

Purchase / Rate and Term Refinance				
Primary Residence				
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves
1 Unit	700	\$1,500,000	85%	12 Months
	720	\$2,500,000	85%	15 Months
	740	\$3,000,000	75%	24 Months
2 Units	720	\$2,000,000	70%	15 Months
Second Home				
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves
1 Unit	720	\$1,500,000	80%	12 Months
		\$2,000,000	75%	18 Months
		\$2,500,000	70%	24 Months
Investment Property				
1 Unit	720	\$1,000,000	70%	18 Months
	740	\$1,500,000	70%	24 Months
	760	\$2,000,000	70%	24 Months
	740	\$2,000,000	60%	24 Months
2-4 Units	720	\$1,000,000	65%	18 Months
	740	\$1,500,000	65%	24 Months
	760	\$2,000,000	65%	24 Months
	740	\$2,000,000	60%	24 Months

Cash Out Refinance					
Primary Residence					
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves	Maximum Cash Out
1 Unit	700	\$1,000,000	75%	12 Months	\$350,000
	720	\$1,000,000	80%	12 Months	
	740	\$1,500,000	80%	15 Months	
	740	\$2,000,000	75%	15 Months	
	740	\$2,500,000	70%	24 Months	\$500,000
Second Home					
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves	Maximum Cash Out
1 Unit	720	\$1,000,000	70%	12 Months	\$350,000
	740	\$2,500,000	65%	24 Months	



Product Types		
30 Year Fixed	15 Year Fixed	10/6 SOFR ARM
7/6 SOFR ARM	5/6 SOFR ARM	

Purchase / Rate and Term Refinance
<p>Hometown Equity Mortgage’s Jumbo loan program is a non-agency offering allowing for loan amounts greater than the conforming limit as set by the Federal Housing Finance Agency.</p> <p>All loans must meet the Ability to Repay rules and Qualified Mortgage requirements established by Regulation Z under the Truth-in-Lending Act. Loans require manual underwriting and documentation according to Appendix Q to Part 1026 of Regulation Z - Standards for Determining Monthly Debt and Income.</p> <p>In addition, loans must be submitted to Desktop Underwriter (DU) or Loan Product Advisor (LPA) with a feedback certificate included. Regardless of the AUS findings, loans must meet Hometown Equity Mortgage’s guidelines and credit and collateral requirements. Underwriting topics not addressed in Appendix Q and Hometown Equity Mortgage guidelines, follow the manual underwriting requirements for the applicable agency based on the automated underwriting system utilized.</p>



PROGRAM DETAILS

Topic	Guideline
Minimum Loan Amounts	<ul style="list-style-type: none"> Agency conforming limit +\$1
Acreage	<ul style="list-style-type: none"> 15 acres maximum
Appraisal	<ul style="list-style-type: none"> Transferred appraisal are not allowed All appraisals must be ordered through an AMC The broker cannot be the Lender/Client Appraisals must be uploaded to UCDP and receive a "successful" Submission Summary Report (SSR) SSR scores of 4 or greater require an appraisal review <ul style="list-style-type: none"> A score of 5 requires management approval Appraisals by appraisers & supervisory appraisers on the Fannie Mae AQM list are not eligible. Two (2) appraisal reports are required if the loan amount is greater than 1,500,000. <ul style="list-style-type: none"> For purchase transactions, if two (2) appraisals are required then the property value will be the lesser of; <ul style="list-style-type: none"> the lower of the two (2) appraisals the purchase price. For rate/term and cash out refinance transactions, if two (2) appraisals are required then the property value will be the lesser of the two (2) appraisal reports. Any inconsistencies between the two (2) appraisal reports much be addressed and reconciled.
ARM Details	<ul style="list-style-type: none"> Conversion - non-convertible Index - The 30-day average of the Secured Overnight Financing Rate (SOFR) Index as reported by the Federal Reserve Bank of NY. Margin - 3.875% Floor - Margin Interest Rate Changes - every 6 months after the initial fixed period Qualifying Rate <ul style="list-style-type: none"> 5/6 & 7/6 - The greater of the fully indexed rate or the note rate 10/6 - The greater of the fully indexed rate or the note rate = 2% Interest Rate Caps <ul style="list-style-type: none"> 5/6 - 2/1/5 7/6 & 10/6 - 5/1/5
Assets	<ul style="list-style-type: none"> Third party validation of all checking and savings accounts is required
Assets - Gift Funds	<ul style="list-style-type: none"> Borrower must contribute a minimum of 5% of own funds Gift funds permitted after borrower contribution requirements have been met with the following requirements: <ul style="list-style-type: none"> Gift funds cannot be counted towards reserves Purchase transaction only Primary residence only

