

# Essential CES



## Eligibility Matrix

| Income Doc Type                                                  | Max Loan Amount                                             | Minimum FICO | Max CLTV          |                                               |            |
|------------------------------------------------------------------|-------------------------------------------------------------|--------------|-------------------|-----------------------------------------------|------------|
|                                                                  |                                                             |              | Primary Residence | Second Home                                   | Investment |
| Bank Statement                                                   | \$350,000                                                   | 700          | 85%               | 80%                                           | 80%        |
|                                                                  |                                                             | 680          | 80%               | 75%                                           | 70%        |
|                                                                  | \$500,000                                                   | 700          | 80%               | 75%                                           | 70%        |
|                                                                  | \$750,000                                                   | 720          | 75%               | 70%                                           | 65%        |
| WVOE, P&L                                                        | \$350,000                                                   | 680          | 75%               | N/A                                           | N/A        |
|                                                                  | \$500,000                                                   | 700          | 75%               | N/A                                           | N/A        |
|                                                                  | \$750,000                                                   | 720          | 75%               | N/A                                           | N/A        |
| Additional Max CLTV Restrictions (Lower of above or below apply) |                                                             |              |                   |                                               |            |
| Property Type                                                    | Bank Statement with 3rd party Expense Ratio (see guideline) |              |                   | Declining Market                              |            |
| Condo: 80%<br>3-4 Unit: 75%                                      | 75%                                                         |              |                   | Primary & Second Home: 75%<br>Investment: 70% |            |
| Listed for sale 6-12 months ago with PPP                         |                                                             |              |                   |                                               |            |
| 65%                                                              |                                                             |              |                   |                                               |            |

## Program Guidelines

|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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| <b>Loan Terms</b>                    | 30, 20, 15, 10 years fixed (fully amortizing)                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Loan Amount</b>                   | <ul style="list-style-type: none"> <li>Minimum: \$150,000</li> <li>Combined loan balance cap (1st + 2nd): \$3,500,000</li> </ul>                                                                                                                                                                                                                                                                                                |
| <b>DTI</b>                           | Max 50%                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Underwriting Method</b>           | Manual underwriting only. For topics not addressed in this guideline, please contact our underwriting desk.                                                                                                                                                                                                                                                                                                                     |
| <b>Loan Purpose</b>                  | Rate/Term or Cash-Out                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Ineligible Transactions</b>       | <ul style="list-style-type: none"> <li>Lien Free Properties: If the subject property is lien free, including delayed financing.</li> <li>Unseasoned cash out: If the existing lien is a cash out, measured within twelve (12) months of the note date to note date.</li> <li>Purchase transaction.</li> </ul>                                                                                                                   |
| <b>Occupancy</b>                     | <ul style="list-style-type: none"> <li>Primary residence: 1-3 unit property that the borrower currently reside in.</li> <li>Second Home <ul style="list-style-type: none"> <li>Must not be located within the same neighborhood or city of primary residence.</li> <li>Is restricted to one-unit dwelling.</li> <li>Must not be rental property or a timeshare arrangement.</li> </ul> </li> <li>Investment property</li> </ul> |
| <b>Title Seasoning</b>               | <ul style="list-style-type: none"> <li>Subject property minimum ownership of 6 months prior to the Note date.</li> <li>Cashout to pay off an existing subordinate lien must be seasoned 12 months (from Note date to Note date).</li> </ul>                                                                                                                                                                                     |
| <b>Age of Credit Documents</b>       | 120 days from closing.                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Number of Financed Properties</b> | No limit, but a single borrower exposure to CHOICE CES is limited to \$5mm UPB or 10 loans.                                                                                                                                                                                                                                                                                                                                     |
| <b>Eligible Borrowers</b>            | <ul style="list-style-type: none"> <li>U.S. Citizens</li> <li>Permanent Resident</li> <li>Intervivos Revocable Trusts</li> </ul>                                                                                                                                                                                                                                                                                                |

