

CHOICE CES



Eligibility Matrix

Max Loan Amount	Minimum FICO	Max CLTV		
		Primary Residence	Second Home	Investment
\$350,000	740	85%	75%	70%
	700	80%	70%	60%
	680	75%	65%	N/A
\$500,000	740	80%	70%	65%
	700	75%	65%	60%
	680	70%	60%	N/A
Additional Max CLTV Restrictions (Lower of above or below apply)				
Combined Loan Balance		Property Type	Non-Perm. Resident	Declining Market
Combined UPB > \$2mm: 80%		Condo: 80%	80%	80%
Combined UPB > \$3mm: 75%		2-4 Unit: 75%		

Program Guidelines

Income Doc Options	• 12/24 months Bank statements • 12/24 months 1099
Loan Terms	30, 20, 15, 10 years fixed (fully amortizing)
Loan Amount	• Minimum: \$150,000 • Combined loan balance cap (1st + 2nd): \$4,000,000
DTI	• Max 50% for CLTV <= 80% • Max 45% for CLTV > 80%
Qualifying payment for 1st lien	• Stand-alone: Use 1st lien mortgage payment from credit report. • Simultaneous: Use 1st lien qualifying method.
Underwriting Method	Manual underwriting only, except for simultaneous purchase.
Loan Purpose	• Stand-Alone Cash Out (minimum ownership of 6 months required). • Simultaneous Purchase, First Lien must be an Agency-eligible loan.
Simultaneous Purchase	• Final AUS Findings must be included in file, the result must be Approve/Eligible or Accept/Eligible. • Findings permitted to be used for income, asset, and liability documentation. • Appraisal Waiver is not permitted. • Borrower must NOT be a first time home buyer. • Max DTI is based on this program guideline.
Cash-Out	• Maximum cash-in-hand is \$500,000. • If the property was purchased less than 12-months but greater than 6 months, the transaction property value is limited to the lower of the current appraised value or the property's purchase price plus documented improvements.
Ineligible Transactions	• Lien Free Properties: If the subject property is lien free, including delayed financing. • Unseasoned cash out: If the existing lien is a cash out, measured within six (6) months of the note date to note date. • Frequent refinances: Two (2) or more cash-out refinances in the past twelve (12) months. • All existing subordinate liens must be satisfied except for solar panels.
Occupancy	• Primary residence • Second Home - Must not be located within the same neighborhood or city of primary residence. - Is restricted to one-unit dwelling. • Investment property

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Age of Credit Documents	120 days from closing.
Number of Financed Properties	No limit, but a single borrower exposure to any Essential Products is limited to \$5mm UPB or 10 loans.
Eligible Borrowers	• U.S. Citizen • Permanent Resident Alien • Non-Permanent Resident Alien - Reside & employed in the U.S. for at least 2 years - Provide one of the following employment authorization documents: ○ Valid current EAD. If EAD will expire within 6 months of loan application, obtain a letter from the employer documenting borrower's continued employment & EAD renewal. Employer on the loan application must be the same as on the unexpired EAD. EAD documentation is acceptable up to 540 days if an automatic extension has been granted and valid through closing. ○ Form I-765 Application for Employment Authorization. Must reflect approval status in the Action Block (upper right-hand corner of the form). ○ Form I-797, I-797A, I-797B, or I-797C showing approval status. Petitioner to match employer name on application. - If EAD is not provided, employment authorization may be evidenced by certain Visa types. Some common Visas allowing employment include (E1-3, G1-5, H-1B, L-1A, L-1B, O-1, R-1). ○ Asylum: EAD referencing code C08 or Form I-94 with a stamp such as "asylum granted indefinitely". ○ DACA: EAD referencing code C33 or Form I-797 conveying approval status for Case Type I765 or Form I765 Application for Employment Authorization. Must reflect approval status in the Action Block (upper right-hand corner of the form). • Maximum of 4 borrowers per loan. • Ineligible borrowers: Foreign Nationals, Non-occupant co-borrower, First time homebuyers, Borrowers with diplomatic immunity, Persons sanctioned by OFAC, Any parties to the transaction listed on HUD's Limited Denial Of Participation list, the federal General Services Administration Excluded Party list, or any other exclusionary list, if borrower is involved in a lawsuit or litigation.
1st Lien Requirements	• Copy of 1st lien note, and most recent mortgage statement must be documented. • Ineligible 1st liens - Forbearance, modifications, or deferrals completed/reinstated within 12 months of the Note date - Loans in active forbearance or deferment - Negative amortization including loans with Paid-In-Kind (PIK) features - Balloon, if the balloon payment becomes due during the amortization period of the new 2nd lien - Reverse Mortgages - Loans secured by more than one underlying property, including cross collateralized loans or blanket mortgages - Home Equity Line of Credit - Note with default interest rate greater than the Note rate
Appraisal	• Full Interior/Exterior Appraisal is required. • Condition Rating of C5/C6 not eligible. • Transfer appraisal is permitted. • Ineligible Zoning: Industrial, Commercial, and Agricultural.
Properties	• Eligible Property: Single Family, PUD, Warrantable Condo, 2-4 Units • Ownership must be fee simple. • Minimum GLA: SFR 700 sqft, Condo 500 sqft, 2-4 Units 400 sqft per individual unit. • Ineligible Property: Non-Warrantable Condo, Condotels, Co-op, Property > 20-acres, Boarding houses, Manufactured Homes, Rural (Appraiser indicate as rural or the following 2 conditions exist: 1) Property located on an unpaved road 2) 2 of the 3 comparable properties are more than 5 miles from the subject property), Mixed-Use, Unique Properties, Geodesic Domes, Log Homes, Modular Homes, Ranches and Orchards, Properties in Litigation, Industrial, Commercial, and Agricultural zoning,