Topic	Guideline
Assets - Stocks	Stocks, Stock, options and mutual funds <ul style="list-style-type: none"> When used for down payment or closing cost, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented in all cases When used for reserves, only 70% of the value of the asset must be considered and liquidation is not required All funds must be owned by the borrower(s)
Asset Documentation	Full asset documentation is required, including: <ul style="list-style-type: none"> All pages of the most recent two (2) consecutive months' statements or the most recent quarterly statement may be provided, as applicable All asset documentation must be dated within 90 days of the note date. All funds must be owned by the borrower(s) Verification of Deposits (VOD) are not acceptable
AUS	<ul style="list-style-type: none"> DU or LPA is allowed <ul style="list-style-type: none"> o Approve/Ineligible required
Borrower Eligibility	<ul style="list-style-type: none"> Maximum 4 loans to 1 borrower All non-U.S. citizen Borrowers must provide documentation of lawful permanent or non-permanent residency All Borrowers must be a natural person or an eligible inter vivos revocable trust. (Also see Leasehold Estates and Land Trusts.) Borrowers who are Foreign Politically Exposed Persons or who have Diplomatic Immunity are not eligible. Non-Occupant co-borrowers are not allowed
Condo Eligibility	<ul style="list-style-type: none"> New construction and gut rehabilitation condos are not allowed.
Condominiums - Ineligible Property Types	<ul style="list-style-type: none"> Subject property with unit size less than 650 square feet Condo projects with any units less than 400 square feet Manufactured homes Condotels, Hotel Condos, hotel/motel conversions including: <ul style="list-style-type: none"> o Condo projects that: both include registration services and offer the rental of units for a term of ≤ 30 days; o share facilities with a hotel or motel; o offer services typically provided in a hotel or motel such as maid service, management desk, bellman, etc.; o restrict owner's ability to occupy the unit.
Credit - Installment Debt	<ul style="list-style-type: none"> Installment debt must be paid in full to be excluded. Borrowers may not pay down installment debts to less than 10 months to exclude the debt for qualifying.
Credit Score	<ul style="list-style-type: none"> Each borrower must generate a traditional credit score from at least one repository Minimum credit score - see product grid above
Credit Report	<ul style="list-style-type: none"> RMCR or traditional tri-merge is required for all borrowers on all loans.