Updated date: 8/25/2025

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| <b>Eligible Borrowers (Continued)</b> | <ul style="list-style-type: none"> <li>• No changes in property vesting permitted unless removing a co-borrower or adding a co-borrower whose income is not used to qualify</li> <li>• Non-Occupant Co-Borrower (must be non-occupant co-borrower on the 1st lien as well)</li> <li>• Ineligible: Non-Permanent Resident, ITIN, Foreign Nationals, Asylum applicants, DACA recipients, Borrowers with diplomatic immunity, borrower involved in an active litigation or pending separation/divorce.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>1st Lien Requirements</b>          | <ul style="list-style-type: none"> <li>• Existing 1st lien must be verified with copy of the note and the most recent mortgage statement.</li> <li>• 1st lien must not have the following characteristics: <ul style="list-style-type: none"> <li>- Seasoned &lt; 6 months</li> <li>- ARMs</li> <li>- Balloon</li> <li>- HELOC</li> <li>- Original amortization term &gt; 40 years</li> <li>- Loans in active forbearance or deferment (prior natural disaster or hardship forbearances eligible if seasoned &gt;= 12 months and included in CLTV)</li> <li>- Fixed rate interest-only with less than 5 years of interest only period remaining from the new CES Note Date</li> <li>- Negative amortization</li> <li>- Open renovations</li> <li>- Private party</li> <li>- Properties with a PACE lien (unless satisfied with subject transaction)</li> <li>- Reverse Mortgage</li> </ul> </li> </ul> |
| <b>Properties</b>                     | <ul style="list-style-type: none"> <li>• Eligible Property types: SFR, PUD, Warrantable Condo, 2-4 units</li> <li>• Acreage limit: 2 acres</li> <li>• Minimum square footage for Condo and 2-4 units: 500 sqft per unit.</li> <li>• Properties with solar panel: Must meet the Fannie Mae guidelines, but value of the solar panels should be excluded. Solar must not carry a lien against the property.</li> <li>• Ineligible: C5/C6 rating, Q6 rating, Rural, Non-warrantable condo, Zoning violations, Agricultural features (vineyards, farms, ranches, orchards, etc.), Zoning violations or illegal use, Properties on Native American Land, Mixed use, Manufactured, Mobile, Co-op, Leasehold, Commercial, PACE properties, Dome or geodesic homes, Houseboats, bed/breakfast, boarding house, single-room occupancy, assisted living/healthcare and etc.</li> </ul>                           |
| <b>Appraisal</b>                      | <ul style="list-style-type: none"> <li>• Full Interior/Exterior Appraisal</li> <li>• Condition Rating of C5/C6 not eligible</li> <li>• Transfer appraisal is not permitted.</li> <li>• Ineligible Zoning: Industrial, Commercial, and Agricultural.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Accessory Dwelling Units (ADU)</b> | <ul style="list-style-type: none"> <li>• 2 ADUs allowed on SFR.</li> <li>• Not permitted on 4-unit properties.</li> <li>• Appraiser to confirm ADU is typical to the area with supporting comparables.</li> <li>• Rental income may be used with supporting appraisal comparable which contains accessory units, Appraisal market rents survey, and lease with 1 month evidence receipt of income.</li> <li>• Unit should not jeopardize potential future hazard insurance claim(s).</li> <li>• Conforms to all zoning laws/regulations including permit requirements.</li> <li>• Unpermitted ADUs must be completed in a workman like manner and conform to the subject property. No rental income may be used to qualify.</li> </ul>                                                                                                                                                                 |
| <b>Condominiums</b>                   | <ul style="list-style-type: none"> <li>• Follow Fannie Mae for warrantability</li> <li>• No project review required: Detached Condo, 2-4 unit projects</li> <li>• Limited review applies for Established Project <ul style="list-style-type: none"> <li>- Primary residence with LTV &lt;= 85%</li> <li>- Second home &amp; Investment with LTV &lt;= 75%</li> </ul> </li> <li>• Full review (including budget, Article of Incorporation, CC&amp;R and By-laws) applies for New Project.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                    |

