, discharge or dismissal date (as applicable) of the derogatory credit event and ends on the disbursement date of the REMN new loan. NOTE: The requirements in this topic are applicable NOT to DU Refi Plus loans. See Extenuating Circumstances for Derogatory Credit for additional information. » REMN must review the credit report and Section VIII, Declarations, of the loan application to identify instances of significant derogatory credit events. REMN must review the public records section of the credit report and all trade lines, including mortgage accounts (first liens, second liens, home improvement loans, HELOC's and mobile home loans), to identify previous foreclosures, deeds-in-lieu or pre-foreclosure sales and bankruptcies. REMN must carefully review the current status of each trade line, manner of payment codes and remarks (descriptive text or codes, such as "foreclosure", "forfeit deed in lieu of foreclosure", "settled for less than full balance") to identify these types of significant derogatory credit events. » Significant derogatory credit events may not be accurately reported or consistently reported in the same manner by all creditors or credit reporting agencies. If not clearly identified in the credit report, REMN must obtain copies of appropriate documentation. Documentation must establish the completion date of a previous foreclosure, deed-in-lieu or pre-foreclosure sale; confirm the bankruptcy discharge or dismissal date; and identify debts that were not satisfied by bankruptcy. Debts that were not satisfied by a bankruptcy must be paid off or have an acceptable, established repayment schedule.
Extenuating Circumstances	<ul style="list-style-type: none"> » Extenuating circumstances are considered isolated events that are beyond the borrower's control that result in a sudden, significant and prolonged reduction in income or a large increase in the borrower's obligations (e.g. death of a borrower, layoff, serious illness, divorce, etc.). <ul style="list-style-type: none"> – Acceptable documentation to support extenuating circumstances and that illustrate factors that contributed to the borrower's inability to resolve the problem is required (e.g. copy of divorce decree, layoff notice, death certificate, medical bills, tax returns, property listing agreements, etc.) – Additionally, a letter of explanation from the borrower explaining the relevance of the documentation is required. » NOTE: A DU Approve/Eligible finding is still required even in cases where extenuating circumstances are considered; manual underwriting is not allowed on Conventional loan transactions.
Past-Due, Collection and Charge-Off of Non-Mortgage Accounts	<ul style="list-style-type: none"> » Accounts that are reported as past due (not reported as collection accounts) must be brought current. » For one-unit, principal residence properties, borrowers are not required to pay off outstanding collections or non-mortgage charge offs – regardless of the amount. Note: If REMN marks the collection account Paid By Close in the online loan application, DU will issue a message in the DU Underwriting Findings report stating that the collection must be paid » For two-four unit, owner occupied and second home properties, collections and non-mortgage charge-offs totaling more than \$5,000 must be paid in full prior to or at closing. » For investment properties, individual collection and non-mortgage charge-off accounts equal to or greater than \$250 and accounts that total more than \$1,000 must be paid in full prior to or at closing. REMN WS OVERLAY: At underwriter discretion based upon the type and amount of the collection; payoff may be required.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

CREDIT & UNDERWRITING	
Charge-Off Mortgage Accounts	<ul style="list-style-type: none"> » Mortgage accounts, including 1st or 2nd liens, home improvement loans, HELOCs and manufactured home loans, will be identified as a charge-off if there is a MOP code of "9" (collection or charge-off) and there is no information indicating the account may also be subject to a foreclosure, a bankruptcy, a deed-in-lieu or a pre-foreclosure sale. » When DU identifies a charge-off on a mortgage trade line, REMN must confirm the accuracy of the information. REMN must also document the event was completed four (4) or more years from the disbursement date of the new loan, or two (2) or more years from the disbursement date of the new loan when loan meets applicable timeframes and eligibility for extenuating circumstances.
Modified Mortgage	<ul style="list-style-type: none"> » With a modified mortgage, there is no "refinance" involved. Modified mortgage guidelines only apply to the actual loan that has been modified. REMN Underwriters will NOT be involved in "modified mortgage" guidelines. » A modified mortgage is a loan that was legally modified after loan closing in a way that changed any of the loan terms or attributes reflected in the original note. In general, mortgage loans with material modifications, such as changes to the original loan amount, interest rate, final maturity or product structure, are not eligible for delivery to FNMA. » A mortgage that was modified to effect technical or typographical corrections is permitted for delivery, provided that all of the changes correct errors in executed documents, which reflect the term of the original transaction. None of the changes can be the result of a subsequent modification or amendment to the original loan amount, interest rate or other material loan terms. The correction may not result in a change to, or create any inconsistencies with, other legal documents.
Deed-In-Lieu of Foreclosure and Pre-foreclosure See Waiting Period	<p>The following applies to all mortgage loans past and present the borrower is/was obligated on.</p> <ul style="list-style-type: none"> » These transaction types are completed as alternatives to foreclosure. A deed-in-lieu of foreclosure is a transaction in which the deed to the property is transferred back to the servicer. A pre-foreclosure sale or short sale is the sale of a property in lieu of a foreclosure resulting in a payoff of less than the total amount owed, which was preapproved by the lender. » The terms "pre-foreclosure sale" and short sale" are used interchangeably by FNMA and have the same meaning. Do not treat as a Modified Mortgage or Restructured Mortgage.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

CREDIT & UNDERWRITING	
Bankruptcy	<p>Chapter 7 or 11</p> <ul style="list-style-type: none"> » A four (4) year waiting period is required, measured from the discharge or dismissal date of the bankruptcy to the credit report date with REMN. » Exceptions for Extenuation Circumstances <ul style="list-style-type: none"> – Two (2) year waiting period is permitted if extenuating circumstances can be documented and is measured from the discharge/dismissal date of the bankruptcy to disbursement date with REMN. <p>Chapter 13</p> <p>A distinction is made between Chapter 13 bankruptcies that were discharged and those that were dismissed. The waiting period required for Chapter 13 bankruptcy actions is measured as follows:</p> <ul style="list-style-type: none"> » Two (2) years from discharge date to disbursement date with REMN, or » Four (4) years from dismissal date to disbursement date with REMN » The shorter waiting period based on the discharge date recognizes that the borrowers have already met a portion of the waiting period within the time needed for successful completion of a Chapter 13 plan and subsequent discharge. » Exceptions for Extenuating Circumstances <ul style="list-style-type: none"> – A two (2) year waiting period is permitted after a Chapter 13 dismissal, if extenuating circumstances can be documented. – There are <u>no</u> exceptions permitted to the 2 year waiting period after a Chapter 13 discharge. <p>Multiple Bankruptcy Filings</p> <ul style="list-style-type: none"> » For a borrower with more than one (1) bankruptcy filing within the past seven (7) years, a five (5) year waiting period is required, measured from the most recent dismissal/discharge date to disbursement date with REMN. <p>Note: The presence of multiple bankruptcies in the borrower's credit history is evidence of significant derogatory credit and increases the likelihood of future default. Two (2) or more borrowers with individual bankruptcies are not cumulative and do not constitute multiple bankruptcies.</p> <ul style="list-style-type: none"> – Borrower has one (1) bankruptcy and the co-borrower has one (1) bankruptcy this is not considered multiple bankruptcies. <p>Waiting Period for Mortgage Debt Discharged through Bankruptcy</p> <p>If a mortgage debt has been discharged through bankruptcy, even if a foreclosure action is subsequently completed to reclaim the property in satisfaction of the debt, the borrower is held to the bankruptcy waiting periods and not the foreclosure waiting period. REMN must obtain documentation to verify that the mortgage debt in question was in fact discharged as part of the bankruptcy.</p>
CCCS	<ul style="list-style-type: none"> » Follow DU Approve/Eligible findings
Foreclosure	<ul style="list-style-type: none"> » A seven (7) year waiting period is required and is measured from the completion date of the foreclosure action as reported on the disbursement or other documents provided by the borrower. » Exceptions for Extenuating Circumstances <ul style="list-style-type: none"> – A three (3) year waiting period is permitted if extenuating circumstances can be documented and is measured from the completion date of the foreclosure action. – Additional requirements apply between three (3) and seven (7) years, which include: <ul style="list-style-type: none"> ▪ The maximum LTV/CLTV/HCLTV ratios of the lesser of 90% or the maximum LTV/CLTV/HCLTV ratios for the transaction per the Eligibility Matrix. ▪ The purchase of a principal residence is permitted. ▪ Limited cash-out refinanced are permitted for all occupancy types pursuant to eligibility requirements in effect at the time of application with REMN <p>Note: The purchase of a second home or investment properties and cash-out refinances (any occupancy type) are not permitted until the seven (7) year waiting period has elapsed.</p> » If a mortgage debt has been discharged through bankruptcy, even if a foreclosure action is subsequently completed to reclaim the property in satisfactory of the debt, the borrower is held to the bankruptcy waiting periods and not the foreclosure waiting period. REMN must obtain documentation to verify that the mortgage debt in question was in fact discharged as part of the bankruptcy. <ul style="list-style-type: none"> ▪ If the mortgage was excluded from the bankruptcy – and then subsequently defaults – this guideline would not apply.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

CREDIT & UNDERWRITING		
Borrower with Prior Foreclosure with REMN WS – REMN WS Policy	» In the event that a Borrower(s) on the loan application has a prior foreclosure with REMN WS, the following will apply: <ul style="list-style-type: none">– The loan must be elevated to the REMN WS Chief Credit Officer for consideration. A detailed memo explaining the reason(s) for the foreclosure will be required, including, but not limited to the following:<ul style="list-style-type: none">• Factors that are considered the reasons for the foreclosure, as well as the monetary loss incurred by REMN WS,• Explanation should be for ‘extraordinary’ situations, such as prolonged serious medical condition and/or death of a household wage-earner. » The loan must otherwise meet all Agency/Investor guidelines that apply for foreclosure.	
Requirements for Re-Established Credit	» After a bankruptcy, foreclosure, deed-in-lieu of foreclosure or preforeclosure (short sale) sale, the borrower's credit will be considered re-established if <u>all</u> of the following are met: <ul style="list-style-type: none">– The waiting period and the related additional requirements are met; and– The loan receives an Approve/Eligible recommendation from DU; and– The borrower has traditional credit; non-traditional or "thin credit" files are <u>not</u> acceptable » Approve/Eligible Findings required.	
Waiting Period	The following summarizes the waiting period for all significant derogatory credit events.	
	Event	Waiting Period ¹
	Chapter 7 or 11	4 Years
	Chapter 13	2 Years from discharge date OR 4 years from dismissal date
	Multiple BK	5 years if more than 1 filing in the past 7 years
	Foreclosure ³	7 years
	Deed-In-Lieu or Pre-foreclosure	4 years
	Waiting Period with Extenuation Circumstances	
3 years Additional requirements after 3 years up to 7 years: 90% maximum LTV/CLTV/HCLTV Ratios ² Purchase – Principal Residence Limited Cash-Out – All occupancy types		
2 years		
¹ Waiting period = completion, discharge or dismissal date (as applicable) of the derogatory credit event and ends on the credit report date for the new loan see DU Loan Casefiles Waiting Period . ² Maximum ratios permitted are the lesser of the LTV/CLTV/HCLTV ratios in table or the Eligibility Matrix . ³ When both a bankruptcy and foreclosure are disclosed on the loan application, or when both appear on the credit report, REMN may apply the bankruptcy waiting period if REMN obtains the appropriate documentation to verify that the mortgage loan in question was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting period must be applied. NOTE: DU Approve/Eligible Findings required.		

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT	
Verbal VOE	<ul style="list-style-type: none"> » A Verbal Verification of Employment is required within ten (10) calendar days of the Note date for salaried borrowers; and within thirty (30) calendar days of the Note date for self-employed borrowers; » Self-employed borrowers require verification of the business by a third party source (e.g. CPA, Federal Tax Certificate, business license). Self-employed borrowers are individuals who have 25% or greater ownership interest in a business. » Minimum of two (2) years employment history must be verified for both salaried and self-employed borrowers.
Stable and Predictable Income	<ul style="list-style-type: none"> » The stable and reliable flow of income is a key consideration in mortgage loan underwriting. Individuals who change jobs frequently but who are able to earn consistent and predictable income are also considered to have a reliable flow of income for qualifying purposes. <ul style="list-style-type: none"> – Examples of less predictable income sources include commissions, bonuses, substantial amounts of overtime pay, or employment that is subject to time limits; such as contract employees or tradesmen.
Variable Income	<ul style="list-style-type: none"> » All income that is calculated by an averaging method must be reviewed to assess the borrower's history of receipt, the frequency of payment and trending of the amount of income being received. <ul style="list-style-type: none"> – Examples of income of this type include income from hourly workers with fluctuating hours, or income that includes commissions, bonuses or overtime. <p>History of Receipt</p> <ul style="list-style-type: none"> » Two or more years of receipt of a particular type of variable income is recommended; however, variable income that has been received for 12 to 24 months may be considered acceptable income as long as the borrower's loan application demonstrates that there are positive factors that reasonably offset the shorter income history. <p>Frequency of Payment</p> <ul style="list-style-type: none"> » REMN must determine the frequency of payment (weekly, biweekly, monthly, quarterly or annually) to arrive at an accurate calculation of the monthly income to be used in income trending (see below) <ul style="list-style-type: none"> – If a borrower is paid an annual bonus on March 31st of each year, the amount of the March bonus should be divided by 12 to obtain an accurate calculation of the current monthly bonus amount. – If a borrower is paid overtime on a biweekly basis, the most recent paystub must be analyzed to determine that both the current overtime earnings for the period and the year-to-date overtime earnings are consistent and, if not, why. REMN must investigate the difference between current period overtime and year-to-date earnings and document the analysis using the income in the trending analysis. <p>Income Trending</p> <ul style="list-style-type: none"> » After the monthly year-to-date income amount is calculated, it must be compared to prior years' earnings using the borrower's W2 or signed federal income tax returns. <ul style="list-style-type: none"> – If the trend in the amount of income is stable or increasing, the income should be averaged. – 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. – If the trend is declining, the income may not be stable. Additional analysis must be conducted to determine if any variable income should be used. But in no instance should it be averaged over the period when the declining income occurred. <p>Continuity of Income</p> <ul style="list-style-type: none"> » Unless REMN has knowledge to the contrary, if the income does not have a defined expiration date and the applicable history of receipt of the income is documented (per the specific income type), REMN may conclude the income is stable, predictable and likely to continue. REMN is not expected to request additional documentation from the borrower. » If the income source does have a defined expiration date or is dependent on the depletion of an asset account or other limited benefit, REMN must document the likelihood of continued receipt of income for at least 3 years.

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT		
Variable Income	» The following table contains examples of income types with and without defined expiration dates. This information is provided to assist Underwriters in determining whether additional income documentation may be necessary to support a three (3) year continuance.	
	Expiration Date NOT Defined	Defined Expiration Date*
	<ul style="list-style-type: none"> » Automobile Allowance » Base Salary » Bonus, Overtime, Commission or Tip Income » Capital Gains Income » Corporate Retirement or Pension Income » Disability Income – Long Term » Interest & Dividend Income (unless other evidence that asset will be depleted) » Foster-Care Income » Military Income » Part-Time Job Income, Second Job or Seasonal Income » Rental Income » Self-Employed Income » Social Security, VA or other Government Retirement Annuity Income 	<ul style="list-style-type: none"> » Alimony or Child Support » Distributions from Retirement Account (IRA, 401k, SEP, Keogh) » Mortgage Differential Payments » Notes Receivable » Public Assistance » Royalty Payment Income » Social Security (not including retirement or long term disability) » Trust Income » VA Benefits (not including retirement or long term disability)
	<p>*Because these income sources have a defined expiration date or allow the depletion of an asset, care must be taken when this is the sole source or majority of qualifying income. REMN must consider the borrower's continued capacity to repay the loan when the income source expires or the distribution will deplete the asset prior to maturation of the mortgage loan. Income sources not listed above will require Underwriter judgment to determine documentation of continuance.</p> <p>Determining the Need for Federal Income Tax Returns</p> <p>» REMN must obtain copies of the borrower's signed feral income tax returns filed with the IRS for the past two years for the following sources of income or employment, if the borrower:</p> <ul style="list-style-type: none"> – Earns 25% or more of his/her income from commissions – Is employed by family members – Is employed by interested parties to the property sale or purchase – Receives rental income from an investment property (only one year of tax returns is required unless the borrower meets one or more of the other conditions in this list) – Receives income from temporary or periodic employment (or unemployment) or employment that is subject to time limits; such as contract employees or tradesmen. – Receives income from capital gains, royalties, real estate or other miscellaneous non-employment earnings reported on IRS Form 1099 – Receives income that cannot otherwise be verified by an independent and knowledgeable source – Uses foreign income to qualify – Uses interest and dividend income to qualify – Receives income from Sole Proprietorships, LLC's, Partnerships, Corporations or other type of business structure in which the borrower has a 25% or greater ownership interest. Borrowers with a 25% or greater ownership interest are considered self-employed. REMN must document and underwrite the loan application using the requirements for self-employed borrowers. 	