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Properties (Continued)	Properties with zoning violations, Timeshares, Properties with resale restrictions, Properties with nonresidential income-producing structures on premise, Properties used as assisted living.
Accessory Dwelling Units (ADU)	• Property must conform to the neighborhood. • Comparable properties must include ADU. • No rental income may be used to qualify the borrower.
Condominiums	• Warrantable Condo Only. • HOA questionnaire is required, except for a detached condo. • Project review is not required for 2-4 unit condo projects if documented with all of the followings: - The project is not a condo hotel, houseboat, or timeshare or segmented-ownership project. - The priority of common expense assessments applies. - The standard insurance requirements apply. • Special assessment information is to be provided to determine if there is a critical repair. Provide purpose, amount, term, balance, status, and cost per unit. • Condo projects identified by Fannie Mae CPM as 'Unavailable' is not eligible. • Project with significant deferred maintenance or have received a directive from a regulatory or inspection agency to make repairs due to unsafe conditions are not eligible. • New projects must meet all of the following requirements: - 50% of the total units in the project or subject's phase must be sold/conveyed to unit owners AND at least 50% of the units must be owner occupied. - Project or subject's legal phase must be complete. All common elements in the project or legal phase must be 100% complete. - Project developer may be in control provided the Master Agreement allows for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time frame.
Property Insurance	• Use of existing coverage amount is permitted. • Loss payee clause must reflect seller as additional insured. • If the property is in a flood zone, evidence of flood insurance is required.
Housing Payment History	• 0x30x12 – verification of mortgage history required on all Real Estate owned. Paid current as of 45 days of loan app date. • VOR completed by a private-party or non-institutional landlord must be supported by alternative documentation showing the most recent 6 months history (cancelled checks, bank statements, etc.) *Payments made in cash are not eligible. • Mortgage not reported on credit report: Copy of mortgage statement or mortgage note and proof of payments through one of the following: - VOM + proof of borrower's payment for the most recent 6 months. - Credit supplement + proof of borrower's payment for the most recent 6 months. - 12 months cancelled checks, ACH payments, bank transfer/wire, or electronic payment (payments made in cash are not eligible). - 12-months mortgage statements for the review period. - 12-months loan payment history from the creditor/servicer + proof of borrower's payment for the most recent 6 months. - For refinance transaction if payoff statement reflects late fee, deferred balance, or delinquent interest greater than 30 days are subject to housing history and/or credit event criteria. Transaction is to be considered cashout. • Mortgage notes with ballon feature with an expired maturity date exceeding 30 days require an extension to avoid being counted as delinquent. • In case current primary residence mortgage is less than 12 months, previous housing history must be supplemented to satisfy full 12 months housing payment history documentation. - DTI may not exceed 43% - CLTV may not exceed 80% • Borrowers owning free & clear properties: If the borrower does not have a current mortgage payment, evidence of free & clear is required such as property report, EOI with no mortgagee, etc.