Topic	Guideline
DTI	<ul style="list-style-type: none"> Maximum ratios of 43%
Energy Efficient Mortgage	<ul style="list-style-type: none"> Not Allowed
Escrow / Impounds	<ul style="list-style-type: none"> Mandatory flood insurance must be escrowed, unless paid by HOA as a common expense.
Escrow Holdbacks	<ul style="list-style-type: none"> Not Allowed
Geographic Restrictions	<ul style="list-style-type: none"> Any state meMortgage is not licensed in – see www.meMortgage.com
Housing Authority Subsidies	<ul style="list-style-type: none"> Section 8 vouchers, Housing Authority subsidies are not eligible.
Income Documentation - Wage Earners/Other Income	<p>Unless otherwise specified in this program description, follow the manual underwriting requirements for applicable Agency based on the automated underwriting system utilized.</p> <ul style="list-style-type: none"> Employment and income documentation must be dated within 60 days of the note date Follow the agency age of documentation requirements; military income documented using leave and Earnings Statement, Social Security, retirement income, long-term disability, mortgage credit certificates, public assistance, foster care, or royalty payments Full Documentation is required, which includes: <ul style="list-style-type: none"> Most recent year-to-date paystub covering at least 30 days and the last two (2) years of W2s
Income Documentation - Self Employed	<p>Unless otherwise specified in this program description, follow the manual underwriting requirements for applicable Agency based on the automated underwriting system utilized.</p> <ul style="list-style-type: none"> Employment and income documentation must be dated within 60 days of the note date Self-Employed Businesses Generating Positive Income Used to Qualify <ul style="list-style-type: none"> Two (2) years signed and dated personal tax returns plus two (2) years signed and dated business tax returns, and; An audited year-to-date profit and loss statement reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date; or; An unaudited year-to-date profit and lost statement signed by the borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and two (2) business depository account statements no older than the latest two (2) months represented on the year-to-date profit and loss statement. <ul style="list-style-type: none"> For example, the business depository account statements can be no older than April and May for a year-to-date profit and loss statement dated through May 31, 2020

Topic	Guideline
Income Documentation - Self Employed (continued)	<ul style="list-style-type: none"> The underwriter must review the two (2) most recent depository account statements to support and ensure no conflict with the information presented in the current year-to-date profit and loss statement. Otherwise, the Broker must obtain additional statements or other documentation to support the information from the current year-to-date profit and loss statement.
Income Documentation - Covid-19	<p>When analyzing the business income and profit and loss and balance sheet statement follow agency COVID guidelines to ensure proper qualification of the self-employed income.</p> <p>*The year to date profit and loss statement and balance sheet must not be more than 60 days aged as of the note date.</p> <ul style="list-style-type: none"> Verbal Verification of Employment for the last two (2) years required for: <ul style="list-style-type: none"> For all employment used for qualifying income, and if using third party employment verification vendor, the information in the vendor's database cannot be more than 60 days aged as of the note date. Verbal Verifications of employment <ul style="list-style-type: none"> Wage Earners - within 10 business days prior to note date Self-Employed <ul style="list-style-type: none"> Verification of existence of the borrower's business within 120 days of the note date, and Verification that the business is open and operating within 20 business days of the note date. Examples of methods to confirm the business is operating: <ul style="list-style-type: none"> Evidence of current work, such as executed contracts or signed invoices that indicate the business is operating on the day self-employment is verified; Evidence of current business receipts within 20 days of the note date, such as payment of services performed; Business website demonstrating activity supporting current business operations, timely appointments for estimates or service, etc. <p>For further COVID-19 related guidance, follow the agency requirements applicable to the automated underwriting system utilized</p>
Interested Party Contributions	<ul style="list-style-type: none"> 6% - Primary & Second Home 2% Investment Properties
IRS 4506-T	<ul style="list-style-type: none"> IRS Form 4506-T must be signed prior to underwriting for borrowers whose income is documented with tax returns. Authorization must coincide with the years of tax returns obtained for qualification. Borrowers whose income has been validated through the DU validation service must sign IRS Form 4506-T at closing even if DU waives the requirement.