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT		
Variable Income	Verification of Income for Non U.S. Citizen Borrowers	
	Employment Type	Employment & Income Verification
	Salaried or commissioned borrowers employed by a U.S. company or individual	Same as for U.S. Citizen
	Self-Employed	Same as for U.S. Citizen
	Employed by a foreign corporation or a foreign government and paid in foreign currency (foreign income)	Copies of the borrower's signed federal tax returns filed with the IRS for the most recent 2 year period; and, Documentation to satisfy the standard income documentation requirements. Note: All income must be translated to U.S.
	Using Nontaxable Income to Adjust Gross Income <ul style="list-style-type: none"> » REMN must verify that the particular source of income is nontaxable. Documentation that can be used for this verification includes; awards letters, policy agreements, account statements or any other documents that address the nontaxable status of the income. » If the income is verified to be nontaxable and the income and its tax-exempt status is likely to continue, REMN may develop an "adjusted gross income" for the borrower by adding an amount equivalent to 25% of the nontaxable income to the borrower's income. » If the actual amount of federal and state taxes that would be generally paid by a wage earner in a similar tax bracket is more than 25% of the borrower's nontaxable income, REMN may use that amount to develop the adjusted gross income, which should be used in calculating the borrower's qualifying ratio. 	
General Income Documentation Requirements	<ul style="list-style-type: none"> » REMN must verify employment income for all borrowers whose income is used to qualify for the mortgage loan. » DU indicates the minimum verification documentation requirements necessary. While DU may offer a reduced level of documentation, a more comprehensive level of documentation is always acceptable and in some instances should be required when circumstances warrant. » For additional information refer to Age of Credit Documents and Tax Return Requirements. » The paystub must be dated no earlier than 30 days prior to the initial loan application with REMN and it must include all year-to-date earnings. Additionally, the paystub must include sufficient information to appropriately calculate income; otherwise, additional documentation must be obtained. Paystubs must comply with Age of Credit Documents. » IRS W2 forms must cover the most recent one-year or two-year period, based on the documentation requirements for the particular income type. The W2 forms must clearly identify the borrower as the employee. <ul style="list-style-type: none"> • For loans where DU Approve/Eligible findings require W-2 statements, it is acceptable to use an IRS "Wage and Income Transcript" (W-2 transcript) in lieu of the actual W-2 forms. » "Most recent" W2 is defined as the W2 for the calendar year prior to the current calendar year. Alternative documentation, such as written Request for Verification of Employment or the final year-to-date paystub, may be used as long as adequate information is provided. » Documents must be computer-generated or typed by the borrower's employer(s) paystubs that the borrower downloads from the internet are also acceptable. Documents must clearly identify the employer's name and source of information. » The documents must clearly identify the borrower as the employee. » The information must be complete and legible. » The original source of the information must be a third party, such as borrower's human resources department, personnel office, payroll department, company's payroll vendor or supervisor. » Personal federal income tax returns, if applicable, must be borrower signed copies or duplicates of the original returns that were filed with the IRS. All supporting schedules must be included. <p>Note: REMN will only accept a fully completed VOE as a <u>supplement</u> to further explain the type of income earned (example: breakdown of income; Base, OT, Bonus, Commission, etc.).</p>	

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT		
FNMA Tax Return Requirements	<p>» When required, personal federal income tax returns must be copies of the original returns that were filed with the IRS. All supporting schedules must be included.</p> <p>» Each tax return must be signed by the borrower unless REMN has obtained one of the following signature alternatives;</p> <ul style="list-style-type: none"> – Documentation confirming that the tax returns were filed electronically, – A completed IRS Form 4506T (signed by the borrower) for the year in question; or, – IRS transcripts that validate the tax return. <p>» For some types of sources of income, FNMA requires REMN to obtain copies of federal income tax returns (personal returns and, if applicable, business returns). The "most recent year's" tax return is defined as the last return scheduled to have been filed with the IRS.</p>	
	If Today's Date is...	Then the Most Recent Year's Tax Returns would be...
	February 15, 2017	2015
	April 15, 2017	2016
	December 15, 2017	2016
	<p>» The following table describes which tax-related documentation to obtain depending on the application date and disbursement date of the mortgage.</p>	
	Application Date	Disbursement Date
	October 15 (current year minus 1) to April 14, current year	<p>October 15 (current year minus 1) to June 30, current year</p> <p>July 1, current year to October 14 current year</p>
	April 15, current year to October 14, current year (for April filing date for the year in question as published by the IRS)	<p>April 15, current year to December 31, current year</p>
	<p>Documentation Required</p> <p>The most recent year's tax returns is recommended, but not required. REMN must ask the borrower whether he/she has completed and filed his/her return with the IRS for the most recent year. If the answer is yes, REMN must obtain copies of that return. If the answer is no, REMN must obtain copies of tax returns for prior years.</p> <p>REMN MUST obtain:</p> <ul style="list-style-type: none"> » The most recent year's tax returns, OR all of the following: » A copy of IRS form 4868 (Application for Automatic Extension). <ul style="list-style-type: none"> – REMN must review the total tax liability reported on the IRS Form 4868 and compare it with the borrower's tax liability from the previous two (2) years as a measure of income source stability and continuance. An estimated tax liability that is inconsistent with previous years may make it necessary for REMN to require the current returns in order to proceed. – IRS Form 4506T transcripts confirming "No Transcript Available" for the applicable year; and – Returns for the previous two (2) years. 	
	<p>Note: For business tax returns, if the borrower's business uses a fiscal year (a year ending on the last day of any month except December), REMN may adjust the dates in the above chart to determine what year(s) of business tax returns are required in relation to the application/disbursement date of the mortgage loan.</p>	

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT	
Base Pay (Salary or Hourly) Bonus and Overtime Income	<ul style="list-style-type: none"> » Verification of base pay, bonus and overtime income <ul style="list-style-type: none"> – A minimum history of two (2) years employment income is recommended. However, income that has been received for a shorter period of time may be considered as acceptable income, as long as the borrowers' employment profile demonstrates that there are positive factors to reasonably offset the shorter income history. – Borrowers' relying on overtime or bonus income for qualifying purposes must have a history of no less than twelve (12) months.
Commission Income	<ul style="list-style-type: none"> » A minimum history of two (2) years of commission income is recommended; however, commission income that has been received for 12 to 24 months may be considered acceptable income, as long as there are positive factors to reasonably offset the shorter income history. » If the commission income represents less than 25% of the borrower's total annual employment income, obtain the following documents: <ul style="list-style-type: none"> – A completed Verification of Employment, or – The borrower's most recent paystub and IRS W2 forms covering the most recent two-year period. » If the commission income represents 25% or more of the borrower's total annual employment income, obtain the following documents: <ul style="list-style-type: none"> – Copies of the borrower's signed federal income tax returns that were filed with the IRS for the past two (2) years; and either, – A completed Verification of Employment, – The borrower's recent paystub and IRS W2 forms covering the most recent two-year period. » If tax returns are obtained, any non-reimbursed business expenses must be subtracted from the gross commission income. <ul style="list-style-type: none"> – This rule applies to borrowers where commission income is 25% or more of the qualifying income. – If borrower has commission income that is < 25% of the qualifying income, the unreimbursed business expenses are not deducted from the income.
Secondary Income	<ul style="list-style-type: none"> » Secondary employment income is income that is derived from a second job or multiple jobs the borrower may have. REMN must verify the following: <ul style="list-style-type: none"> – Verification of a minimum history of two years of uninterrupted secondary employment is recommended. However, income that has been received for a shorter period of time (no less than 12 months) may be considered as acceptable income, as long as there are positive factors to reasonably offset the shorter income history. – A borrower may have a history that includes different employers, which is acceptable as long as the income has been consistently received.
Seasonal Income	<p>REMN must verify the following for seasonal income:</p> <ul style="list-style-type: none"> » Verify that the borrower has worked in the same job (or the same line of seasonal work) for the past two (2) years. » Confirm with the borrower's employer that there is a reasonable expectation that the borrower will be rehired for the next season. » For seasonal unemployment compensation, verify that it is appropriately documented, clearly associated with seasonal layoffs, expected to recur and reported on the borrower's signed federal income tax returns. Otherwise, unemployment compensation cannot be used to qualify the borrower.
Union Workers	<ul style="list-style-type: none"> » If the borrower is a union member and employed full-time through the employer on a W-2 basis, then no additional verification of employment is required outside of what is requested by the DU Approve/Eligible findings. » For union members who are employed through the union/union hall (i.e. contract employees, tradesmen) and/or receive variable sources of income from assigned union jobs, then additional verification may be required to evidence stability of employment/income (i.e. two years Federal Income Tax Returns). See Determining the Need for Federal Income Tax Returns topic in the Variable Income section of this Product Description for further reference.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT

Rental Income

Eligible Properties

- » Rental income is an acceptable source of stable income for the following property types if it can be established that the income is likely to continue. If the rental income is derived from the subject property, the property must be one of the following:
 - 2-4 unit principal residence property in which the borrower occupies one (1) of the units; or,
 - 1-4 unit investment property (1st Time Homebuyers – see [1st Time Homebuyer Investment Purchase](#) section to reference allowable rental income)

Ineligible Properties

- » Generally, rental income from the borrower's principal residence (1 unit principal residence or the unit the borrower occupies in a 2-4 unit property) or a second home cannot be used to qualify the borrower.

General Requirements for Documenting Rental Income

If a borrower has a history of renting the subject or another property, rental income will be reported on Schedule E of the borrower's personal tax returns. If the borrower does not have a history of renting the subject property, REMN may be justified in using a current lease agreement. Examples of scenarios that justify the use of a lease agreement are:

- » Purchase transactions,
- » Refinance transactions in which the borrower purchased the rental property during or subsequent to the last tax return filing; or,
- » Refinance transactions of a property that experienced significant rental interruptions such that income is not report on the tax return (i.e. major renovations to a property occurred in the prior year that affected rental income).

When the subject property will generate rental income one (1) of the following forms must be used to support the income-earning potential of the property;

- 1 unit properties – Single-Family Comparable Rent Schedule (Form 1007) & Appraisal; or,
- 2-4 unit properties – Small Residential Income Property Appraisal Report (Form 1025).

Note: Form 1007 is only required when rental income is being used to qualify the borrower.

- » See [Reserves](#) for MANDA
- » TORY MANUAL RESERVE CALCULATION REQUIREMENTS.

Documenting Rental Income from Subject Property

Does Borrower Have History of Receiving Rental Income from the Subject Property?	Refinance Transaction	Documentation Requirements
YES	Refinance	<ul style="list-style-type: none"> » Form 1007 or Form 1025, as applicable and either; <ul style="list-style-type: none"> – The borrower's most recent year of signed federal income tax returns, including Schedule E; or, – Copies of the current lease agreement(s) if the borrower can document a qualifying exception (Partial or No Rental History on Tax Returns)
No	Purchase	<ul style="list-style-type: none"> » Form 1007 or Form 1025, as applicable; and, <ul style="list-style-type: none"> – Copies of current lease agreement(s). If the property is not currently rented, lease agreements are not required and Form 1007 or Form 1025 may be used. If there is a lease on the property that is being transferred to the borrower, REMN must verify that it does not contain any provisions that could affect FNMA's first lien position on the property.
No	Refinance	<ul style="list-style-type: none"> » Form 1007 or Form 1025, as applicable; and, » Copies of the current lease agreement(s).

- » If the borrower is not using any rental income from the subject property to qualify, the gross monthly rent must still be documented for REMN reporting purposes – [Reporting of Gross Monthly Rent](#).

Documentation Rental Income from Other Property

- » When the borrower owns property – other than the subject property – that is rented, REMN must document the monthly gross (and net) rental income with the borrower's most recent signed federal income tax returns that include Schedule E. Copies of the current lease agreement(s) may be substituted if the borrower can document a qualifying exception – [Partial or No Rental History on Tax Returns](#).

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT											
Partial or No Rental History on Tax Returns	<ul style="list-style-type: none">» In order for REMN to determine qualifying rental income, REMN must determine whether or not the rental property was in service for the entire tax year or only a portion of the year. Some situations REMN's analysis may determine that using alternative rental income calculations or using lease agreements to calculate income are more appropriate methods for calculating the qualifying income from rental properties. This policy may be applied to refinances of a subject rental or to other rental properties owned by the borrower.» If the borrower is able to document (per the table below) that the rental property was not in service the previous tax year, or was in service for only a portion of the previous tax year, REMN may determine qualifying rental income by using;<ul style="list-style-type: none">– Schedule E income and expenses, and annualizing the income (or loss) calculation; or,– Lease agreement(s) to determine the gross rental income to be using in the net rental income (or loss) calculation.										
	<table><tr><th>If...</th><th>Then...</th></tr><tr><td>If the property was acquired during or subsequently to the most recent tax filing year</td><td>Confirm the purchase date using the HUD1<ul style="list-style-type: none">* If acquired during the year, Schedule E (Fair Rental Days) must confirm a partial year rental income and expenses (depending on when the unit was in service as a rental).* If acquired after the last tax filing year, Schedule E will not reflect rental income or expenses for this property.</td></tr><tr><td>If the rental property was out of service for an extended period</td><td><ul style="list-style-type: none">* Schedule E will reflect the costs for renovation or rehabilitation as repairs expenses. Additional documentation may be required to ensure that the expenses support a significant renovation that supports the amount of time that the rental property was out of service* Schedule E (Fair Rental Days) will confirm the number of days that the rental unit was in service, which must support the unit being out of service for a portion of the year.</td></tr></table>	If...	Then...	If the property was acquired during or subsequently to the most recent tax filing year	Confirm the purchase date using the HUD1 <ul style="list-style-type: none">* If acquired during the year, Schedule E (Fair Rental Days) must confirm a partial year rental income and expenses (depending on when the unit was in service as a rental).* If acquired after the last tax filing year, Schedule E will not reflect rental income or expenses for this property.	If the rental property was out of service for an extended period	<ul style="list-style-type: none">* Schedule E will reflect the costs for renovation or rehabilitation as repairs expenses. Additional documentation may be required to ensure that the expenses support a significant renovation that supports the amount of time that the rental property was out of service* Schedule E (Fair Rental Days) will confirm the number of days that the rental unit was in service, which must support the unit being out of service for a portion of the year.				
	If...	Then...									
If the property was acquired during or subsequently to the most recent tax filing year	Confirm the purchase date using the HUD1 <ul style="list-style-type: none">* If acquired during the year, Schedule E (Fair Rental Days) must confirm a partial year rental income and expenses (depending on when the unit was in service as a rental).* If acquired after the last tax filing year, Schedule E will not reflect rental income or expenses for this property.										
If the rental property was out of service for an extended period	<ul style="list-style-type: none">* Schedule E will reflect the costs for renovation or rehabilitation as repairs expenses. Additional documentation may be required to ensure that the expenses support a significant renovation that supports the amount of time that the rental property was out of service* Schedule E (Fair Rental Days) will confirm the number of days that the rental unit was in service, which must support the unit being out of service for a portion of the year.										
Calculating Monthly Qualifying Rental Income (or Loss)	<p>Federal Income Tax Returns / Schedule E</p> <ul style="list-style-type: none">» When Schedule E is used to calculate qualifying rental income, REMN must add back any listed depreciation, interest, taxes or insurance expenses to the borrower's cash flow.» If the property was in service<ul style="list-style-type: none">– For the entire year, the rental income must be averaged over 12 months, or;– For less than the full year, the rental income must be averaged over the number of months that the borrower used the property as a rental unit.See Treatment of Rental Income (Or Loss) <p>Lease Agreements</p> <ul style="list-style-type: none">» When current lease agreements are used, REMN must calculate the rental income by multiplying the gross rent(s) by 75%. The remaining 25% of the gross rent will be absorbed by vacancy losses and ongoing maintenance expenses. See Treatment of Rental Income (Or Loss)										
1 st Time Homebuyer Investment Purchase	<p>REM N WS Overlay – For First Time Homebuyers (FTHB) purchasing an investment property, the following table represents the rental income from the subject property that can be utilized (FTHB is defined as at least one borrower(s) responds “No” to the declaration M question: “Have you had an ownership interest in the last 3 years?”):</p> <table><tr><th>Property Type</th><th>Allowed Rental Income to be Utilized*</th></tr><tr><td>1 Unit</td><td>No rental income can be used</td></tr><tr><td>2 Unit</td><td>Rental income from one (1) unit can be used</td></tr><tr><td>3 Unit</td><td>Rental income from two (2) units can be used</td></tr><tr><td>4 Unit</td><td>Rental income from three (3) units can be used</td></tr></table> <p>*The unit(s) with the lesser rental income will be the unit(s) considered for qualifying purposes.</p>	Property Type	Allowed Rental Income to be Utilized*	1 Unit	No rental income can be used	2 Unit	Rental income from one (1) unit can be used	3 Unit	Rental income from two (2) units can be used	4 Unit	Rental income from three (3) units can be used
Property Type	Allowed Rental Income to be Utilized*										
1 Unit	No rental income can be used										
2 Unit	Rental income from one (1) unit can be used										
3 Unit	Rental income from two (2) units can be used										
4 Unit	Rental income from three (3) units can be used										