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| <b>Housing Payment History</b>                       | <ul style="list-style-type: none"> <li>• 0x30x12 – verification of rental/mortgage history required on all Real Estate owned.</li> <li>• Institutional VOR/VOM or private VOR/VOM + 12 months proof of payment via cancelled checks, bank debits (highlighted on statement). Carbon copies or handwritten rent receipts are not acceptable.</li> <li>• 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.</li> <li>• Borrowers owning free &amp; clear properties <ul style="list-style-type: none"> <li>- If the borrower does not have a current mortgage payment, evidence of free &amp; clear is required such as property report, EOI with no mortgagee, etc.</li> </ul> </li> </ul>                                                                                                                                                                              |
| <b>Credit Freeze</b>                                 | A credit freeze may remain if it is reported under one bureau only and a minimum of two scores are present. More than one frozen bureau requires the freeze to be lifted by the borrower and a new report provided.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Minimum Tradeline</b>                             | <ul style="list-style-type: none"> <li>• If the primary wage earner has three credit scores, the minimum tradeline requirement is waived for all borrowers.</li> <li>• Each borrower must have 2 tradelines or joint borrowers must have a total of 3 tradelines combined, rated at least 12 months, with activity in the last 24 months.</li> <li>• Tradeline may be opened or closed.</li> <li>• Eligible tradelines cannot have any derogatory history in previous 24 months.</li> <li>• Current housing not reporting on credit can be considered an open trade if supported by bank records (cancelled checks, debits).</li> <li>• No authorized user accounts may be used to satisfy minimum tradelines.</li> <li>• Non-traditional credit is not allowed as an eligible tradeline.</li> <li>• Disputed accounts may require an LOE. An updated credit report not required.</li> <li>• All mortgage accounts &gt; 1 x 30, each within 2 years of closing require a full explanation.</li> </ul> |
| <b>Credit Inquiries</b>                              | <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Gap Credit Report</b>                             | <ul style="list-style-type: none"> <li>• 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.</li> <li>• The full credit report pulled 10 days prior to loan closing can be considered as the gap credit report required.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Credit Events</b>                                 | <ul style="list-style-type: none"> <li>• 4 years seasoning required for Short Sale, Foreclosure, Deed in Lieu, Default Modification, Notice of Default, 120+ Delinquent and Single Bankruptcy.</li> <li>• Bankruptcy Chapter 7,11, 13 – calculated based on discharge or dismissal date.</li> <li>• Multiple derogatory credit events are ineligible.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Judgments, Liens, Charge-offs and Collections</b> | <ul style="list-style-type: none"> <li>• All Judgments affecting title or liens affecting title must be paid.</li> <li>• Non-title charge-offs and collections open &lt;2 years and greater than \$10,000 (individually or aggregate) must be paid.</li> <li>• Medical collections less than \$15,000 are not required to be paid.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Income Doc Options</b>                            | <ul style="list-style-type: none"> <li>• 12/24 Months Bank Statements</li> <li>• 12/24 Months P&amp;L</li> <li>• Written VOE</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Bank Statements</b>                               | <p><b>General requirements</b></p> <ul style="list-style-type: none"> <li>• Eligible business types <ul style="list-style-type: none"> <li>- U.S. based business with ownership of minimum 25% for business bank statements, 20% for personal bank statements.</li> <li>- Minimum of 2 years existence of the business is required, however, minimum of 1 year may be considered acceptable if borrower has employment history of 2 years in the same line of work or related profession.</li> <li>- Ineligible type of business: Real estate investors (with fewer than 10 residential units), venture capitalists, asset speculation, day trading, FinTech, business with trust accounts</li> </ul> </li> </ul>                                                                                                                                                                                                                                                                                     |

## Bank Statements (Continued)

- Documentation requirements
  - 12 or 24 Months personal or business bank statements
  - Multiple bank accounts may be used, more than 5 separate business accounts must use personal bank statements.
  - Most recent 3 months deposits should generally not represent the majority of annual income.
  - Borrower must provide a business narrative including the description of business profile, locations, number of employees/contractors, description of goods/materials/equipment, and client base
  - An internet search of the business is required to support existence of business. If there are no returns on the internet search, UW certification may be used.
  - Declining income may require an LOE.
  - NSF should be no more than 5 in the most recent 12 months.
  - Unusual large deposits may require an LOE or evidence they are business related.
- Business ownership verification
  - Business license, letter from the tax preparer, or SOS filing.
  - A company name change or re-organization is considered continuous if within last 2 years or restructure (i.e. from sole proprietor to LLC, S-Corp, etc.)
  - Any change of ownership percentage must be seasoned at least 12 months.

### Personal Bank Statements

- Option 1: Personal bank statements with evidence of business bank account
  - 2 months business bank statements is needed to validate the deposits are from the borrower owned business bank account.
  - Only transfers from the business, or receipt of payroll/distribution from the business are counted as eligible deposits.
  - 100% of the business deposits can be used as income
- Option 2: Personal bank statements with no business bank account
  - Only deposits from business related are counted as eligible deposits.
  - A trend of repeated expense not reported on the credit report may need additional explanation and may be considered a liability.
  - Expense factor applies as – 20% for service business, 50% for non-service business.