Credit	FICO score requirements • At least 1 borrower must have a minimum of 2 credit scores. All bureaus must not be frozen. • Representative FICO score is the lower of 2 or middle of 3 credit scores. • For loans with multiple borrowers, the borrower with higher monthly income is considered the primary borrower and their credit score can be used as the Representative FICO score. • When both borrowers are self-employed and jointly own the business, lowest score amongst the borrowers. Minimum Tradelines requirements • If the primary borrower has 3 credit scores, the minimum tradeline requirement is waived. • If the primary borrower has 2 credit scores, each borrower must meet the minimum requirements as below, unless the coborrower is the spouse of the borrower (In that case, only one spouse is required to meet the minimum requirements). - At least 2 tradelines reporting for minimum 24 months, with activity in 12 months, or - At least 3 tradelines reporting for minimum 12 months, with activity in 12 months, or - All of below requirements: ○ At least 8 tradelines, 1 must be a mortgage or rental ○ At least 1 is open and reporting for minimum 12 months ○ Borrower has at least 8 years credit history ○ There should be no serious adverse history on trade lines ○ Student loans can be counted in credit depth as long as they are in repayment and not being deferred ○ Accounts may be open or closed. - Self-reported, Account in deferment, Authorized user, collection/charge-offs, Account included in credit events (BK/FC/SS/DIL) are not considered as acceptable tradelines
Credit Inquiries	• The report must list all credit inquiries made in the previous 90 days. LOE is required to address all credit inquiries made within 90 days from the credit report date. • If new credit was extended, the borrowers must provide documentation on the current balance and payment. New payment terms are to be included in the DTI ratio.
Gap Credit Report	• Soft pull credit report is required no more than 10 days prior to loan closing. Any new debt must be included in determining the DTI ratio. • The full credit report pulled 10 days prior to loan closing can be considered as the gap credit report required.
Credit Events	• Foreclosure, Deed-In-Lieu, Short Sale, Pre-foreclosure, Mortgage Charge-Off, Notice of Default: 48 months from the settlement date to the Note date. In the case of a foreclosure which was included in a bankruptcy, the seasoning timeline will start from the earlier date of discharge of bankruptcy and the foreclosure completion date. • Bankruptcy: 48 months waiting period. Measured from the discharge/dismissal date to the Note date. • Multiple Derogatory Credit Events: 84 months waiting period.
Income- Bank Statements	General requirements • Minimum 2-year operating history in the same business required. • Nonprofit Entity not eligible. • Funds/Deposits in a IOLTA (Trust) ineligible source Bank Statements (24 or 12 months) • Business narrative may be required if nature of business cannot be determined from URLA. Documentation • Most recent 24 or 12 months personal or business bank statements. - Business account requirements: ○ Borrower must be at least 25% owner verified by CPA/EA/CTEC letter, operating agreement or equivalent. - Co-mingled account (A personal account used by a borrower for both business and personal use). ○ Borrower must be the sole owner of the business verified by CPA/EA/CTEC letter, operating agreement or equivalent (borrower and spouse with combined 100% ownership eligible).