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT	
Treatment of the Income (or Loss)	<ul style="list-style-type: none"> » The amount of monthly qualifying rental income (or loss) that's considered as part of the borrower's total monthly income (or loss) - and its treatment in the calculation of the borrower's total debt-to-income ratio - varies depending on whether the borrower occupies the rental property as his/ her principal residence. » If the net rental income (or loss) relates to the borrower's principal residence: <ul style="list-style-type: none"> – The monthly net rental income (as defined above) must be added to the borrower's total income. (This income is not netted against the PITIA of the property). – The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio. » If the net rental income (or loss) relates to a property other than the borrower's primary residence: <ul style="list-style-type: none"> – If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income. – If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations. – The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation. – The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation. <p>NOTE: For DU loan casefiles, the term "subject net cash flow" applies to rental income from the security property and the term "net rental income" applies to rental income from properties other than the security property.</p>
Reporting of Gross Monthly Rent	<ul style="list-style-type: none"> » Eligible rents on the security property (that is, gross monthly rent) must be reported to FNMA for all investment properties and 2-4 unit principal residence properties, regardless of whether the borrower is using rental income to qualify for the mortgage loan. » If the borrower is not using any rental income from the subject property to qualify, gross monthly rent must be documented only for REMN reporting purposes. The borrower may provide one of the following sources (listed in order of preference): <ul style="list-style-type: none"> – The appraisal report for a 1 unit or 2-4 unit investment property or Single Family Comparable Rent Schedule (Form 1007), provided neither the appraisal nor Form 1007 are dated > 12 months prior to the Note date. – If the property is not currently rented, REMN may use the opinion of market rents provided by the appraiser; or – If an appraisal or Form 1007 is not required for the transaction, REMN may rely upon either a signed lease from the borrower or may obtain a statement from the borrower of the gross rent being charged for the property. The monthly rental amounts must be stated separately monthly for each unit in a 2-4 unit property. The disclosure from the borrower must be in the form of one of the following: <ul style="list-style-type: none"> ▪ A written statement from the borrower; or ▪ An addition to the URLA (Form 1003). » REMN must retain in the loan file the documentation that was relied upon to determine the amount of eligible rent reported.
Parties in Possession	<ul style="list-style-type: none"> » Properties that currently have a tenant- <u>regardless of whether or not income is used to qualify</u>, <ul style="list-style-type: none"> – 1 Unit (including condo, PUD & co-op) investment occupancy – 2 - 4 Family - all occupancies » The file must contain <u>one</u> of the following documents prior to closing. <ul style="list-style-type: none"> – Verification from the appraiser that all units are currently vacant (can be part of appraisal) – Verification from the title company that they will not have a "tenants in possession" exception to the title policy. Specific verification from Title Company is required. The fact that this is "silent" on the title policy will not satisfy this condition. » The lease documentation, if currently rented, that specifically either; <ul style="list-style-type: none"> – Indicates that the lease is subordinate to any mortgage; OR – Ensure that any tenant's rights to purchase the property and any other rights that could adversely affect FNMA's mortgagee interest have been waived formally by the tenant or tenants.

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT

Temporary Leave Income

- » Temporary leave from work is generally short in duration and for reasons of maternity or parental leave, short-term medical disability or other temporary leave types that are acceptable by law or the borrower's employer. Borrowers on temporary leave may or may not be paid during their absence from work.
- » If REMN is made aware that a borrower will be on temporary leave at the time of the loan closing and the borrower's income is needed to qualify for the loan, REMN must determine allowable income and confirm employment as described below.
 - The borrower's employment and income history must meet standard eligibility requirements.
 - Borrower must provide written confirmation of his/her intent to return to work and the agreed upon date of return as evidenced by documentation provided by the employer.
 - REMN cannot receive evidence or information from the borrower's employer indicating that the borrower does not have the right to return to work after the leave period.
 - REMN must obtain a verbal VOE. If the employer confirms that the borrower is currently on temporary leave, REMN must consider the borrower employed.
- » REMN must verify the borrower's income in accordance with standard legibility requirements:
 - The amount and duration of the borrower's "temporary leave income" which may require multiple documents or sources depending on the type and duration of the leave period; and,
 - The amount of the "regular employment income" the borrower received prior to the temporary leave. Regular employment income includes, but is not limited to, the income the borrower receives from employment on a regular basis that is eligible for qualifying purposes (i.e. base pay, commissions and bonus).

Calculating Qualifying Income

- » Requirements for Calculating Income Used to Qualify
 - If the borrower **will** return to work as of the first mortgage payment date, REMN can consider the borrower's regular employment income in qualifying.
 - If the borrower will **not** return to work as of the first mortgage payment date, REMN must use the lesser of the borrower's temporary income (if any) or regular employment income.
 - If the borrower's temporary leave income is less than his/her regular employment income, REMN may supplement the temporary leave income with available liquid financial reserves (B3-4.1-01)

Supplement income amount = available liquid reserves divided by the number of months of supplemental income

- Available liquid reserves: subtract any funds needed to complete the transaction (down payment, closing costs, other required debt payoff, escrows and minimum reserve requirements) from the total verified liquid asset amount.
- Number of months of supplemental income: the number of months from the first mortgage payment date to the date the borrower will begin receiving his/her regular employment income, rounded to the next whole number.

- » After determining the supplement income, REMN must calculate the qualifying income

Total qualifying income = supplement income plus the temporary leave income

- » The total qualifying income results may not exceed the borrower's regular employment income.
 Regular Income amount: \$6,000.00 per month
 Temporary Leave Income: \$2,000.00 per month
 Total verified liquid assets: \$30,000.00
 Funds needed to complete the transaction: \$18,000.00
 Available liquid reserves: \$12,000.00
 First payment date: July 1
 Date borrower will begin receiving regular employment income: November 1
 Supplemental income: $\$12,000.00 / 4 = \$3,000.00$
 Total qualifying income: $\$3,000.00 + \$2,000.00 = \$5,000.00$

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT						
	<p>Data Entry Requirements</p> <ul style="list-style-type: none">» DU requirements for data entry with Temporary Leave Income<ul style="list-style-type: none">– Entry of the income into DU depends on what was derived as the "lesser of" amount.– When the borrower's temporary leave income is used, enter the amount in Other Income as "Temporary Leave"– When the borrower's regular employment income is used, enter the income amount using the applicable income type.– If the borrower's temporary leave income is less than the regular income and REMN is able to supplement the temporary income with available liquid reserves, the following must be applied:<ul style="list-style-type: none">– REMN must enter the combined temporary leave income & supplemental income from reserves under Other Income as "Temporary Leave". The combination of these two incomes may not exceed the borrower's regular monthly employment income.– As DU is not able to determine supplemental income is being used, nor is it able to determine the amount of reserves used to supplement the temporary income, REMN must manually reduce the amount of the borrower's total liquid assets by the amount of reserves used to supplement the temporary income (in order to avoid the reserves being used for both income and assets).					
Alimony & Child Support Documentation	<ul style="list-style-type: none">» Document that the alimony or child support will continue for at least 3 years after the date of the application date with REMN, as verified by 1 of the following;<ul style="list-style-type: none">– A copy of a divorce decree or separation agreement (if the divorce is not final) that indicates payment of alimony or child support and states the amount of the award and the period of time over which it will be received. If a borrower who is separated does not have a separation agreement that specifies alimony or child support payments, REMN will not consider any proposed or voluntary payments as income.– Any other type of legal agreement or court order describing the payment terms for the alimony or child support.– Documentation that verified any applicable state law that mandates alimony, child support or separate maintenance payments, which must specify the conditions under which the payments must be made.» Check for limitations on the continuance of payments, such as the age of the children for whom the support is being paid or the duration over which the alimony is required to be paid.» Document the borrower's regular receipt of the full payment, as verified by<ul style="list-style-type: none">– Deposit slips,– Court records,– Copies of signed federal income tax returns that were filed with the IRS, or– Copies of the borrower's bank statements showing the regular deposit of these funds.– A minimum of 6 months of documented receipt of income will be required for verification.					
Schedule K-1 Income (Self-Employment < 25%)	<ul style="list-style-type: none">» For borrowers who have less than 25% ownership of a partnership, S corporation, or limited liability company (LLC), ordinary income, net rental real estate income, and other net rental income reported on IRS Form 1065 or IRS Form 1120S, Schedule K-1 may be used in qualifying the borrower provided:<ul style="list-style-type: none">– The borrower can document ownership share (may use Schedule K-1)– The borrower can document access to the income, and– The business has adequate liquidity to support the withdrawal of earnings.» The following table provided verification of income requirements for Schedule K-1 borrowers with < 25% ownership of a partnership, an S Corporation or an LLC. <table><tr><th>Verification of Schedule K-1 Income</th></tr><tr><td>If the Schedule K-1 reflects a documented, stable history of receiving cash distributions of income from the business, consistent with the level of business income being used to qualify, then no further documentation of access to the income or adequate business liquidity is required. The Schedule K-1 income may then be included in the borrower's cash-flow.</td></tr><tr><td>If the Schedule K-1 does not reflect a documented, stable history of receiving cash distributions of income from the business income consistent with the level of business income being used to qualify, REMN WS must confirm all of the following to include the income in the borrower's cash-flow:<ul style="list-style-type: none">• The borrower can document he/she has access to income (e.g. partnership agreement or corporate resolution).• The business has adequate liquidity to support the withdrawal of earnings.</td></tr><tr><td>If the borrower has a two (2) year history of receiving "guaranteed payments to the partner" from a partnership or LLC, these payments can be added to the borrower's cash-flow. NOTE: An exception to the 2yr requirement of receiving these payments is if a borrower has recently acquired nominal ownership in a professional services partnership (e.g. medical practice or law firm) after having an established employment history with the partnership. In such case, REMN WS may rely upon the borrower's guaranteed compensation. This must be evidenced by the borrower's partnership agreement and further supported by evidence of current YTD income.</td></tr><tr><td>Documentation Requirements: Borrower must provide most recent two (2) years of signed individual federal income tax returns and the most recent two (2) years of IRS Schedule K-1.</td></tr></table>	Verification of Schedule K-1 Income	If the Schedule K-1 reflects a documented, stable history of receiving cash distributions of income from the business, consistent with the level of business income being used to qualify, then no further documentation of access to the income or adequate business liquidity is required. The Schedule K-1 income may then be included in the borrower's cash-flow.	If the Schedule K-1 does not reflect a documented, stable history of receiving cash distributions of income from the business income consistent with the level of business income being used to qualify, REMN WS must confirm all of the following to include the income in the borrower's cash-flow: <ul style="list-style-type: none">• The borrower can document he/she has access to income (e.g. partnership agreement or corporate resolution).• The business has adequate liquidity to support the withdrawal of earnings.	If the borrower has a two (2) year history of receiving "guaranteed payments to the partner" from a partnership or LLC, these payments can be added to the borrower's cash-flow. NOTE: An exception to the 2yr requirement of receiving these payments is if a borrower has recently acquired nominal ownership in a professional services partnership (e.g. medical practice or law firm) after having an established employment history with the partnership. In such case, REMN WS may rely upon the borrower's guaranteed compensation. This must be evidenced by the borrower's partnership agreement and further supported by evidence of current YTD income.	Documentation Requirements: Borrower must provide most recent two (2) years of signed individual federal income tax returns and the most recent two (2) years of IRS Schedule K-1.
Verification of Schedule K-1 Income						
If the Schedule K-1 reflects a documented, stable history of receiving cash distributions of income from the business, consistent with the level of business income being used to qualify, then no further documentation of access to the income or adequate business liquidity is required. The Schedule K-1 income may then be included in the borrower's cash-flow.						
If the Schedule K-1 does not reflect a documented, stable history of receiving cash distributions of income from the business income consistent with the level of business income being used to qualify, REMN WS must confirm all of the following to include the income in the borrower's cash-flow: <ul style="list-style-type: none">• The borrower can document he/she has access to income (e.g. partnership agreement or corporate resolution).• The business has adequate liquidity to support the withdrawal of earnings.						
If the borrower has a two (2) year history of receiving "guaranteed payments to the partner" from a partnership or LLC, these payments can be added to the borrower's cash-flow. NOTE: An exception to the 2yr requirement of receiving these payments is if a borrower has recently acquired nominal ownership in a professional services partnership (e.g. medical practice or law firm) after having an established employment history with the partnership. In such case, REMN WS may rely upon the borrower's guaranteed compensation. This must be evidenced by the borrower's partnership agreement and further supported by evidence of current YTD income.						
Documentation Requirements: Borrower must provide most recent two (2) years of signed individual federal income tax returns and the most recent two (2) years of IRS Schedule K-1.						

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT	
Automobile Allowance	<ul style="list-style-type: none"> » For an automobile allowance to be considered as acceptable stable income, the borrower must have received payments for at least 2 years. REMN must include all associated business expenditures in the calculation of the borrower's total DTI ratio. » There are two methods for calculating the income associated with an automobile allowance; <ul style="list-style-type: none"> – Actual cash flow approach: If the borrower reports automobile allowances on IRS Form 2106 or Form 1040 Schedule C. – Funds in excess of the borrower's monthly expenditures are added to the borrower's monthly income; or, – Expenses in excess of the monthly allowance are included in the borrower's total monthly obligations. » If the borrower used IRS Form 2106 and recognized "actual expenses" instead of the "standard mileage rate", REMN must look at the "actual expenses" section to identify the borrower's actual lease payments and make appropriate adjustments. <ul style="list-style-type: none"> – Income and debt approach: If the borrower does not report the allowance on either Form 2106 or Schedule C, the full amount of the allowance is added to the borrower's monthly income, and the full amount of the lease or financing expenditure for the automobile is added to the borrower's total monthly obligations.
Boarder Income	<ul style="list-style-type: none"> » Income from boarders in the borrower's principal residence or second home is not considered acceptable income with the exception of the following; <ul style="list-style-type: none"> – When a borrower with disabilities receives rental income from a live-in personal assistance, whether or not that individual is a relative of the borrower, the rental payments can be considered as acceptable stable income in an amount up to 30% of the total gross income that is used to qualify the borrower. Personal assistants typically are paid by Medicaid Waiver funds and include room and board, from which the rental payments made to the borrower. » Verification of Income from Boarders <ul style="list-style-type: none"> – Obtain documentation of the boarder's history of shared residency (such as a copy of a driver's license, bills, bank statements, or W-2 Forms) that shows the boarder's address as being the same as the borrower's address. – Obtain documentation of the boarder's rental payments for the most recent 12 months.
Capital Gains Income	<ul style="list-style-type: none"> » Income received from capital gains is generally a one-time transaction; therefore, it should not be considered as part of the borrower's stable monthly income. However, if the borrower needs to rely on income from capital gains to qualify, the income must be verified in accordance with the following requirements. » Document a two-year history of capital gains income by obtaining copies of the borrower's signed federal income tax returns for the most recent 2 years, including IRS Form 1040, Schedule D. » Develop an average income from the last 2 years (according to Variable Income Guidelines), and use the averaged amount as part of the borrower's qualifying income as long as the borrower provides current evidence that he/she owns additional property or assets that can be sold if extra income is needed to make future mortgage payments. <p>Note: Capital losses identified on the IRS Form 1040, Schedule D, do not have to be considered when calculating income or liabilities, even if the losses are recurring.</p> » Due to the nature of this income, current receipt of income is not required to comply with Age of Credit Documents policy. However, documentation of the asset ownership must be in compliance with the Age of Credit Documents policy & Tax Return Requirements.
Employment Offers or Contracts	<p>Projected income from a new job that the borrower is scheduled to start is eligible subject to REMN management approval and the following:</p> <ul style="list-style-type: none"> – The borrower's previous employment and income history must be documented. – The borrower must be scheduled to begin employment within 30 days from the loan closing. – A copy of the offer or contract for employment is required and the documentation must include salary information. – Borrower must have sufficient other income or cash reserves to pay the mortgage and all other obligations from loan closing to start of new job. – A letter, signed by the borrower(s), is required, certifying that a paystub or other acceptable documentation to validate the borrower has started employment, will be provided as soon as received by the borrower.

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT

Employment-Related Assets as Qualifying Income

- » Assets used for calculation of monthly income stream must be owned individually by the borrower, or the co-owner of the assets must be a co-borrower of the mortgage loan.
- » Documentation of asset ownership must be in compliance with the [Age of Credit Documents](#) Policy and [Tax Return Documentation](#)
- » Assets must be liquid and available to the borrower with no penalty and must be sourced as one of the following:
 - A non-self-employed severance package or non-self-employed lump sum retirement package (a lump sum distribution) must be document with the distribution letter from the employer (form 1099-R) and deposited to a verified asset account.
 - For 401(k) or IRA, SEP, Keogh retirement accounts; the borrower must have unrestricted access without penalty to the accounts and can only use the accounts if distribution is not already set up or the distribution amount is not enough to qualify. The account must be document with the most recent monthly, quarterly or annual statement.
- » If the employment-related assets in the form of stocks, bonds and mutual funds, 70% of the value (remaining after costs for the transaction) must be used to determine the income stream to account for the volatile nature of these assets.
- » "Net documented assets" are equal to:
 - a) The sum of eligible assets minus any funds that will be used for closing or required reserves; or
 - b) Minus 30% of the remaining value of any stocks, bonds or mutual fund assets (after the calculation in (a)).