### Business Bank Statements

- Transfer from other bank account will require conclusive evidence that the transfer is business related income.
- Borrower using more than 5 separate bank accounts must qualify using personal bank statements.
- Customary business debt (i.e. auto or business credit card) may be excluded from DTI when evidenced with 6 months payments made from the business account (does not apply to 20% expense ratio). Mortgage debt may not be excluded from DTI even if paid by the business.
- The expense ratio should be reasonable for the profession.
- Decreasing or negative ending balances must be explained by an LOE.
- Option 1: Fixed expense ratio
  - 50% fixed expense factor for all businesses; or
  - 20% expense factor may be used if borrower is a sole operator (no partners, employees, etc.), does not have office space paying rent, and the business type is service business.
- Option 2: 3rd party expense ratio
  - Minimum 10%
  - Businesses such as Real Estate Investors, Construction, Restaurant/Food Services, Lenders, Retail, Merchandise, or Markets are ineligible for 3<sup>rd</sup> party expense ratio.
  - CPA/EA/CTEC must attest on their letterhead 1) they filed most recent business tax returns, audited the business financial statement, or reviewed working papers provided by the borrower, 2) expense ratio represents an accurate summary of the applicable cash expenses of the business, 3) wet signed. \*Form is attached to the last page of this guideline.

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| <b>Profit &amp; Loss</b>       | <ul style="list-style-type: none"> <li>• Must be U.S. based business, with minimum of 2 years self-employment.</li> <li>• Passive income from real estate investors (with fewer than 10 residential units), venture capitalists, asset speculation, day trading and the like are considered ineligible forms of P&amp;L income.</li> <li>• Borrower narrative on nature of business is required.</li> <li>• An internet search of the business is required to support the existence of the business.</li> <li>• Borrower(s) must own minimum 50% ownership of the business. Ownership must be verified by CPA/EA/CTEC letter. (PITINs are not eligible).</li> <li>• Minimum expense ratio is 15% of the total revenue.</li> <li>• Non-cash expenses on the P&amp;L can be added back (i.e. depreciation, amortization, wages paid to borrower)</li> <li>• P&amp;L must be wet signed by both borrower and preparer (CPA/EA/CTEC)</li> <li>• CPA/EA/CTEC letter must provide attestation that (1) they prepared borrower's business tax returns and (2) that they are not related to the borrower or associated with borrower's business, (3) that they audited the business financial statements, or reviewed working papers provided by the borrower, (4) that they certify P&amp;L represents an accurate summary of the business cash flow and expenses. *Form is attached to the last page of this guideline.</li> </ul> |
| <b>WVOE</b>                    | <ul style="list-style-type: none"> <li>• 2 years employment history in the same job.</li> <li>• A WVOE (FNMA Form 1005) must be completed by HR, Payroll Department, or an Officer of the Company.</li> <li>• The form must be sent and received directly from employer, the verification of delivery and receipt of WVOE form must be documented with one of the following: <ul style="list-style-type: none"> <li>- Physical mail, Fedex (Must include employer's address)</li> <li>- Fax (must include employer's fax number)</li> <li>- Email communication (must properly identify the company representative)</li> </ul> </li> <li>• Employment must be consistent with borrower's credit report.</li> <li>• Qualifying income is the lower of the income on initial 1003 or verified income from WVOE.</li> <li>• WVOE must be dated within 10 days from funding.</li> <li>• Employed by family is ineligible.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Other Sources of Income</b> | <ul style="list-style-type: none"> <li>• Rental Income <ul style="list-style-type: none"> <li>- Lease agreement with 85% gross rent is used.</li> <li>- If lease is not available, market rent can be used.</li> <li>- Evidence that the lease is close to market rent is required. Internet rental searches are allowed.</li> <li>- Proof of receipt of current month's rent is required.</li> </ul> </li> <li>• Other types of income may be combined with income calculated based on the bank statement. Please contact our underwriting desk.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>4506-C</b>                  | Not Required                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Assets</b>                  | <ul style="list-style-type: none"> <li>• Rate/Term – requires 3 months reserves. Reserves based on PITIA on the 1st and 2nd lien.</li> <li>• Cash Out – no reserves required.</li> <li>• 1 month bank statement. Large deposit exceeding 50% of the total monthly qualifying income must be sourced.</li> <li>• 100% value of bank accounts, stocks, bonds, mutual funds, vested retirement accounts.</li> <li>• Business assets may only be used if the borrower(s) has 100% ownership of the business or 100% access letter from all partners is obtained.</li> <li>• Ineligible: Gift funds</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Debts</b>                   | <ul style="list-style-type: none"> <li>• 30 Day Open Accounts: Qualified using the full monthly payment or 3% for monthly accounts unless borrower documents balance can be covered by excess reserves.</li> <li>• 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.</li> <li>• Deferred installment debts including student loans must be included in the DTI. If a payment amount is not identified, use 0.5% of the current loan balance.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