Income- Bank Statements (Continued)	- Personal bank statement requirements: - o Borrower must be at least 20% owner verified by CPA/EA/CTEC letter, operating agreement or equivalent. - o Most recent 2 months of BUSINESS bank statements must evidence transfers to the personal account, AND activity to support on-going business operations. <u>Income Calculation</u> • Earning trends: if the 24-month trend shows a decline in income, but the most recent 12-month earning has been stabilized, the most recent 12-month average should be used. If the trend is declining, the income is not eligible. • Business/Co-mingled: Total deposits (less any inconsistent deposits) times expense factor, divided by 24 or 12 and multiplied with % of ownership. Inconsistent or large deposit (greater than 100% of average monthly sales) must be sourced or excluded. • Personal: Only transfers or deposits from the business accounts are eligible deposits. Qualifying income calculated using the sum of the total eligible deposits divided by the number of months. The most recent bank statement must be consistent with the qualifying income. If the account is jointly owned, and the joint owner is not an owner of the business, deposits that are not readily identifiable as transfers from the business accounts or business deposits must be excluded unless sourced. <u>Expense factors</u> • Option 1: Standard 50%. Eligible for all business types. • Option 2: If the business operates more efficiently or typically has a materially different expense factor, CPA/EA/CTEC letter specifying annual business expense ratio may be used (minimum 10%). • Option 3: P&L prepared or reviewed/acknowledged by CPA/EA/CTEC with verified license, covering the same period used for bank statements. Total deposits (less inconsistent deposits) must be no more than 20% below the sales/revenue indicated on P&L. <u>Non-Sufficient Funds (NSF)</u> • An occurrence is defined as any day in which one or more transactions are reversed or declined. • Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that (a) the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer, (b) the linked account's balance did not report as zero or negative at any point during the statement period of the transfer, and (c) the linked account did not itself receive overdraft protection proceeds during the statement period of the transfer. • Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that (a) the line's credit limit was not exceeded during the statement period of the transfer, and (b) a payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date. • If there are 1 or more occurrences in the most recent 3-month time period, up to three (3) occurrences are allowed in the most recent 12-month. • If there are 0 occurrences in the most recent 3 months, up to 5 occurrences in the most recent 12-month time period are acceptable.
Income - IRS Form 1099	• For individuals earning 100% commission or for independent contractors • A minimum 2-year self-employment history is required • 2 Years or 1 Year 1099 - One of the following Business expense analysis methods: - o 90% Net Margin (10% Expense Factor), or - o 3rd Party prepared P&L (CPA/EA/CTEC) • Qualifying income is the 12 or 24 monthly averages from the total number of 1099's minus the expense factor from the method chosen above. • YTD earnings must be documented when the 1099 reporting period is greater than 90 days from the note date. YTD earnings must support the ongoing receipt of income shown on the 1099s by: - Checks or a single check stub(s) with YTD totals if available, or - Bank statements (YTD). - The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than prior year earnings

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Verification of active business	• Business verification for self employed by 3rd party within 10-days of Note Date. • Methods of verifying the business include one of the following: a letter from a CPA, regulatory agency, an applicable licensing bureau. Internet listings are not acceptable source of verification.
Other Sources of Income	• Rental Income - Long term rental: Lease agreement, and 2 months bank statement with proof of rental income receipt (Business bank statement used for income analysis cannot be used for proof of receipt) - Short term rental: 12-month look back period statements or annual statement provided by the online service. 80% of verified monthly rental income (average of 12-month) can be used to offset PITIA of the rental property. Provide online listing to show property is activity marketed as a short-term rental • Ineligible Income Boarder income, gambling winning, income derived from cannabis • Other types of income may be combined with income calculated based on the bank statement. Please contact our underwriting desk.
4506-C	Not Required
Assets	• VOD or 1-month bank statement (Large deposit >100% of qualifying income needs to be sourced) • Eligible assets: Checking/Saving – 100%, Marketable Securities – 70% • Vested Retirement Savings (If borrower < 59.5 years old – 55%, if borrower >59.5 years old – 65%).
Reserves	• Stand-Alone transactions: Not required. • Simultaneous transactions: Follow 1st lien requirements.
Debts	• Revolving debt with no payment on credit report will be calculated at 5% of balance or \$10 whichever is greater. • Installment debt must be included in the DTI. The monthly payment may be excluded from the DTI calculation if there are 10 or fewer monthly payments remaining, and the payment is not substantial. Substantial is defined as the payment equaling or exceeding 5% of the qualifying income. A substantial payment must be included in the DTI. • Timeshare obligations will be treated as a consumer installment loan. • 30 days open account that has a monthly payment that is identical to the account balance, payment may be excluded if borrower has funds to cover (In addition to closing funds and reserves). • Debts paid by others (contingent liability) which borrower is primary obligor must be included (i.e., borrower financed auto for their business and business pays the loan. If the loan is in the borrower's name, debt must be included). • Business debt in borrower's name may be excluded with any of the following supporting documents: - Most recent 6 months of cancelled checks, ACH payment, or transferred draws from the business account. - Business bank statement after closing cost and reserves deducted, is greater than or equal to the balance of the debt. • Deferred student loan: 1% of balance or fully amortizing payments using loan payment documents will be used. • HELOC with no payments on credit report will be calculated at 5% of balance. • Follow FNMA Seller Guide for payment of other liabilities.
Property listed for sale	• Properties currently listed for sale or previously listed for sale in the past 6 months from listing contract expiration date to loan application date is not eligible.
Prepayment Penalty	Not permitted
Escrow Account (Impound)	Not permitted
Closing In Trust	Must meet FNMA guideline
Power of Attorney	Not permitted.