Calculation of Net Documented Assets

Checking and savings accounts (for illustration purposes only – not an eligible employment-related asset)	\$40,000
IRA (made up of stocks and mutual funds)	\$500,000
Total eligible documented assets	\$540,000
Funds required for closing (down payment, closing costs, reserves)	\$100,000
(a) Remaining IRA Assets (\$500,000 - \$60,000 used at closing)	\$440,000
(b) Minus 30% of \$440,000 (\$440,000 x .30%)	\$132,000
Net Documented Assets	\$308,000
Monthly income calculation (\$308,000/360 months)	\$855.56/month
Income Calculation/Payout Stream below	

- » Ineligible assets are non-employment-related assets (i.e. stock options, non-vested restricted stock, lawsuit, lottery winnings, sale of real estate, inheritance and divorce proceeds).
- » Checking and savings accounts are generally not eligible as employment-related assets; unless the source of the balance in checking or savings accounts was from an eligible employment-related asset (i.e. severance package or lump sum retirement distribution).
- » All of the following loan parameters must be met in order for employment-related assets to be used as qualifying income:

Parameter	FNMA Requirement
Maximum LTV/CLTV/HCLTV	70%
Minimum Credit Score	DU: 620 Standard: Higher of 620 or minimum credit score per the Eligibility Matrix
Loan Purpose	Purchase and Limited Cash-Out Refinance only
Occupancy	Principal residence and second home only
Number of units	1-4
Income Calculation/Payout Stream	Divide "Net Documented Assets" by 360 months (30 year term must be used regardless of the borrower age or amortization terms of the loan).

Note: If the mortgage loan does not meet the above parameters, employment-related assets may still be eligible under other standard income guidelines such as [Interest & Dividend Income](#) or [Retirement, Government Annuity and Pension Income](#).

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INCOME & EMPLOYMENT	
Foreign Income	<p>» Foreign income is income that is earned by a borrower who is employed by a foreign corporation or a foreign government and is paid in foreign currency. Borrowers may use foreign income to qualify if the following conditions are met:</p> <ul style="list-style-type: none"> – Copies of his/her signed federal income tax returns for the most recent two (2) year period that include the foreign income. – REMN must satisfy the standard documentation requirements based on the source and type of income. <p>Note: All income must be translated to U.S. dollars. If the borrower is not a U.S. Citizen refer to Non-U.S. Citizen Borrower Eligibility Requirements.</p>
Foster Care Income	<p>» Income received from a state or county sponsored organization for providing temporary care for one (1) or more children may be acceptable stable income if the following requirements are met:</p> <ul style="list-style-type: none"> – Verify the foster-care income with letters of verification from the organizations providing the income. – Document that the borrower has a two (2) year history of providing foster-care services. If the borrower has not been receiving this type of income for two (2) full years, the income may still be counted as stable income if: <ul style="list-style-type: none"> ▪ The borrower has at least twelve (12) month history of providing foster-care services; and, ▪ The income does not represent more than thirty percent (30%) of the total gross income that is used to qualify for the loan.
Housing or Parsonage Income	<p>» May be considered qualifying income if there is documentation that the income has been received for the most recent twelve (12) months and the allowance is likely to continue for the next three (3) years. The housing allowance may be added to income but may not be used to offset the monthly housing payment.</p> <p>Note: This requirement does not apply to military quarters' allowance.</p>
Income & Dividends Income	<p>» Verify the borrower's ownership of the assets on which the interest or dividend income was earned. Documentation of asset ownership must be in compliance with Age of Credit Documents and Tax Return Requirements.</p> <p>» Document a two (2) year history of income, as verified by:</p> <ul style="list-style-type: none"> – Copies of the borrower's signed federal income tax returns; or, – Copies of account statements. <p>» Develop an average of the income received for the most recent two (2) years. Refer to Variable Income.</p> <p>» Subtract any assets used for down payment or closing costs from the borrower's total assets before calculating expected future interest or dividend income.</p>
Notes Receivable Income	<p>» Verify that the income can be expected to continue for a minimum of three (3) years from the date of the mortgage application.</p> <p>» Obtain a copy of the note to establish the amount and length of payment.</p> <p>» Document regular receipt of income for the most recent twelve (12) months.</p> <p>» Payments on a note executed within the past twelve (12) months, regardless of the duration, may NOT be used as stable income.</p>
Disability Income Long-Term	<p>» Obtain a copy of the borrower's disability policy or benefits statement from the benefits payer (insurance company, employer or other qualified disinterested party) to determine;</p> <ul style="list-style-type: none"> – The borrower's current eligibility for the disability benefits, – The amount and frequency of the disability payments, and – If there is a contractually established termination or modification date. <p>» Generally long term disability will not have a defined expiration date and must be expected to continue. The requirement for re-evaluation of benefits is not considered a defined expiration date. If a borrower is currently receiving short-term disability payments that will decrease to a lesser amount within the next 3 years because they are being converted to long-term benefits, the amount of long-term benefits must be used as income to qualify the borrower.</p> <p>» For additional information on short-term benefits; Temporary Leave Income.</p>

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INCOME & EMPLOYMENT			
Retirement, Government Annuity and Pension Income	<ul style="list-style-type: none"> » Document regular and continued receipt of the income, as verified by: <ul style="list-style-type: none"> – Letters from the organizations providing the income, – Copies of retirement awards letters, – Copies of signed federal income tax returns, – IRS W2 or 1099 Forms; or, – Proof of current receipt. » If retirement income is paid in the form of a distribution from a 401k, IRA or Keogh Retirement account, determine whether the income is expected to continue for at least three (3) years after the date of the mortgage application; in addition: <ul style="list-style-type: none"> – The borrower must have unrestricted access without penalty to the accounts; and, – If the assets are in the form of stocks, bonds or mutual funds, 70% of the value (remaining after any applicable costs for the subject transaction) must be used to determine the number of distributions remaining to account for the volatile nature of these assets). » Documentation of asset ownership must be in compliance with Age of Credit Documents and Tax Return Requirements. 		
	<ul style="list-style-type: none"> » Obtain copies of; <ul style="list-style-type: none"> – Royalty contract, agreement or statement confirming amount, frequency and duration of the income; and, – Borrowers' most recent signed federal income tax returns, including the related IRS Form 1040 Schedule E. » Confirm that the borrower has received royalty payments for at least twelve (12) months and that the payments will continue for a minimum of three (3) years after the date of the mortgage application. » Refer to Variable Income for additional information. 		
Social Security Income	<ul style="list-style-type: none"> » Social Security income for retirement or long-term disability that the borrower is drawing from his/her own account/work record will not have a defined expiration date and must be expected to continue. » If Social Security benefits are being paid as a benefit for a family member of the benefit owner, that income may be used in qualifying if REMN obtains documentation that confirms the remaining term is at least three (3) years from the date of the mortgage application. » Document regular receipt of payments, as verified by the following, depending on the type of benefit and the relationship of the beneficiary (self or other) as shown below. 		
	Type of Social Security Benefit	Borrower is drawing Social Security Benefits from own account/work record	Borrower is drawing Social Security Benefits from another person's account/work record¹
	Retirement	Social Security Administrator's (SSA) Award Letter – OR – Proof of current receipt	SSA Award Letter, Proof of current receipt – AND – Three (3) year continuance (e.g. verification of beneficiary's age)
	Disability		
	Survivor Benefit	N/A	
	Supplemental Security Income (SSI)	SSA Award Letter – AND – Proof of current receipt	N/A
	¹ Examples of how a borrower might draw Social Security benefits from another person's account/work record and use the income for qualifying: <ul style="list-style-type: none"> » A borrower may be eligible for benefits from spouse, ex-spouse or dependent parents (the benefit is paid to the borrower on behalf of the spouse, etc.); or, » A borrower may use Social Security income received by a depended (a minor or disabled dependent). 		
Trust Income	<ul style="list-style-type: none"> » Confirm the trust income by obtaining a copy of the trust agreement or the trustee's statement confirming the amount, frequency and duration of payments. » Verify that the trust income will continue for at least three (3) years from the date of the mortgage application. » Unless this income is received monthly, documentation of current receipt of the income is not required to comply with Age of Credit Documents. 		

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT	
Unemployment Benefits – Seasonal Workers Only	<ul style="list-style-type: none"> » Unemployment compensation cannot be used to qualify the borrower unless it is clearly associated with seasonal employment that is reported on the borrower’s signed federal income tax returns. <ul style="list-style-type: none"> – Seasonal employment is considered predictable, so unemployment compensation related to this employment, if properly verified and documented, is considered predictable as well. – Union jobs are NOT considered seasonal, so unemployment compensation related to these is not considered predictable and not eligible for qualification. » Verify that the seasonal income is likely to continue. » Document that the borrower has received the payments consistently for at least two (2) years by obtaining copies of signed federal income tax returns. » See Seasonal Income for additional information about verification of seasonal income.
Unreimbursed Business Expense	<ul style="list-style-type: none"> » When a borrower has unreimbursed business expenses, such as classroom supplies, uniforms, meals, gasoline, automobile insurance and/or automobile taxes, REMN must determine the monthly debt obligation for such expenses by developing a twenty-four (24) month average of the expenses. Information from the borrower’s IRS form 1040 (signed) including all schedules (A & Form 2106) and net out any automobile depreciation claimed on IRS Form 2106. <ul style="list-style-type: none"> – If the expenses were taken for both years – a two (2) year average is used; unless the most recent year is significantly higher. In that even a satisfactory letter of explanation is required or the higher amount must be used. – If the expenses were only taken in the most recent year, then a twelve (12) month average is used. » The result of this calculation must be deducted from the borrowers’ monthly qualifying income. <p>Determining When To Apply Unreimbursed Employee Business Expenses Qualification Rules</p> <ul style="list-style-type: none"> » For borrowers who are qualified using base income, bonus, overtime, and commission income that is less than 25% of the qualifying income, unreimbursed business expenses, union dues and/or other voluntary deductions do not need to be deducted from the borrower’s qualifying income. <ul style="list-style-type: none"> • The 25% pertains to the commission income only. There is no percentage limitation that is applied to base income, bonus or overtime. » If commission income represents 25% or more of the borrower’s qualifying income, then the unreimbursed expenses must be deducted based on the existing policy (see above). » EXAMPLE: <ul style="list-style-type: none"> • Borrower receives 50% of their income in bonus and/or overtime. Unreimbursed expenses are NOT considered. • Borrower received 25% of their income from commission. Unreimbursed expenses ARE considered. Since these are considered, two (2) years 1040’s are required to develop the average. • Borrower receives 24.99% of their income from commission. Unreimbursed expenses are NOT considered. Since unreimbursed expenses are not considered, you can follow DU Approve/Eligible requirements with respect to the number of years’ W-2 statements required.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT

Self-Employed Borrowers

Self-Employed Borrower Overview

- » When determining the appropriate qualifying income for a self-employed borrower, it is important to note that business income (specifically from a partnership or S corporation) reported on an individual IRS Form 1040 may not necessarily represent income that has actually been distributed to the borrower. The fundamental exercise, when conducting self-employment income cash-flow analysis, is to determine the amount of income that can be relied on by the borrower in qualifying for their personal mortgage obligation. When underwriting these borrowers, it is important to review business income distributions that have been made or could be made to these borrowers while maintaining the viability of the underlying business. This analysis includes assessing the stability of business income and the ability of the business to continue to generate sufficient income to enable these borrowers to meet their financial obligations.

Factors to Consider For a Self-Employment Borrower

- » Any individual who has 25% or greater ownership interest in a business is considered to be self-employed. The following factors must be analyzed before approving a mortgage for a self-employed borrower:
 - The stability of the borrower's income
 - The location and nature of the borrower's business
 - The demand for the product or service offered by the business
 - The financial strength of the business
 - The ability of the business to continue generating sufficient income to enable the borrower to make the payments on the requested mortgage, and

Length of Self-Employment

- FNMA generally requires a 2 year history of the borrower's earnings as a means of demonstrating the likelihood that the income will continue to be received.
- However, a person who has a shorter history of self-employment (12 – 24 months), may be considered, as long as the borrower's most recent signed federal income tax returns reflect the receipt of such income as the same (or greater) level in a field that provides the same products or services as the current business or in an occupation in which he/she had similar responsibilities to those undertaken in connection with the current business.
 - In such cases, REMN must give careful consideration to the nature of the borrower's level of experience, and the amount of debt the business has acquired.

Verification of Income

- REMN will verify a self-employed borrower's income by obtaining from the borrower copies of his/her signed federal income tax returns (both individual and in some cases, business returns) that were filed with the IRS for the past two (2) years with all applicable schedules attached.
- REMN may waive the requirement for business tax returns if:
 - The borrower is using his/her own personal funds to pay the down payment and closing costs and satisfy applicable reserve requirements,
 - The borrower has been self-employed in the same business for at least five (5) years; and,
 - The borrower's individual tax returns show an increase in self-employment income over the past two (2) years.
- For certain loans casefiles, DU will issue a message permitting only one (1) year of personal and business tax returns, provided HBFS documents the income by:
 - Obtaining signed individual and business federal income tax returns for the most recent year,
 - Confirming the tax returns reflect at least 12 months of self-employment income, and
 - Completing Fannie Mae's Cash Flow Analysis (Form 1084) or any other type of cash flow analysis form that applies the same principles.

DU Documentation Recommendation

- » DU documentation requirements are based on the specific risk factors present in each loan file. DU indicates the minimum documentation requirements for income and asset verification, credit-related documentation and level of property fieldwork.
- » **REMN Overlay:** Year-to-Date Profit/Loss (may be prepared by the borrower)
 - REMN WS must obtain a year-to-date Profit and Loss (P&L) statement if more than a calendar quarter has elapsed since date of most recent calendar or fiscal year-end tax return was filed by the Borrower.
 - If income used to qualify the Borrower exceeds the two (2) year average of tax returns, an audited P&L or signed quarterly tax return must be obtained from the IRS.

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT	
Analysis of Borrower's Personal Income	<ul style="list-style-type: none"> » REMN must prepare a written evaluation of its analysis of a self-employed borrower's personal income, including the business income or loss, reported on the borrower's individual tax returns. The purpose of this written analysis is to determine the amount of stable and continuous income that will be available to the borrower. This is not required when a borrower is qualified using only salaried income (not derived from self-employment) and self-employment is a secondary/separate source of income (or loss). » FNMA Form 1084 or any other type of cash flow analysis that applies the same principles may be used. » Copy of the written analysis must be retained in the individual mortgage file.
Analysis of Borrower's Business Income	<ul style="list-style-type: none"> » When a borrower is relying upon self-employed income to qualify for a mortgage and the requirements that permit REMN to waive the business tax returns are not met, REMN must prepare a written evaluation of its analysis of the borrower's business income. REMN must evaluate the borrower's business through its knowledge of other businesses in the same industry to confirm the stability of the borrower's business income and estimate the potential for long-term earnings. » The purpose of this analysis is to <ul style="list-style-type: none"> – Consider the recurring nature of the business income, including identification of pass-through income that may require additional evaluation, – Measure year-to-year trends for gross income, expenses and taxable income for the business, – Determine (on a yearly or interim basis) the percentage of gross income attributed to expenses and taxable income; and, – Determine a trend for the business based on the change in these percentages over time. » FNMA Comparative Income Analysis (Form 1088), or any other method of trend analysis that enables business viability to be determined, may be used, as long as other method fairly presents the viability of the business and results in a degree of accuracy that is comparable with to that of Form 1088. » A copy of the written analysis and conclusions must be retained in the individual mortgage file.
Income Verification for Self-Employed Co-Borrowers	<ul style="list-style-type: none"> » When co-borrower income that is derived from self-employment is not being used for qualifying purposes, REMN WS is not required to document or evaluate the co-borrower's self-employment income (or loss). » Any business debt on which the borrower is personally obligated must be included in the total monthly obligations when calculating the debt-to-income (DTI) ratio.
Self-Employed Income or Loss Reported on IRS Form 1040, Schedule C	<ul style="list-style-type: none"> » Income (or Loss) from a Sole Proprietorship <ul style="list-style-type: none"> – The income (or loss) from a borrower's sole proprietorship is calculated on IRS Form 1040, Schedule C, then transferred to IRS Form 1040. – REMN WS may need to make certain adjustments to the net profit or loss shown on Schedule C to arrive at the borrower's cash flow. For example, Schedule C may include income that was not obtained from the profits of the borrower's business. If REMN WS determines that such income is not recurring, it should adjust the borrower's cash flow by deducting the nonrecurring income. » Recurring vs. Non-recurring Income and Expenses <ul style="list-style-type: none"> – REMN WS must determine whether the income is recurring or non-recurring. – Non-recurring income must be deducted in the cash-flow analysis, including any exclusion for meals and entertainment expenses reported by the borrower on Schedule C. – The following recurring items claimed by the borrower on Schedule C must be added back to the cash flow analysis: <ul style="list-style-type: none"> ▪ Depreciation ▪ Depletion ▪ Business use of a Home ▪ Amortization, and ▪ Casualty losses.