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| <b>Debts (Continued)</b>        | <ul style="list-style-type: none"> <li>• Business Debt: Can be excluded if it can be tied to business related activities (i.e. vehicle) and 6 months (0x30) proof that business pays. Expense must be evident in business financials. Can't be paired with expense factor &lt; 25%.</li> <li>• Contingent liabilities can be excluded with 6 months proof (0x30) evidencing their business or another individual pays.</li> <li>• Follow FNMA Seller Guide for payment of other liabilities.</li> </ul>                                                                                                                                                                                                                                                                                                                                         |
| <b>Property listed for sale</b> | <ul style="list-style-type: none"> <li>• Primary Residence, Second Home and Investment Property w/ no PPP                             <ul style="list-style-type: none"> <li>- Listed for sales within the past 6 months from the note date is ineligible.</li> <li>- Listed for sale between 6 months to 12 months from the note date is eligible for Rate/Term refinance only, and not eligible for cash-out.</li> <li>- LTV is based on the lower of the appraised value or the listing price.</li> </ul> </li> <li>• Investment Property w/ PPP                             <ul style="list-style-type: none"> <li>- Listed for sale within the past 12 months are eligible for rate/terms with no LTV restrictions</li> <li>- Listed for sale within the past 12 months are eligible for cash-out with Max CLTV 65%</li> </ul> </li> </ul> |
| <b>Prepayment Penalty</b>       | <ul style="list-style-type: none"> <li>• Applies to Investment property only.</li> <li>• Prepayment periods up to 5-Years eligible.</li> <li>• Six months of interest - The prepayment charge will be equal to 6 months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that pay off due to sale or refinance, or curtailments that exceed 20% of the original principal balance in a given 12-month time period.</li> </ul>                                                                                                                                                                                                                                                                                                                                        |
| <b>Property Insurance</b>       | Follow Fannie Mae.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Escrow Waiver</b>            | Eligible for Non-HPML files                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Ineligible Vesting Type</b>  | Tenants in Common, irrevocable trust                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Closing In Trust</b>         | Must meet FNMA guideline                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Power of Attorney</b>        | Not permitted.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |



## TAX PROFESSIONAL ATTESTATION

### Tax Professional Information

- Business Name: \_\_\_\_\_
- Business Address: \_\_\_\_\_
- Email: \_\_\_\_\_
- Phone: \_\_\_\_\_
- CTEC/CPA/EA #: \_\_\_\_\_

### Borrower Information

- Borrower Name : \_\_\_\_\_
- Business Name : \_\_\_\_\_
- Business Address: \_\_\_\_\_
- Ownership Percentage : \_\_\_\_\_
- Did you file the borrower's most recently filed business tax return? Yes\_\_\_\_ No\_\_\_\_
- Do you have any relationship to the borrower or any association with the business? Yes\_\_\_\_ No\_\_\_\_  
If yes, please explain: \_\_\_\_\_
- Have you performed either the following functions:
  - Audited the business financial statements, or Yes\_\_\_\_ No\_\_\_\_
  - Reviewed working papers provided by the borrower Yes\_\_\_\_ No\_\_\_\_
- What is the business expense factor as a percentage of gross revenue? \_\_\_\_\_
- Does this expense factor represent an accurate summary of the business's applicable cash expenses?  
Yes\_\_\_\_ No\_\_\_\_
- Additional Comments: \_\_\_\_\_

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

\*Must be wet signed, DocuSign not allowed

\*Must attached Tax Professional license with this attestation

\* Self-Employed borrowers who file their own tax returns are not eligible