Topic	Guideline
Leasehold Estates and Land Trusts	<ul style="list-style-type: none"> Land Trusts, Community Land Trusts, including Illinois land trusts, "Indian Leased Land" are not eligible.
Manufactured Homes	<ul style="list-style-type: none"> Not allowed
Mortgage Credit Certificate	<ul style="list-style-type: none"> Not allowed
Mortgage Insurance	<ul style="list-style-type: none"> Not allowed
Mortgage or Rent Verification	<ul style="list-style-type: none"> The most recent 24 months mortgage or rental payment history is required. If the mortgage account is not reported on the credit report, a VOM is required. Acceptable methods of VOM are: <ul style="list-style-type: none"> Completed VOM form and computerized payment history printout from the mortgage servicer; Credit bureau report reflecting a payment history over the last 24 months. Canceled checks, front and back, reflecting necessary mortgage payments over the last 24 months; or Canceled checks, front and back, reflecting necessary mortgage payments over the most recent 12 months and a completed VOM form and computerized payment history printout from the mortgage servicer for the preceding 12 months. If the borrower does not have an outstanding mortgage loan, a VOR must be completed to verify the borrower's rental payment history. Acceptable methods of VOR are: <ul style="list-style-type: none"> Canceled checks, front and back, reflecting necessary rent payments; Bank statements reflecting rent payments and a signed lease agreement; or Landlord completed VOR form if the landlord is a professional management company.
Power of Attorney	<ul style="list-style-type: none"> No "General" POAs. POA must be "specific and identify property. No POA for trusts, cash out, non-owner or non-occupant borrowers.
Property Deed Restrictions	<ul style="list-style-type: none"> Deed restricted properties are not eligible, unless the restriction is age-related, and otherwise meets the applicable Agency guidelines.
Property Flipping, Purchase Contract Assignments, Churning	<ul style="list-style-type: none"> Refinance transactions are not eligible if there is evidence of churning and/or Net Tangible Benefit is not established. Purchase transactions with property flipping or rapid resale within 90 days require additional scrutiny for price manipulation Transactions with purchase contracts that have been assigned are not eligible. If listed within prior 6 months, must be removed from market on or prior to disbursement date of new loan.

Topic	Guideline
Property - Eligible	<ul style="list-style-type: none"> • Single Family Residences (attached or detached) - 1 unit • Condominiums - Warrantable (Fannie or Freddie) • PUDs • Rural Properties <ul style="list-style-type: none"> o 15 acres maximum o Highest and best use must be residential o No Agg or Commercial use
Property - Ineligible	<p>The following are not eligible:</p> <ul style="list-style-type: none"> • Assisted living • Board and care facilities • Boarding houses • Bed & breakfast • Non-warrantable condo projects • Co-Ops • Exotic or non-traditional types of structures, e.g. dome homes, houseboats, Land loans, vacant or unimproved properties • Manufactured/Mobile/Modular homes • Working farms or ranches • Indian (Native American) tribal or Trust Land, or "Indian Leased Land." • Timeshares • Working farms • Live/work condos • Properties under construction
Property Condition and Quality Ratings	<ul style="list-style-type: none"> • Properties with a Condition Rating of C5 - Not Allowed • Properties with a Quality Rating of Q6 - Not Allowed
Qualifying Rate	<ul style="list-style-type: none"> • 5/6 & 7/6 ARM <ul style="list-style-type: none"> o Greater of the fully-indexed rate or the note rate • 10/6 ARM <ul style="list-style-type: none"> o Greater of the fully-indexed rate or the note rate + 2%
Resale Restrictions	<ul style="list-style-type: none"> • Resale/Deed restrictions are not permitted; with the exception of age restricted communities (55+), within program guidelines
Subordinate Financing	<ul style="list-style-type: none"> • Subordinate lien(s) must not have negative amortization features, prepayment penalties or balloon payments due within five (5) years of the loan closing date • Principal balance of a HELOC used in determination of the LTV/CLTV ratio is based upon the fully drawn balance • In cases with HELOC resubordinated to the subject property, the monthly amount listed on the credit report for the HELOC will be used. <ul style="list-style-type: none"> o If no monthly amount is listed, one (1) percent minimum payment of the maximum line amount will be used for qualifying
Tax Transcripts	<ul style="list-style-type: none"> • All tax returns must be validated • W-2 transcripts for wage earners are acceptable
Temporary Buydown	<ul style="list-style-type: none"> • Not allowed

Topic	Guideline
Texas Cash-out	• Not allowed
Underwriting	• Manual underwrite only