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT

Self-Employed Income or Loss Reported on IRS Form 1065, 1120s or K-1

- » The version of Schedule K-1 that is utilized to report a borrower's share of income (or loss) is based on how the business reports earnings for tax purposes;
 - Partnership – Reported on IRS Form 1065, Schedule K-1,
 - S corporation – Reported on IRS Form 1120S, Schedule K-1
 - LLC – Reported on either IRS Form 1065 or IRS Form 1120S, Schedule K-1, depending on how the federal income tax returns are filed for the LLC.
- » The underwriter must use caution when including income that the borrower draws from the borrower's partnership or S Corporation as qualifying income. Ordinary income, net real estate income and other net rental income reported on Schedule K-1 may be included in the borrower's cash flow only provided the underwriter can confirm that the business has adequate liquidity to support the withdrawal of earnings, as described below:
 - If the borrower has a two-year history of receiving "guaranteed payments to the partner" from a partnership or an LLC, then these payments can be added to the borrower's cash flow.
 - If the Schedule K-1 reflects a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then no further documentation of access to the income or adequate business liquidity is required. But if the Schedule K-1 does not reflect a documented, stable history, then REMN WS must confirm adequate business liquidity, as discussed below.
- » If business tax returns are required, then REMN WS must consider the type of business structure and analyze the business returns, according to the requirements described in [Fannie Selling Guide B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower](#).
- » REMN WS may use discretion in selecting the method to confirm that the business has adequate liquidity to support the withdrawal of earnings. When business tax returns are provided, for example, REMN WS may calculate a ratio using a generally accepted formula that measures business liquidity by deriving the proportion of current assets available to meet current liabilities.
- » It is important that the underwriter select a business liquidity formula based on how the business operates. For example:
 - The Quick Ratio (also known as the Acid Test Ratio) is appropriate for businesses that rely heavily on inventory to generate income. This test excludes inventory from current assets in calculating the proportion of current assets available to meet current liabilities.
 - $\text{Quick Ratio} = (\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$
 - The Current Ratio (also known as the Working Capital Ratio) may be more appropriate for businesses not relying on inventory to generate income.
 - $\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$
- » For either ratio, a result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal to support the withdrawal of earnings.

Documentation Requirements

The following table describes the documentation that the borrower must provide. The borrower must provide all of the below:

Documentation Requirements

- The most recent two (2) years of signed individual federal income tax returns – IRS Form 1040; or
- The most recent one (1) year of signed individual federal income tax returns, if permitted by DU*.
- The most recent two (2) years of IRS Schedule K-1; or
- The most recent one (1) year of IRS Schedule K-1, if permitted by DU*.
- The most recent two (2) years of business federal income tax returns (IRS Form 1065 or IRS Form 1120S), unless the requirements to waive business tax returns have been met; or
- The most recent one (1) year of business federal income tax returns, if permitted by DU*.

*In cases where DU Approve/Eligible findings require one (1) year tax return, REMN WS must still verify that the tax return reflects a full 12 months of self-employed income (cannot be less)

- 2014 1040: Accountant/CPA would need to reflect business started on or before 12/31/2013.
- 2015 1040: Accountant/CPA would need to reflect business started on or before 12/31/2014.

FNMA Cash Flow Analysis (Form 1084) or any other type of cash flow analysis that applies the same principles must be completed.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT	
Analyzing Returns for a Partnership or LLC	<p>Evaluating the Business Income</p> <ul style="list-style-type: none"> » When the borrower has 25% or more ownership interest in the business and business tax returns are required, REMN must perform a business cash flow analysis and evaluate the overall financial position of the borrower's business to determine whether <ul style="list-style-type: none"> • Income is stable and consistent, and • Sales and earnings trends are positive. » If the business does not meet these standards, business income cannot be used to qualify the borrower. <p>Borrower's Proportionate Share of Income or Loss</p> <ul style="list-style-type: none"> » The borrower's proportionate share of income or loss is based on the borrower's partnership percentage of Ending Capital in the business as shown on IRS Form 1065, Schedule K-1. » REMN can only consider the borrower's proportionate share of business income or loss after making the adjustments to the business cash flow analysis discussed below. <p>Adjustments to Business Cash Flow</p> <ul style="list-style-type: none"> » Items that can be added back to the business cash flow include depreciation, depletion, amortization, casualty losses, and other losses that are not consistent and recurring. » The following items should be subtracted from the business cash flow: <ul style="list-style-type: none"> • Meals and entertainment exclusion, • Other Reported income that is not consistent and recurring, and • The total amount of obligations on mortgages or notes that are payable in less than one (1) year. » These adjustments are not required for lines of credit or if there is evidence that these obligations roll over regularly and/or the business has sufficient liquid assets to cover them. <p>Income from Partnerships, LLC's, Estates and Trusts</p> <ul style="list-style-type: none"> » Income from partnerships, LLC's, estates or trusts can only be considered if REMN obtains documentation verifying that: <ul style="list-style-type: none"> – The income was actually distributed to the borrower, or – The business had adequate liquidity to support the withdrawal of earnings. If Schedule K-1 provides this confirmation, no further documentation of business liquidity is required. » REMN WS may use discretion in selecting the method to confirm that the business has adequate liquidity to support the withdrawal of earnings. When business tax returns are provided, for example, REMN WS may calculate a ratio using a generally accepted formula that measures business liquidity by deriving the proportion of current assets available to meet current liabilities. » It is important that the underwriter select a business liquidity formula based on how the business operates. For example: <ul style="list-style-type: none"> – The Quick Ratio (also known as the Acid Test Ratio) is appropriate for businesses that rely heavily on inventory to generate income. This test excludes inventory from current assets in calculating the proportion of current assets available to meet current liabilities. <ul style="list-style-type: none"> • $\text{Quick Ratio} = (\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$ – The Current Ratio (also known as the Working Capital Ratio) may be more appropriate for businesses not relying on inventory to generate income. <ul style="list-style-type: none"> • $\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$ » For either ratio, a result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal to support the withdrawal of earnings.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

INCOME & EMPLOYMENT	
Analyzing Returns for an S Corporation	<p>Evaluating the Business Income</p> <ul style="list-style-type: none"> » When the borrower has 25% or more ownership interest in the business, REMN must perform a business cash flow analysis and evaluate the overall financial position of the business and confirm: <ul style="list-style-type: none"> • Income is stable and consistent, and • Sales and earnings trends are positive. » If the business does not meet these standards, business income cannot be used to qualify the borrower. <p>Borrower's Proportionate Share of Income or Loss</p> <ul style="list-style-type: none"> » The borrower's proportionate share of income or loss is based on the borrower's (shareholder) percentage of stock ownership in the business for the tax year as shown on IRS Form 1120S, Schedule K-1. The cash flow analysis should consider only the borrower's proportionate share of the business income (or loss), taking into account any adjustments to the business income that are discussed below. Business income may only be used to qualify the borrower if REMN obtains documentation verifying that: <ul style="list-style-type: none"> – The income was actually distributed to the borrower, or – The business has adequate liquidity to support the withdrawal of earnings. If the Schedule K-1 provides the confirmation, no further documentation of business liquidity is required » REMN WS may use discretion in selecting the method to confirm that the business has adequate liquidity to support the withdrawal of earnings. When business tax returns are provided, for example, REMN WS may calculate a ratio using a generally accepted formula that measures business liquidity by deriving the proportion of current assets available to meet current liabilities. » It is important that the underwriter select a business liquidity formula based on how the business operates. For example: <ul style="list-style-type: none"> – The Quick Ratio (also known as the Acid Test Ratio) is appropriate for businesses that rely heavily on inventory to generate income. This test excludes inventory from current assets in calculating the proportion of current assets available to meet current liabilities. <ul style="list-style-type: none"> • $\text{Quick Ratio} = (\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$ – The Current Ratio (also known as the Working Capital Ratio) may be more appropriate for businesses not relying on inventory to generate income. <ul style="list-style-type: none"> • $\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$ » For either ratio, a result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal to support the withdrawal of earnings. <p>Adjustments to Business Cash Flow</p> <ul style="list-style-type: none"> » Items that can be added back to the business cash flow include depreciation, depletion, amortization, casualty losses, and other losses that are not consistent and recurring. » The following items should be subtracted from the business cash flow: <ul style="list-style-type: none"> • Meals and entertainment exclusion, • Other Reported income that is not consistent and recurring, and • The total amount of obligations on mortgages or notes that are payable in less than one (1) year. <p>These adjustments are not required for lines of credit or if there is evidence that these obligations roll over regularly and/or the business has sufficient liquid assets to cover them.</p>
	<p>IRS 4506T Requirements</p> <ul style="list-style-type: none"> » FNMA requires REMN to have each borrower (regardless of income source) complete and sign a separate IRS Form 4506T at or before closing. If personal tax returns and, if applicable, business tax returns are used to document the borrowers' income, those transcripts must be obtained from the IRS. » Loans where DU recommendation requires evidence of the "most recent tax returns"; if a loan is closing on or after October 15, 2017 REMN will need evidence of 2016 1040 being filed. This is for all loans in which DU requires the tax return.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

ASSETS

Depository Accounts

- » Funds held in a checking, savings, money market, certificate of deposit or other depository account may be used for down payment, closing costs and financial reserves.
 - Must include at least the last four (4) digits of the account number
- » Unverified funds are not acceptable for down payment, closing costs or financial reserves.
- » REMN must investigate any indication of borrowed funds.

Note: REMN will only accept a fully completed VOD to supplement asset accounts where only an annual or semi-annual report is issued, in order to verify the current balance.

Bank Statements (Evaluating Large Deposits)

- » When bank statements (covering the most recent full two-month period of account activity) are used, REMN must evaluate large deposits, which are defined as a single deposit that exceeds 50% of the total monthly qualifying income for the loan. Complete statements for each month must be provided.
- » REMN must obtain the borrower's written explanation and documentation of source of funds for large deposits,
- » Any bank account opened within 90 days of the application date with REMN or has a current balance significantly higher than the average balance must be investigated.

Refinance Transactions

- » Documentation or explanation for large deposits is not required; however, REMN remains responsible for ensuring that any borrowed funds, including any related liability, are considered.

Purchase Transactions

- » If funds from a large deposit are needed to complete the purchase transaction (that is, are used for the down payment, closing costs or financial reserves), REMN must document that those funds are from an acceptable source.
 - Occasionally, a borrower may not have all of the documentation required to confirm the source of a large deposit. In those instances, REMN must use reasonable judgment based on the available documentation as well as the borrower's debt-to-income ratio and overall income and credit profile.
 - Examples of acceptable documentation, proof of ownership of an asset that was sold, or a copy of a wedding invitation to support receipt of gift funds. REMN must place in the loan file written documentation of the rationale for using the funds.
- » Verified funds must be reduced by the amount (or portion) of the undocumented large deposit (as defined above), and REMN must confirm that the remaining funds for the down payment, closing costs and financial reserves.
- » When REMN uses a reduced asset amount, net of the unsourced amount of a large deposit(s) that reduced amount must be used for underwriting purposes.

Note: When a deposit has both sourced and unsourced portions, only the unsourced portion must be used to calculate whether or not it must be considered a large deposit.
- » Scenario 1: Borrower has monthly income of \$4,000 and an account at ABC Bank with a balance of \$20,000. A deposit of \$3,000 is identified, but \$2,500 of that deposit is document as coming from the borrower's federal income tax refund.
 - Only the unsourced \$500 (the deposit of \$3,000 minus the documented \$2,500) must be considered in calculating whether it meets the large deposit definition.
 - The unsourced \$500 is 12.5% of the borrower's \$4,000 monthly income, falling short of the 50% definition of a large deposit.
- » Scenario 2: Using the same borrower example, a deposit of \$3,000 is identified, but only \$500 is documented coming from the borrower's federal income tax refund, leaving \$2,500 unsourced.
 - In this instance, the unsourced \$2,500 is 63% of the borrower's \$4,000 monthly income, which does meet the definition of a large deposit.
 - Therefore the unsourced \$2,500 must be subtracted from the account balance of \$2,000 and only the remaining \$17,500 may be used for underwriting purposes.

(Continued on following page)

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

ASSETS	
	<p>» Scenario 3: Total qualifying income for a loan is \$5,000 and bank statement contains 4 separate deposits of \$1,000 each, for a monthly total of \$4,000. Since each single deposit is less than \$2,500 (50% of \$5,000) it TECHNICALLY does not need to be explained.</p> <p>Note: Although the technical calculation would indicate that an explanation is not required, if the total monthly income for a loan is \$5,000 and within a one month period there were non- payroll deposits of \$4,000 - REMN would require additional explanation and documentation of the non-payroll deposits.</p> <p>» If the source of a large deposit is readily identifiable on the account statement, such as a direct deposit from an employer (payroll), the Social Security Administration, or IRS or state income tax refund and the source of the deposit is printed on the statement, REMN does not need to obtain further explanation or documentation.</p> <p>» REMN will continue to require that all loans be fully underwritten for overall risk and "common sense" approach to lending.</p>
Retirement Accounts	<p>» Vested funds from individual retirement (IRA/SEP/Keogh accounts) and tax-favored retirement accounts (401k) are acceptable sources of funds for down payment, closing costs & reserves.</p> <p>» REMN must verify the ownership of these accounts and the borrower's actual receipt of the funds realized from the liquidation of the assets if needed to complete the transaction.</p> <p>» When funds from retirement accounts are used for reserves, FNMA does not require the funds to be withdrawn from the account(s). However, REMN must exercise caution when considering the retirement accounts as effective reserves because these accounts often;</p> <ul style="list-style-type: none"> – Are in the form of stocks, bonds or mutual funds, – Feature significant penalties for early withdrawals, – Allow limited access; or, – Have vesting requirements. <p>» If the retirement assets are in the form of stocks, bonds or mutual funds, the account(s) must meet the requirements listed in the Stocks, Bonds, Mutual Funds section for determining value and whether documentation of the borrower's actual receipt of funds is required when used for the down payment and closing costs. When retirement account(s) are used for reserves, REMN does not require funds to be withdrawn from the account(s).</p> <p>» In order to be considered as effective reserves, retirement accounts must be vested and allow withdrawals regardless of current employment status.</p>
Cash-Value of Life Insurance	<p>» If funds are needed for the down payment or closing costs, REMN must document the borrower's receipt for the funds from the insurance company by obtaining either a copy of the check from the insurer or a copy of the payout statement issued by the insurer.</p> <p>» If the cash-value of the life insurance is being used for reserves, the cash-value must be documented but does not need to be liquidated and received by the borrower.</p>
Employer Assistance	<p>» Forms of Employer Assistance (if secured second mortgage, see Subordinate Financing for additional details)</p> <ul style="list-style-type: none"> – A grant – A direct, fully-repayable second mortgage or unsecured loan – A forgivable second mortgage or unsecured loan, or – A deferred-payment second mortgage or unsecured loan. <p>» Primary residence only; not allowed for 2nd home or Investment property transactions</p> <p>» Funds must come directly from the employer, including through an employer-affiliated credit union</p> <p>» Minimum Borrower Contribution Requirements must be met.</p> <p>» Documentation requirements:</p> <ul style="list-style-type: none"> – Program is an established company program, not just an accommodation for an individual employee. – The dollar amount of the employee assistance – Terms of any other employee assistance being offered to the borrower (such as relocation benefits or gifts) <p>» That the borrower received the employer assistance funds directly from the employer (or through an employer-affiliated credit union).</p>

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

ASSETS		
Funds to Close	<ul style="list-style-type: none"> » Earnest money deposit funds from an acceptable source and the borrower has sufficient assets remaining to complete the mortgage transaction (down payment, closing costs and prepaids) and provide reserves (if required) must be verified. <ul style="list-style-type: none"> – Earnest money deposit must be sourced if it is considered by the DU findings and listed on the 1003. – If the earnest money deposit is not considered by DU and NOT listed on the 1003, it does not need to be sourced. » Bank statements must evidence that the average balance for the past two months was large enough to support the amount of deposit <ul style="list-style-type: none"> – If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the period up to (and including) the date the check cleared the bank – If it cannot be determined that these funds were withdrawn from the borrower's account, additional verification of the source and evidence that the funds have actually changed hands from the borrower to the seller, the realtor, the escrow agent or the settlement attorney should be provided » Large earnest money deposits and/or deposits verified on the bank statements that exceed the amount customary for the borrower should be closely evaluated. » Receipt of the deposit must be verified by either a copy of the borrower's canceled check or a written statement from the holder of the deposit. 	
	<ul style="list-style-type: none"> » Minimum down payment must come from an acceptable source and the borrower must have sufficient funds remaining to complete the mortgage transaction <p>Verification of Assets for Non-US Citizen Borrowers</p> <ul style="list-style-type: none"> » Funds that a non US Citizen borrower recently deposits into a U.S. Depository institution are an acceptable source of funds provided all of the following requirements are met <ul style="list-style-type: none"> – There is documented evidence of funds transfer from the country in which the borrower immigrated – It can be established that the funds belonged to the borrower before the date of transfer; and, – The source of all funds used for closing can be verified just as they would for a borrower who is a U.S. Citizen 	
Cash on Hand	<ul style="list-style-type: none"> » REMN does not allow cash on hand as acceptable source of funds. 	
Seller / Interested Party Contributions (IPC)	<ul style="list-style-type: none"> » IPC's are either financing concessions or sales concessions. FMNA considered the following IPC's; <ul style="list-style-type: none"> – Funds that are paid directly from the interested party to the borrower. – Funds that flow from an interested party through a third (3rd) party; including non-profit to borrower. – Funds that flow to the transaction on the borrower's behalf from an interested party; including a third (3rd) party organization or non-profit agency; and, – Funds that are donated to a third (3rd) party, which provides the money to pay some or all of the closing costs for a specific transaction. » FNMA does not permit the IPC's to be used to make the borrower's down payment, meet financial reserve requirements or meet minimum borrower contribution requirements. » Sales concessions are IPC's that take the form on non-realty items. They include; cash, furniture, automobiles, decorator allowances, moving costs and other giveaways, as well as financing concessions that exceed FNMA limits. Consequently, the value of sales concessions must be deducted from the sales price when calculation the LTV/CLTV/HCLTV ratios. 	
	Occupancy Type	LTV/CLTV/HCLTV
	Principal Residence	≥90.01%
	OR	75.01% - 90.00%
	Second Home	75.00% or Less
	Investment Property	All LTV/CLTV/HCLTV
	<ul style="list-style-type: none"> » If Borrower is a realtor and is purchasing a home, his/her commission funds earned from the transaction is considered an acceptable interested party contribution, subject to the standard limits above. Like all other IPC's, these are not eligible to meet down payment, post-closing reserves and minimum borrower contribution requirements. Only allowed to cover closing costs and pre-paid items. 	

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

ASSETS		
Gift Letter	<p>Gifts must be evidenced by a letter signed by the donor, called the gift letter; and must:</p> <ul style="list-style-type: none"> » Specify the dollar amount of the gift, » Specify date funds were transferred, » Include donor's statement that no repayment is implied or required; and, » Indicate donor name, address, phone number and relationship to borrower. <p>When a gift from a relative or domestic partner is being pooled with the borrower's funds to make up the required minimum cash down payment, the following items must also be included:</p> <ul style="list-style-type: none"> » A certification from the donor stating that he/she has lived with the borrower for the past 12 months and will continue to do so in the new residence. » Documents that demonstrate a history of borrower and donor shared residency. The donor's address must be the same as the borrower's address. Examples include, but are not limited to; a copy of driver's license, a bill or bank statement. 	
	<p>Gift Funds Transfer</p> <p>REM N must verify that sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account. Acceptable documentation includes the following;</p> <ul style="list-style-type: none"> » Copy of donor's check and borrower's deposit slip, » Copy of donor's withdrawal slip and borrower's deposit slip, » Copy of donor's check to the closing agent; or, » Settlement statement showing receipt of the donor's check. <p>Note: When funds are not transferred prior to settlement, the closing agent must document receipt of gift funds in the form or a certified check, cashier's check or other official check.</p>	
Gift Funds	<p>» Gift funds may fund all or part of the down payment, closing costs or financial reserves subject to the minimum borrower contribution requirements below:</p>	
	LTV/CLTV/HCLTV	Minimum Borrower Contribution Requirement from Own Funds
	≤80.00%	<p>1-4 Unit Primary Second Home</p> <p>A minimum borrower contribution from the borrower's own funds is <u>not</u> required. All funds can come from a gift.</p>
	<p>≥80.01% (MI Guidelines must be followed on LTV's ≥ 80.01%)</p>	<p>1 Unit Primary</p> <p>A minimum borrower contribution from the borrower's own funds is <u>not</u> required. All funds can come from a gift.</p>
		<p>2-4 Unit Primary Second Home</p> <p>A minimum 5% borrower contribution from borrower's own funds required. After the minimum borrower contribution has been met, gifts can be used to supplement down payment, closing or reserves.</p>
	<p>» Gifts are not allowed on investment property.</p> <p>» An outright gift of cash investment is acceptable provided the donor is;</p> <ul style="list-style-type: none"> – The borrower's relative; defined as the borrower's spouse, child or other dependent or by any other individual who is related to the borrower by blood, marriage or legal guardianship; or, – A Fiancé, Fiancée or domestic partner <p>» Gifts must come from individuals related to the borrower, as per above. Trusts and estates do NOT meet the gift donor requirements.</p> <p>» The donor may not be or have any affiliation with the builder, developer, real estate agent or any other interested party to the transaction (e.g. borrower's parent, who is also the selling realtor giving a gift of cash or commission to the borrower for down payment).</p> <ul style="list-style-type: none"> – Gifts from these sources are considered inducements and must be subtracted from the sales price. <p>» When gift funds from a relative or domestic partner is being pooled with the borrower's funds to make up the required minimum down cash down payment, the following items must also be included;</p> <ul style="list-style-type: none"> – A certification from the donor stating that he/she has lived with the borrower for the past twelve (12) months and will continue to do so in the new residence. – Documents that demonstrate a history of borrower and donor shared residency. The donor's address must be the same as the borrower's (i.e. driver's license, bill, bank statements, etc.). <p>» A gift of Equity refers to a gift provided by the seller of a property to the borrower. The gift represents a portion of the seller's equity in the property and is transferred to a buyer as a credit in the transaction. A gift of equity is permitted for principal residence and second home purchase transactions.</p> <p>» The acceptable donor and minimum borrower contribution requirements for gifts apply to gift of equity.</p>	

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

ASSETS	
Business Assets	<ul style="list-style-type: none"> » FNMA does not have specific guidelines for use of business funds for borrowers' who are Self-Employed. » REMN guidance; obtain three (3) months business bank statements supporting average running balance in account remaining the same or better. Underwriter to certify the amount of business funds used for closing will not deplete the balance in the business account. Balance should change by a minimum amount (less than half the balance) to be used in the loan transaction. Transaction should not deplete the majority of the business account. <hr/> <ul style="list-style-type: none"> » Business assets can be used for down payment, closing costs and reserves. <ul style="list-style-type: none"> – When business assets are used, the borrower must be listed as an owner on the account. Although the borrower is no longer required to be 100% owner of the business, the underwriter may ask for additional information where there is a huge difference between the percentage of ownership and percentage of funds being used. Example: A borrower owns 5% of the business but is using a substantial portion of the business assets for down payment, closing costs and/or reserves. NOTE: FNMA has confirmed that if the bank statement does not reflect the borrower's name, then REMN must obtain something from the bank to show that our borrower is an owner of the business. » A CPA letter is no longer required/available confirming that the withdrawal of business funds will not be detrimental to the business. Inasmuch as virtually all CPA's will refuse to provide such a letter, based upon guidance from their professional trade organization, FNMA modified their requirement. However, REMN is still required to perform a cash-flow analysis to confirm the withdrawal will not have a negative impact on the business. <ul style="list-style-type: none"> – Cash flow analysis will include an analysis of monthly expenses, and an examination of the types of monthly expenses when considering the impact of funds being withdrawn. Situations with mandatory monthly expenses will require more funds be left in the business account than a business that is a simple individual that works from their home and has no true monthly expenses that are paid from that business. – Cash-flow analysis is accomplished with three (3) months business statements. » Because FNMA did not give "absolute" criteria regarding impact to the business, the above guidance is provided. The final decision regarding what documentation will be required rests solely with the Underwriter and is heavily dependent on the characteristics of the subject loan.
Gift of Equity	<ul style="list-style-type: none"> » A gift of equity refers to a gift provided by the seller of a property to the borrower. The gift represents a portion of the seller's equity in the property and is transferred to the buyer as a credit in the transaction. A gift of equity is permitted for principal residence and second home purchase transactions. The acceptable donor and minimum borrower contribution requirements for gifts also apply to gifts of equity. » The following must be retained in the loan file; <ul style="list-style-type: none"> – A signed gift letter; and, – The HUD1 Settlement Statement listing the gift of equity. » If the requirements listed in this topic are met, the gift of equity is not subject to FNMA's Interested Party Contribution requirements.
Stocks, Bonds, Mutual Funds	<ul style="list-style-type: none"> » 100% of the account value is permitted for post-closing reserves (including retirement accounts) » If stocks/bonds/mutual funds will be used for down payment &/or closing costs, please note: <ul style="list-style-type: none"> • If value of combined assets is at least 20% more than what borrower needs, liquidation is not required <ul style="list-style-type: none"> ○ EXAMPLE 1: <ul style="list-style-type: none"> ▪ Asset(s) from stocks/bonds/mutual funds are \$100,000 ▪ Borrower needs at least \$75,000 to close; $\\$75,000 \times 120\% = \\$90,000$ ▪ Since borrower has more than \$90K in stocks/bonds/mutual funds, evidence of liquidation is not required ○ EXAMPLE 2: <ul style="list-style-type: none"> ▪ Asset(s) from stocks/bonds/mutual funds are \$100,000 ▪ Borrower needs at least \$85,000 to close; $\\$85,000 \times 120\% = \\$102,000$ ▪ Since borrower does not have more than \$102K in stocks/bonds/mutual funds, evidence of liquidation is required. • Refer to FNMA Selling Guide (Section B3-4.3-01 Stocks, Stock Options, Bonds and Mutual Funds) in regards to determining the value of the asset. • As a reminder, non-vested assets are not eligible for down payment, closing costs and/or reserves.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

ASSETS	
Reserve Requirements	<p>What are Liquid Financial Reserves?</p> <ul style="list-style-type: none"> » Liquid financial reserves are those liquid or near liquid assets, that are available to a borrower after the mortgage closes. Liquid financial reserves include cash and other assets that are easily converted to cash by the borrower's: <ul style="list-style-type: none"> – Drafting or withdrawing funds from an account, selling an asset, redeeming vested funds; or, obtaining a loan secured by assets from a fund administrator or an insurance company. » Reserves are measured by the number of months of the qualifying payment amount for the subject mortgage (based on PITIA) that a borrower could pay using his/her financial assets. <p>Acceptable Sources of Reserves</p> <ul style="list-style-type: none"> » Checking or Savings Accounts, Investment in stocks, bonds, mutual funds, certificates of deposit, money market funds and trust accounts, the amount vested in retirement savings and cash value of a vested life insurance policy. Note: Certain assets must be discounted when used for reserves. <p>Unacceptable Sources of Reserves</p> <ul style="list-style-type: none"> » Funds that have not been vested, funds that cannot be withdrawn under circumstances other than the account owner's retirement, employment termination, or death, stocks held in an unlisted corporation, stock options and non-vested restricted stock, personal unsecured loans, interested party contributions and cash proceeds from a cash-out refinance transaction on the subject property. <p>DU Loan Casefiles</p> <ul style="list-style-type: none"> » DU will determine the reserve requirements based on the overall risk assessment of the loan and the minimum reserves requirement that may be required for the transaction, and whether the borrower has multiple financed properties. » If a borrower has multiple financed properties and is financing a second home or investment property, DU will base the reserve calculation for the other financed properties on the number of financed properties determined by DU. See below table for details. <p>Principal Residence</p> <ul style="list-style-type: none"> » Per DU findings » No additional reserves required for borrowers converting their current principal residence to a second home or investment property, as per FNMA Selling Bulletin SEL-2015-07.
	<p>Second Home or Investment Property</p> <ul style="list-style-type: none"> » Per DU. » If the borrower owns other financed properties, the following additional reserves must be calculated and documented. The other financed properties reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages & HELOCs on these other financed properties. The percentages are based on the number of financed properties: <ul style="list-style-type: none"> – 2% of the aggregate UPB if the borrower has 1-4 financed properties, – 4% of the aggregate UPB if the borrower has 5-6 financed properties, or – 6% of the aggregate UPB if the borrower has 7-10 financed properties » The aggregate UPB calculation does not include mortgages and HELOCs that are on: <ul style="list-style-type: none"> – The subject property – The borrower's primary residence, – Properties that are sold or pending sale, and – Accounts that will be paid by closing (or omitted in DU on the online application). – NOTE: DU will also include in the UPB calculation open mortgages and HELOCs on the credit report that are not disclosed on the online loan application.

(Continued on following page)

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

ASSETS				
Reserve Requirements (continued)	Examples of Reserves Calculations – Multiple Financed Properties Transactions			
	The following tables contain examples of reserves calculations for borrowers with multiple financed properties			
	Example 1: Three (3) Financed Properties			
	Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations
	Subject: Second Home	\$78,750	\$776	2 months PITIA \$1,552
	Principal	\$0	\$179	N/A \$9
	Investor	\$87,550	\$787	\$230,050 x 2% = \$4,601
	Investor	\$142,500	\$905	
	TOTAL	\$230,050		TOTAL = \$6,153
	Example 2: Six (6) Financed Properties			
	Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations
	Subject: Investor	\$78,750	\$776	6 months PITIA \$4,656
	Principal	\$133,000	\$946	N/A \$0
	Investor	\$87,550	\$787	\$345,030 x 4% = \$13,801
	Investor	\$142,500	\$905	
	Investor	\$84,950	\$722	
	Investor	\$30,030	\$412	
	TOTAL	\$345,030		TOTAL = \$18,457
	Example 3: Eight (8) Financed Properties			
	Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations
	Subject: Investor	\$78,750	\$776	6 months PITIA \$4,656
	Principal	\$133,000	\$946	N/A \$0
	Investor	\$87,550	\$787	\$629,530 x 6% = \$37,772
	Investor	\$142,500	\$905	
	Investor	\$84,950	\$722	
	Investor	\$30,030	\$412	
	Second Home	\$124,500	\$837	
	Investor	\$160,000	\$1,283	
	TOTAL	\$629,530		TOTAL = \$42,427

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

OTHER REAL ESTATE OWNED	
Number of Properties Financed with REMN	<ul style="list-style-type: none"> » The preferred method for processing multiple mortgages for the same borrower, but on different properties is to process, underwrite and close them at the same time. Essentially once all of the mortgages are closed, they would "mirror" one another, with each property reflecting the new mortgages on the other properties. » However, we cannot always control when a borrower can close and it might not be possible to close the loans simultaneously. In this instance, the file has to be uniquely underwritten, as we must consider the "worst case" scenario. In other words, even though the final 1003 can only show what the borrower is legally obligated for on the day of closing, there must be a memo to the file showing what the anticipated ratios, etc., will be, once the other loan(s) close. » REMN realizes that the other loan(s) ultimately may not close; however, since the borrower has applied for another mortgage, the terms and conditions of that proposed mortgage must be considered. <p>REMN Overlay: More than 4 REMN Mortgages - Exception must be approved by Exec. Mgmt. after review by Underwriting/Operations Manager.</p> <p>Simultaneous loan submissions for a single borrower must receive REMN Exec. Mgmt. approval.</p>
Properties Owned Free & Clear	<p>If a borrower indicates a property they own is owned free and clear the following is required.</p> <ul style="list-style-type: none"> » IRS Transcript to verify no mortgage interest taken. <ul style="list-style-type: none"> – If the property was purchased with the current calendar year (so transcript not available), a copy of the HUD showing it was purchased with no mortgage PLUS one (1) of the following additional documents: <ol style="list-style-type: none"> 1. Copy of hazard insurance declaration page showing no mortgagee listed AND 2. Copy of MERS report for property showing no mortgage listed; OR 3. Copy of Data Verify report showing no mortgage listed.
Current Principal Residence Pending Sale	<ul style="list-style-type: none"> » If the borrower's current principal residence is pending sale, but the transaction will not close with title transfer to the new owner prior to the REMN loan, and the borrower is purchasing a new principal residence, the current PITIA and the proposed PITIA must be used in qualifying the borrower for the new mortgage loan. » REMN will not require the current principal residence's PITIA to be used in qualifying the borrower as long as the following additional documentation is provided; <ul style="list-style-type: none"> – The fully-executed sales contract for the current residence; and, – Confirmation from the borrower's attorney that all financing contingencies have been cleared. This verification must come from the borrower's attorney or escrow company, not the realtor.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

APPRAISAL, PROPERTY, SALES CONTRACT							
Appraisal Management Companies (AMC)	<p>All appraisal orders must be placed through REMN Wholesale’s approved appraisal management companies:</p> <ul style="list-style-type: none">» ACT Appraisal Management (AR, AZ, CA, IL, MN, MT, NE, NM, NV, OK, PA, WY)» Momentum Appraisal Group (TX)» Mortgage Management Consulting (All other states)» Nationwide Property and Appraisal Services (ID) <p>Please refer to the Order an Appraisal page on the Broker Portal for further instruction.</p>						
Appraisal	<ul style="list-style-type: none">» Appraisal must contain photos of front, back and street scene of the subject property as well as the front of each comparable sales used.» Interior photographs, which must, at a minimum include;<ul style="list-style-type: none">– Kitchen,– All bathrooms,– Main living area,– Examples of physical deterioration, if present; and,– Examples of recent updates, such as restoration, remodeling and renovation, if present.» An AVM is no longer required on all conventional loans; please see DU Refi Plus for exceptions.» At the Underwriter’s discretion, an AVM might be requested to further support the value.» AVM is not required when a Field Review is required; field review will serve as support of value.» If an applicable law, regulation or REMN’s policy requires obtaining more than one (1) appraisal in connection with the mortgage loan, REMN must select and use the single most accurate appraisal for underwriting purposes and that appraisal must be delivered through the Uniform Collateral Data Portal.» The HPML Appraisal Rule lists requirements for appraisals on HPML loans. Refer to the REMN Corporate TILA policy (HPML Appraisal Rule section) for appraisal guidelines on HPML loans.» For eligible transactions, DU Approve/Eligible findings may provide a Property Inspection Waiver, where Fannie Mae accepts the sales price or submitted value estimate as the market value for the subject property. Please see Property Inspection Waiver (PIW) for details. <p>Please refer to REMN Appraisal Policy & Procedures on HomeBase for complete Appraisal Independence Requirements.</p>						
Appraisal Updates	Age of Appraisal or Age of Property Inspection Properties must be appraised within the 12 months that precede the date of the note and mortgage.						
	<table><tr><th>When...</th><th>Then...</th></tr><tr><td>Appraisal reports are more than 4 months old on the date of the note and mortgage – regardless of whether the property was appraised as proposed or existing construction.</td><td>Appraisers must perform and update which includes;<ul style="list-style-type: none">– Inspect the exterior of the property; and,– Review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the Appraisal and/or Completion Report (Form 1004D).</td></tr><tr><td>A property inspection report for a loan underwritten with DU is more than 4 months old on the date of the note and mortgage.</td><td>Appraisers must prepare a new <i>Desktop Underwriter</i> Property Inspection Report (Form 2075).</td></tr></table>	When...	Then...	Appraisal reports are more than 4 months old on the date of the note and mortgage – regardless of whether the property was appraised as proposed or existing construction.	Appraisers must perform and update which includes; <ul style="list-style-type: none">– Inspect the exterior of the property; and,– Review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the Appraisal and/or Completion Report (Form 1004D).	A property inspection report for a loan underwritten with DU is more than 4 months old on the date of the note and mortgage.	Appraisers must prepare a new <i>Desktop Underwriter</i> Property Inspection Report (Form 2075).
	When...	Then...					
	Appraisal reports are more than 4 months old on the date of the note and mortgage – regardless of whether the property was appraised as proposed or existing construction.	Appraisers must perform and update which includes; <ul style="list-style-type: none">– Inspect the exterior of the property; and,– Review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the Appraisal and/or Completion Report (Form 1004D).					
	A property inspection report for a loan underwritten with DU is more than 4 months old on the date of the note and mortgage.	Appraisers must prepare a new <i>Desktop Underwriter</i> Property Inspection Report (Form 2075).					
	Note: The inspection and the appraisal update (Form 1004D) <u>must</u> occur within the four (4) months that precede the date of the note and mortgage.						
	Updating the Original Appraisal Report						
	<table><tr><th>If:</th><th>Then:</th></tr><tr><td>The appraiser indicates the property value has declined on Form 1004D.</td><td>REMN must obtain a new appraisal for the property.</td></tr><tr><td>The appraiser indicates the property value has <u>not</u> declined on Form 1004D.</td><td>REMN may proceed with the loan in process without requiring any additional fieldwork.</td></tr></table>	If:	Then:	The appraiser indicates the property value has declined on Form 1004D.	REMN must obtain a new appraisal for the property.	The appraiser indicates the property value has <u>not</u> declined on Form 1004D.	REMN may proceed with the loan in process without requiring any additional fieldwork.
	If:	Then:					
	The appraiser indicates the property value has declined on Form 1004D.	REMN must obtain a new appraisal for the property.					
The appraiser indicates the property value has <u>not</u> declined on Form 1004D.	REMN may proceed with the loan in process without requiring any additional fieldwork.						
Completing an Appraisal Update							
<ul style="list-style-type: none">» Front photograph of the subject property must be taken when completing the Appraisal Update and/or Completion (Form 1004D) to validate that the appraiser has inspected at least the exterior of the property when he/she performed the appraisal update (Effective for updates 8/1/2014).» The original appraiser should complete the appraisal update; however, REMN may use substitute appraisers.» When updates are completed by substitute appraisers, the substitute appraiser must review the original appraisal report and express an opinion about whether the original appraisers’ opinion of market value was reasonable on the date of the original appraisal report.» REMN must note in the file why the original appraiser was not used.							

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

APPRAISAL, PROPERTY, SALES CONTRACT	
Property Inspection Waiver (PIW)	<ul style="list-style-type: none"> » For certain lower risk transactions, DU findings will issue a Property Inspection Waiver (PIW), which is a determination that an appraisal report for the subject property is not required. In these cases, the following message will be included in the findings report: <ul style="list-style-type: none"> ➤ <i>Desktop Underwriter accepts the value submitted as the market value for this subject property. This loan is eligible for delivery to Fannie Mae without an appraisal if the Property Inspection Waiver is exercised by the lender at the time of loan delivery to Fannie Mae.</i> » In order for a PIW to be considered, a prior appraisal must be found for the subject property in FNMA's Collateral Underwriter (CU) data. The CU appraisal must be associated with one of the borrowers on the loan casefile. » DU will compare the address for the subject property to the property addresses found in CU. When a property address match is found, DU will compare both the first and last names of the borrowers on the loan casefile to the borrowers associated with the prior appraisal. When a borrower name-match is found, DU will use the information from the prior appraisal to determine if the loan casefile is eligible for the PIW. In some cases, the prior appraisal may not be acceptable. For example, if a CU "Overvaluation Flag" was issued on the prior appraisal, or the appraisal could not be scored, that prior appraisal will not be used and a PIW will not be offered on the new loan casefile.
PIW Eligibility	<p>The following transactions are ELIGIBLE to potentially receive the PIW option:</p> <ul style="list-style-type: none"> – One unit, including condos and PUD's – Principal residence, second home and investment property transactions – Certain limited cash-out refinance and cash-out refinance transactions; and – DU loan casefiles that receive an Approve/Eligible recommendation. <p>The following transactions are NOT ELIGIBLE for a PIW:</p> <ul style="list-style-type: none"> – Properties located in a disaster-impacted area; – Purchase, Construction and Construction-to-Permanent loans; – 2-4 unit properties – Homestyle Renovation mortgage loans; – Leasehold properties – Community land trusts or other properties with resale restrictions, which include loan casefiles using the Affordable LTV feature; – Co-ops and manufactured homes, and – DU loan casefiles that receive an Ineligible or Refer recommendation. – Texas Section 50(a)(6) mortgages (a/k/a Texas Cash-Out Refinance) <p>Furthermore, REMN WS may not exercise a PIW offer and must order an appraisal if one or more of the following applies</p> <ul style="list-style-type: none"> – DU was unable to identify ineligible criteria in the list above (e.g. Homestyle Energy); – REMN WS is required by law to obtain an appraisal – REMN WS believes that an appraisal is warranted based on additional information REMN WS has about the property or subsequent events, such as a natural disaster. <p>NOTE: REMN WS may not exercise a PIW offer if an appraisal is obtained for the transactions</p>
Reps & Warranties for PIW	<ul style="list-style-type: none"> » When a loan casefile is eligible for the PIW and the waiver is exercised by REMN WS, FNMA accepts the value estimate submitted by REMN WS as the value for the subject property. The property value REMN enters in DU may be based on: <ul style="list-style-type: none"> – The estimate of value, determined at the discretion of REMN WS, or – The borrower's estimate of value » If REMN WS exercises the PIW offer, REMN WS is not responsible for the representations and warranties related to the value, marketability and condition of the subject property. REMN WS remains responsible for the accuracy and completeness of all data that pertains to the property and project (if applicable) that is submitted to DU (other than the property value). » FNMA does not warrant that the estimated value provided by REMN WS is the actual value of the subject property. REMN WS may not make any statements to any third party (including the borrower) that FNMA performed any kind of review, appraisal or valuation of the property.
Exercising A PIW	<ul style="list-style-type: none"> » A PIW may only be exercised if: <ul style="list-style-type: none"> – The final submission of the loan casefile to DU resulted in a PIW offer. When the loan file is no longer eligible for the PIW that was initially obtained, the following is required: <ul style="list-style-type: none"> ▪ An appraisal report must be ordered and the loan must be underwritten based upon the appraisal report. ▪ As applicable, a "change of circumstance" has occurred. The file should be re-disclosed, charging for an appraisal. Standard timing requirements for change of circumstance apply. ▪ All required appraisal delivery requirements would also become applicable. » Loan casefiles where the PIW was exercised must include Special Feature Code (SFC) 801 at delivery to FNMA. » Lenders may not adversely select against FNMA in determining which PIW offers to accept. FNMA may monitor REMN WS's exercise of the PIW offers and delivery of loans to FNMA, and may take appropriate measures if adverse selection is identified.

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

APPRAISAL, PROPERTY, SALES CONTRACT			
Use of Appraisal for Subsequent Transaction	<p>» FNMA will allow the use of an original appraisal for a subsequent transaction if the following requirements are met:</p> <ul style="list-style-type: none"> – The subsequent transaction may only be a Limited Cash-Out Refinance. – The appraisal report must not be more than 12 months on the date of the subsequent transaction. – If the appraisal report is greater than four (4) months old on the date of the note and mortgage, then an appraisal update is required. See above section for requirements for completing an appraisal update. – REMN must ensure that the property has not undergone any significant remodeling, renovation or deterioration to the extent that the improvement or deterioration of the property would materially affect the market value of the subject property. – REMN must be the lender on the original and subsequent transaction. Also, the original transaction must not have used a transferred appraisal from another lender. 		
FNMA Analysis of Adjustments	<p>As a result of an analysis of Uniform Appraisal Dataset data specific to comparable adjustments, FNMA has eliminated the 15% net and 25% gross adjustment guidelines and has provided the following clarification with respect to FNMA's expectations for the appraiser to analyze the market for competitive properties and provide appropriate market based adjustments without regard to limits on the size of the adjustments.</p> <p>» FNMA does not have specific limitations or guidelines associated with the net or gross adjustments. The number and/or amount of the dollar adjustments must not be the sole determinant in the acceptability of a comparable. Ideally, the best and most appropriate comparable would require no adjustment; however, this is rarely the case as typically not two (2) properties or transaction details are identical. The appraiser's adjustments must reflect the market's reaction (that is, market based adjustments) to the difference in the properties. For example; it would be inappropriate for an appraiser to provide a \$20 per square foot adjustment for the difference in gross living area based on a rule-of-thumb when market analysis indicates the adjustment should be \$100 per square foot. The expectation is for the appraiser to analyze the market for competitive properties and provide appropriate market based adjustments without regard to arbitrary limits on the size of the adjustment.</p>		
Field Review Requirements	<p>» The following appraisal requirements apply in addition to the standard guidelines or DU field-work recommendations.</p> <ul style="list-style-type: none"> – A One-Unit Residential Appraisal Field Review Report (Form 2000), is required if the subject property is valued at \$1,000,000 or more and the LTV, CLTV or HCLTV is greater than 75%. – A Field Review is required to ensure that the appraisal is an accurate representation of value. If the Field Review results in a different opinion of value than the appraisal, the lowest of the original appraisal value, Field Review value or the sales price (for purchases) should be used to calculate the LTV ratios. 		
Limited Review Condo Approval – Established Projects only	<p>» Limited project review will not be permitted on principal residences when the LTV/CLTV/HCLTV is > 90.00%, or for 2nd homes when the LTV/CLTV/HCLTV is > 75.00%. Investment condos are not eligible.</p> <p>» Note: 80.01 – 90% Limited Review will not be incorporated into DU until a future release. Until that time, the DU message requiring a Full Review for principal residence transactions with 80.01-90% LTV/CLTV/HCLTV may be disregarded & limited review performed.</p>		
Florida Condos	Attached Established Condo Projects		
		Lender Full Review (with or without CPM)	Limited Review Max LTV/CLTV/HCLTV
	Owner Occupied	97.00%	75.00%/90%/90%
	Second Home	90.00%	70.00%/75%/75%
	Investment	85.00%	Not Eligible
	Attached New and Newly Converted Condo Projects		
		Lender Full Review (with or without CPM)	Limited Review
	Owner Occupied	Not Eligible	
	Second Home		
	Investment		

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

APPRAISAL, PROPERTY, SALES CONTRACT	
Site Condos	<ul style="list-style-type: none"> » Site condos are a subset of detached condos and are eligible without a project review if the following is met: <ul style="list-style-type: none"> – Project consists of all single-family detached units where the unit owners own the land and the improvements on the land. – Project has minimal common elements, which may include project signage and limited undeveloped green space. – Project does not own any common amenities including, but not limited to, swimming pool, fitness, or recreational facility, playground, laundry facility, or clubhouse. – Project does not own or have responsibility for maintaining its own infrastructure such as roads, street signage, electricity, water and sewage, snow removal, or garbage disposal. – Project has minimal or no involvement with a homeowner's association, including no or little dues; no special assessments; and no road, amenity or common element maintenance. – Unit owners are required, per the condo legal documents, to carry their own individual hazard and other applicable insurance coverage, which may include flood and liability insurance. » For site condos that meet the above-listed criteria, a project review is not required. Instead, HBFS must confirm the following: <ul style="list-style-type: none"> – The project is in compliance with Fannie Mae's requirements for priority of common expense assessments; – The project is in compliance with Fannie Mae's requirements for projects located on land zoned as legal, non-conforming land use; and » The appraisal, completed using either Form 1004 or Form 1073, must confirm the local market treats units in such a project as comparable to owning a unit in a single-family detached housing development that has not been organized as a condo.
Minimum Property Standards	<ul style="list-style-type: none"> » Free standing stoves/ovens and refrigerator are not required. » Air conditioning is not required; however, if window unit is installed it must be functional or removed. » A conventional heating source is required and must maintain a temperature of 50° in areas where there is plumbing. » Floor covering is not required as long as the flooring does not cause a health or safety issue. » Cracked glass is not required to be repaired; however, broken glass that is a health hazard must be removed and the opening closed to the weather.
Property Flips	<ul style="list-style-type: none"> » FNMA does not have any requirements pertaining to property flips; however, prudent underwriting policies of REMN must be maintained. » Appraisal must sufficiently support appraised value increases. » Underwriter has option to require two (2) full appraisals. » File must be carefully reviewed to ensure that there are no issues with straw borrowers, identity-of-interest, property valuation &/or relationship of all involved parties.
Comparable Selection (REMN POLICY)	<ul style="list-style-type: none"> » The source of the closed comparable sales utilized to establish value must be from the Multiple Listing Service (MLS), Metropolitan Regional Information Systems, Inc. (MRIS), Midwest Real Estate Data (www.mredllc.com) and North Texas Real Estate Information System (www.ntreis.net), San Antonio Board of Realtors (www.sabor.com), Geo Data or Comps Inc. <ul style="list-style-type: none"> a. MLS/MRIS will provide additional information on the property not found on other public sources (i.e., Days on Market, Interior Conditions and/or any specific terms or conditions to the transaction that are all found within the MLS/MRIS data and not found in other public sources such as a HUD-1 and/or tax record). b. This applies to all of the comparable sales used to establish value, not just the first three (3). If the appraiser is providing more than three (3) comparable sales to support the value, those additional comparable sales are subject to the same rule. » There are three (3) States; Vermont, Maine & New Hampshire, where MLS is not common and customary and therefore it will be acceptable to accept comparable sales from a public source other than the MLS/MRIS <ul style="list-style-type: none"> a. Although the comparable sales do not need to be through MLS, they do need to be through a public independent source. » If the appraiser elects to use comparable sales not verified through the MLS, the appraisal report must be elevated for a desk review and approval. <ul style="list-style-type: none"> a. The desk review and approval of the appraisal must occur BEFORE an approval decision can be communicated. This cannot be a "condition" of the loan approval. » In the case of new construction, it is not uncommon that the builder may not list sales on the MLS/MRIS. The use of builder supplied comparable sales will be acceptable provided; <ul style="list-style-type: none"> a. The appraiser comments in the appraisal report that the builder marketed the project in an "open" or "public" environment such as newspaper; bill-boards near the project, builder web site, etc. b. At least one (1) of the comps must be outside the subject project and from the MLS or MRIS. c. At least two (2) of the comps must be sources other than the builder. The appraiser is permitted to provide more than three (3) comparable sales in order to support the value.

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

APPRAISAL, PROPERTY, SALES CONTRACT	
Property Requirements	<ul style="list-style-type: none"> » Must be residential in nature as defined by the characteristics of the property and surrounding market area, » Must be safe, sound and structurally secure, » Must be adequately insured per FNMA guidelines for hazard and flood insurance, » Must be the highest and best use of the property as improved (or as proposed per plans and specs), and the use of the property must be legal or legal non-conforming use, » Must be readily accessible by roads that meet local standards, » Must be served by utilities that meet community standards (FNMA does not require that the utilities that serve the property be turned on at the time of inspection); and, » Must be suitable for year-round use.
Declining Market	<ul style="list-style-type: none"> » When it is determined the property is located within a declining market, REMN must ensure that current market conditions are identified and analyzed in the valuation process and described in the appraisal report.
Termite / Well / Septic Inspections	<ul style="list-style-type: none"> » Termite inspection is only needed if required by contractor or by the appraiser due to evidence indicating infestation. » Well inspection is only needed if required by state or local regulations or if the well is thought to be contaminated. » Septic inspection is only needed if required by the appraiser due to evidence indicating the septic system may be failing.
Leasehold Estates	<ul style="list-style-type: none"> » The leasehold estate and the mortgage must not be impaired by any merger of title between the lessor and lessee. In the event the mortgage is secured by a sublease of a leasehold estate, the documents must provide that a default under the leasehold estate will not by such default result in the termination of the sublease. » REMN must ensure compliance with the following requirements for leases associated with leasehold estate mortgage loans. <ul style="list-style-type: none"> – The term of the lease must run for at least five (5) years beyond the maturity date of the mortgage, unless fee simple title will vest at an earlier date in the borrower. – The lease must provide that the leasehold can be assigned, transferred, mortgaged and sublet an unlimited number of times either without restriction or on payment of a reasonable fee and delivery of reasonable documentation to the lessor. The lessor may not require a credit review or impose other qualifying criteria on any assignee, transferee, mortgagee or sublease. – The lease must provide for the borrower to retain voting rights in any homeowners' association. – The lease must provide that in addition to the obligation to pay lease rents, the borrower will pay taxes, insurance and homeowners' association dues (if applicable), related to the land in addition to those he/she is paying on the improvements. – The lease must be valid, in good standing and in full force and effective in all respects. – The lease must not include any default provisions that could give rise to forfeiture or termination of the lease, except for nonpayment of the lease rents. – The lease must include provisions to protect the mortgagee's interests in the event of a property condemnation. – The lease must be serviced by either REMN or the servicer it designates to service the mortgage. – The lease must provide REMN with <ul style="list-style-type: none"> ▪ The rights to receive a minimum of 30 days' notice of any default by the borrower; and, ▪ The option to either cure the default or take over the borrower's rights under the lease. » Additional eligibility requirements must be met before REMN can deliver leasehold estate mortgages to FNMA for purchase or securitization. <ul style="list-style-type: none"> – All lease rents, other payments or assessments that have become due must be paid. – The borrower must not be in default under any other provisions of the lease nor may such a default have been claimed by the lessor.
Additions without Permits	<ul style="list-style-type: none"> » If the appraiser identifies an addition(s) that does not have the required permit, the appraiser must comment on the quality and appearance of the work and its impact, if any, on the market value of the subject property.

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

APPRAISAL, PROPERTY, SALES CONTRACT		
Properties with Outbuildings	» REMN must give properties with outbuildings special consideration in the appraisal report review to ensure that the property is residential in nature. Descriptions of outbuildings should be reported in the Improvements and Sales Comparison Approach sections of the appraisal report form.	
	Type of Outbuilding	Acceptability
	Minimum outbuildings, such as small barns or stables that are of relatively insignificant value in relation to the total appraised value of the subject property.	The appraiser must demonstrate through the use of comparable sales with similar amenities that the improvements are typical of other residential properties in the subject area for which an active, viable residential market exists.
	An atypical minimal outbuilding.	The property is acceptable provided the appraiser's analysis reflects little or no contributory value for it.
	Significant outbuildings, such as silos, large barns, storage bars or facilities for farm-type animals.	The presence of the outbuildings may indicate that the property is agricultural in nature. REMN must determine whether the property is residential in nature, regardless of whether the appraiser assigns value to the outbuildings.
Accessory Unit	<p>» An accessory dwelling unit is typically an additional living area independent of the primary dwelling unit and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units.</p> <p>» Whether the property is a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address and whether the unit is rented.</p> <p>» The appraiser is required to provide a description of the accessory unit and analyze any effect it has on the value or marketability of the subject property.</p> <p>» If the property contains an accessory unit, the property is eligible under the following conditions:</p> <ul style="list-style-type: none"> – The property is a one (1) unit – There is only one accessory unit on the property; multiple accessory units are not permitted. – The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one (1) comparable property with the same use. – The borrower qualifies for the mortgage without rental income from the accessory unit. <p>» If it is determined that the property contains an accessory dwelling that does not comply with zoning, the property is eligible under the following additional conditions:</p> <ul style="list-style-type: none"> – REMN confirms that the existence will not jeopardize any future hazard insurance claim that might need to be filed for the property. – The use conforms to the subject neighborhood and to the market. – The property is appraised based upon its current use. – The appraisal must report that the improvements use do not comply with zoning. – The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least three (3) comparable properties that have the same non-compliant zoning use. – (See B4-1.3-04 Site Section of the Appraisal Report for subject property zoning information). 	
Multiple Parcels	<p>» Each parcel must be conveyed in its entirety.</p> <p>» Parcels must be adjoined to the other, unless they comply with the following exception.</p> <ul style="list-style-type: none"> – Parcels that otherwise would be adjoined, but are divided by a road, are acceptable if the parcel without a residence is a non-buildable lot (i.e. waterfront properties where the parcel without the residence provides access to the water). – Evidence that the lot is non-buildable must be included in the loan file. <p>» Each parcel must have the same basic zoning (i.e. residential, agricultural).</p> <p>» The entire property may contain only one (1) dwelling unit. Limited additional non-residential improvements, such as a garage are acceptable.</p> <ul style="list-style-type: none"> – The adjoining parcel may not have an additional dwelling unit. <p>» An improvement that has been built across the lot lines is acceptable (i.e. a home built across both parcels where the lot lines runs under the home is acceptable).</p> <p>» The mortgage must be a valid first lien that covers each parcel.</p>	

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

APPRAISAL, PROPERTY, SALES CONTRACT	
Escrow Holdbacks	<ul style="list-style-type: none"> » The maximum amount of the repairs is limited to \$5,000. » Repairs <u>cannot</u> impact the habitability or safety of the subject property. » An estimate from a licensed contractor (or other qualified professional) listing all repairs required. » REMN will hold 1.5 times the amount of the estimate. The borrower must use their own funds (or approved gift) to establish the escrow account and complete the repairs. Consequently, they must verify assets of 2.5 times the amount of the estimate in addition to those assets needed for the down payment and closing costs. » The repairs are not paid for with the funds in the escrow account, the borrower must pay for the repairs directly. » The repairs must be completed within 14 calendar days of loan disbursement - and the final inspection within 72 hours of completion. » The underwriter must approve the escrow request, list it as a closing condition of loan approval & properly complete the repair escrow form in encompass. » If the request is made, the loan must be re-disclosed within 72 hours of the request as a "changed circumstances" and a final inspection fee added to the LE. » The underwriter is responsible for having the escrow agreement completed by an UW Team Lead and sent to the closing table to be executed. » Upon completion of the repairs, the borrower may contract RenoDraw@Homebridge.com to schedule a final inspection and with questions regarding release of escrow funds.
Days off Market Properties Listed for Sale past 12 Months	<ul style="list-style-type: none"> » Subject property must not be currently listed for sale. It must be taken off the market prior to disbursement date on the new loan and borrowers' must confirm their intent to occupy the subject property. » Cash-Out Refinance transactions where the property was listed for sale within the past six (6) months are limited to 70% LTV/CLTV/HCLTV (or less if mandated by specific property, occupancy or property types). » For maximum allowable LTV/CLTV/HCLTV ratios and credit score requirements for cash-out refinance transactions refer to the Eligibility Matrix.
Purchase Agreements (Amended / Re-Negotiated)	<ul style="list-style-type: none"> » REMN must disclose to the appraiser any and all information about the subject property of which we are aware, if the information could affect either the marketability of the property or the Appraiser's opinion of the market value of the property. » If the purchase agreement is renegotiated after the completion of the appraisal the LTV will be based off the lower of the original purchase price and the appraised value; UNLESS <ul style="list-style-type: none"> – A renegotiation of only seller paid closing costs and/or pre-pays occurs where the seller paid closing costs and/or pre-pays are common and customary for the market and is supported by the comparables; OR – Amended purchase agreement for a new construction property is obtained due to improvements that have been made that impact the tangible value of the property. In the event of such changes an updated appraisal must be obtained to verify the value of the modifications. » If the sales price is renegotiated AFTER the appraisal was completed, REMN must provide the updated contract to the appraiser. » Appraisal must be <u>VERY well supported</u> at the higher amount; and, » The appraiser MUST comment on the increased sales price.
Corporate Resolution	<p>There have been discrepancies and inconsistencies regarding what documentation should be requested by an underwriter to verify who is authorized to sign the contract of sale on behalf of a seller, when the seller is not an individual. When the seller of a property is a "business" and not an individual person, the following guidance is provided.</p> <p>The following groups do not require any unique documentation:</p> <ul style="list-style-type: none"> » HUD, VA, FNMA, FHLMC, USDA and any other Government agencies » Banks » Relocation firms » Builders <p>All other institutions, including LLC's, partnerships and/or corporations:</p> <ul style="list-style-type: none"> » Articles of incorporation or other public record obtained from the state.gov site is acceptable as long as it reflects the sole member's name, which matches the person who signed the contract as seller. » Articles of incorporation or other public record obtained from the state.gov site reflecting several members' name of which one of them matches the person who signed the contract as seller and is designated within the articles as authorized to sign on behalf of the business, no additional information is needed. » If these two options are not available, then the actual corporate resolution is required, verifying the person who signed the contract of sale is authorized to do so.

REM N WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

APPRAISAL, PROPERTY, SALES CONTRACT

Properties with Solar Panels

FNMA will purchase or securitize a mortgage loan on a property with solar panels. If the property owner is the owner of the solar panels, standard eligibility requirements apply (for example, appraisal, insurance and title).

- » If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar arrangement, the following requirements apply (whether to the original agreement or as subsequently amended):
 - The solar panels may not be included in the appraised value of the property.
 - The property must maintain access to an alternate source of electric power that meets community standards
 - The monthly lease payment must be included in the debt-to-income (DTI) ratio calculation, unless the lease is structured to:
 - provide delivery of a specific amount of energy at a fixed payment during a given period, and
 - has a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period.
 - Payments under power purchase agreements where the payment is calculated solely based on the energy produced and used may be excluded from the DTI ratio.
 - The lease or a power purchase agreement must indicate that:
 - Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home); and
 - The owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure on which the panels are attached. As an alternative to this requirement, HBFS may verify that the owner of the solar panels is not named loss payee (or named insured) on the property owner's property insurance policy; and
 - In the event of foreclosure, HBFS as the lender has the discretion to either:
 - terminate the lease/agreement and require the third-party owner to remove the equipment;
 - become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; or
 - enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner.
- » Any exceptions to coverage on the title insurance policy for recorded instruments relating to the solar panels must comply with Fannie Mae requirements listed in Section B7-2-05, Title Exceptions and Impediments of the FNMA Selling Guide.
- » The title cannot reflect any liens related to the ownership or maintenance of the solar panels that will result in a lien superior to FNMA's first lien position.

Energy Efficient Improvements

- » Solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement are to be considered personal property items and are not included in the appraisal value of the property.

REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PROPERTY INSURANCE									
Insurance Coverage Requirements	» Please reference the REMN WS Insurance Coverage Requirements job aid for complete details on insurance requirements.								
Mortgagee Clauses	<p><u>For Homeowners Insurance (including Hazard, Flood, Wind, Hail, etc.):</u> Homebridge Financial Services, Inc., DBA Real Estate Mortgage Network its successors and/or assigns as their interest may appear P.O. Box 7047 Troy, MI 48007-7047</p> <p><u>For Title Insurance and Closing Protection Letter:</u> Homebridge Financial Services, Inc., DBA Real Estate Mortgage Network its successors and/or assigns as their interest may appear 194 Wood Avenue South, 9th Floor Iselin, NJ 08830</p>								
Flood Insurance General FNMA Requirements	<p>» HBFS must ensure that any flood insurance required for the security property is in place. FNMA requires flood insurance for any property that has a residential building, dwelling, structure or improvement situated in a Special Flood Hazard Area (SFHA) that;</p> <ul style="list-style-type: none"> – Has federally mandated flood insurance purchase requirements, or – Is located in the Coastal Barrier Resources System or Otherwise Protected Area. <p>» Flood insurance coverage is required for all residential buildings on the mortgaged premises if any part of the structure is located within an SFHA. If two (2) or more residential structures are located on a security property (for example, a principal structure and a guest house), all structures with any part in an SFHA must be covered by adequate flood insurance.</p> <p>» For the purpose of FNMA's flood insurance requirements, the "principal structure" is the primary residence structure on the security property.</p> <p>» The following table describes when flood insurance is required.</p> <table border="1"> <thead> <tr> <th>IF...</th><th>Then flood insurance...</th></tr> </thead> <tbody> <tr> <td>Any part of the principal structure on a property security the mortgage loan is located in an SFHA.</td><td>Is required on the principal structure.</td></tr> <tr> <td>A non-residential detached structure attached to the land on a property securing the mortgage loan has any part located in an SFHA.</td><td>Is not required on the non-residential detached structure.</td></tr> <tr> <td>A residential detached structure on a property securing the mortgage loan has any part located in an SFHA.</td><td>Is required on the residential detached structure.</td></tr> </tbody> </table> <p>» HBFS must determine whether or not the structures on the security property are located in an SFHA by using the Standard Flood Hazard Determination form endorsed by FEMA as mandated by federal flood insurance purchase requirements.</p> <p>» SFHA's are shaded on a Flood Hazard Boundary Map and designated on a Flood Insurance Rate Map (FIRM).</p> <p>» All flood zones beginning with the letter "A" or "V" is considered SFHA's.</p> <p>» If HBFS determines that a principal and/or residential detached structure is located in an SFHA but the community does not participate in the National Flood Insurance Program (NFIP), the mortgage is <u>not</u> eligible for purchase by FNMA.</p> <p>» For communities that participate in the Emergency Program of the NCIP, mortgage loans secured by properties in those communities are eligible for purchase by FNMA provided that the flood insurance coverage meets the higher NFIP Regular Program limits (available on FEMA's website). Because the NFIP Emergency Program provides only limited coverage, the borrower must obtain private insurance or a supplemental private policy in conjunction with the NFIP Emergency Program policy that fully meets FNMA's flood insurance coverage.</p> <p>» FNMA will not require flood insurance on a principal or residential detached structure if the borrower obtains a letter from FEMA stating that its maps have been amended so that the structure is no longer in a SFHA.</p>	IF...	Then flood insurance...	Any part of the principal structure on a property security the mortgage loan is located in an SFHA.	Is required on the principal structure.	A non-residential detached structure attached to the land on a property securing the mortgage loan has any part located in an SFHA.	Is not required on the non-residential detached structure.	A residential detached structure on a property securing the mortgage loan has any part located in an SFHA.	Is required on the residential detached structure.
IF...	Then flood insurance...								
Any part of the principal structure on a property security the mortgage loan is located in an SFHA.	Is required on the principal structure.								
A non-residential detached structure attached to the land on a property securing the mortgage loan has any part located in an SFHA.	Is not required on the non-residential detached structure.								
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REMN WHOLESALE FANNIE MAE PRODUCT DESCRIPTION

PROPERTY INSURANCE								
Flood Insurance Coverage Requirements	<p>» The minimum amount of flood insurance required for most first mortgages secured by 1-4 unit properties, individual PUD units, and certain individual condo units (such as detached condos, townhouses, or row-houses) is the lowest of:</p> <ul style="list-style-type: none"> • 100% of the replacement cost of the insurable value of the improvements; • The maximum insurance available from the NFIP, which is currently \$250,000 per dwelling; or • The unpaid principal balance of the mortgage <p>» Additional requirements for units in attached condo projects, co-op projects, and PUDs are detailed in Flood Insurance Requirements for Project Developments.</p>							
Flood Insurance Requirements for Project Developments	<p>If a first mortgage is secured by a unit in an attached condo, co-op, or PUD project and any part of the improvements are in an SFHA, HBFS must verify that the HOA or co-op corporation maintains a master or blanket policy of flood insurance and provides for premiums to be paid as a common expense.</p>							
	<table> <tr> <th>Project Type</th><th>Coverage Requirements</th></tr> <tr> <td>Condo</td><td> <p><u>Individual Condo Units:</u> Stand-alone flood insurance dwelling policies for an attached individual condo unit are not acceptable. A master condo flood insurance policy must be maintained by the HOA, subject to the coverage requirements below. (For detached units, refer to the requirements described in Flood Insurance Coverage Requirements).</p> <p><u>Condo Projects:</u> REMN WS must verify that the HOA maintains a Residential Condominium Building Association Policy or equivalent private flood insurance coverage for the subject unit's building if it is located in an SFHA. The policy must cover all of the common elements and property (including machinery and equipment that are part of the building), as well as each of the individual units in the building.</p> <p>The master flood insurance policy must be at least equal to the lower of:</p> <ul style="list-style-type: none"> – 80% of the replacement cost, or – The maximum insurance available from NFIP per unit (which is currently \$250,000). <p>If the condo project master policy meets the minimum coverage requirements above, but does not meet the 1-4 unit coverage requirements (described in Flood Insurance Coverage Requirements), a supplemental policy may be maintained by the unit owner for the difference.</p> <p>The contents coverage for the building should equal 100% of the insurable value of all contents owned in common by association members.</p> <p>If the condo project has no master flood insurance policy or if the master flood insurance policy does not meet the requirements above, mortgages securing units in that project are not eligible for delivery to Fannie Mae.</p> <p>NOTE: DU Refi Plus loans secured by units in a condo project are not required to meet the flood insurance requirements for master flood insurance policies stated in this section. Rather, if no master policy is in place, a stand-alone policy may be maintained by the unit owner to meet the full 1-4 unit requirements. If the master policy is deficient (by any amount), a supplemental policy may be maintained by the unit owner for the difference between the master policy and the 1-4 unit requirements.</p> </td></tr> <tr> <td>Co-op</td><td> <p><u>Individual Co-op Units:</u> Fannie Mae does not require flood insurance for individual co-op units.</p> <p><u>Co-op Projects:</u> The co-op corporation must have a flood insurance coverage for each building that is located in an SFHA. The policy must cover the building and any common elements and property (including machinery and equipment) that are owned in common by the shareholders of the co-op corporation. 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