

Purchase / Rate and Term Refinance				
Primary Residence				
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves
1-4 Units	720	\$3,000,000	80%	6 mos to \$1M 9 mos to \$2M 12 mos to 3M
	680	\$3,000,000	75%	
		\$2,000,000	85%	
	660	\$1,000,000	90%*	
		\$2,000,000	80%	
	620	\$1,000,000	75%	
\$2,000,000		65%		

\* Rate and Term Max LTV 85%

Second Home				
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves
1-4 Units	720	\$3,000,000	75%	6 mos to \$1M 9 mos to \$2M 12 mos to 3M
	680	\$3,000,000	70%	
		\$2,000,000	80%	
	660	\$2,000,000	70%	
		\$1,000,000	75%	
	620	\$2,000,000	60%	
\$1,000,000		65%		

Investment Property				
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves
1-4 Units	720	\$3,000,000	75%	6 mos to \$1M 9 mos to \$2M 12 mos to 3M
	680	\$3,000,000	70%	
		\$2,000,000	80%	
	660	\$2,000,000	70%	
		\$1,000,000	75%	
	620	\$2,000,000	60%	
\$1,000,000		65%		

Cash Out Refinance					
Primary Residence					
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves	Maximum Cash Out
1-4 Units	720	\$2,500,000	70%	6 mos to \$1M 9 mos to \$2M 12 mos to 3M	No limit to 65% LTV
		\$2,000,000	75%		
	680	\$2,500,000	65%		
		\$2,000,000	70%		
	660	\$2,000,000	65%		
		\$1,000,000	70%		
	620	\$2,000,000	60%		
		\$1,000,000	65%		

Second Home					
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves	Maximum Cash Out
1-4 Units	720	\$2,500,000	70%	6 mos to \$1M 9 mos to \$2M 12 mos to 3M	No limit to 65% LTV
		\$2,000,000	75%		
	680	\$2,500,000	65%		
		\$2,000,000	70%		
	660	\$2,000,000	65%		
		\$1,000,000	70%		
	620	\$2,000,000	60%		
		\$1,000,000	65%		

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Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves	Maximum Cash Out
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		\$2,000,000	75%		
	680	\$2,500,000	65%		
		\$2,000,000	70%		
	660	\$2,000,000	65%		
		\$1,000,000	70%		
	620	\$2,000,000	60%		
		\$1,000,000	65%		

Product Types		
30 Year Fixed	15 Year Fixed	40 Year Fixed (I/O only)
7/6 SOFR ARM	10/6 SOFR ARM	

Program Overview
<p>Hometown Equity Mortgage offers loans to borrowers utilizing accumulated liquid assets as a basis for qualification rather than through traditional income documentation.</p> <p>Loans in this program must meet ATR / QM requirement as defined in our guidelines. This program is designed for Borrowers who are sound credit risks based on a commonsense approach to underwriting.</p> <p><b>Highlights include the following:</b></p> <ul style="list-style-type: none"> <li>• Loan amounts up to \$3MM</li> <li>• Interest only available with 30 or 40 year term</li> <li>• DTI up to 55 allowed</li> <li>• Credit scores down to 620</li> <li>• Recent Credit Events Allowed</li> <li>• All occupancy types allowed</li> <li>• 7/6 and 10/6 ARM, 15, 30, and 40 FRM (40 year term IO only)</li> <li>• Multiple financed properties allowed</li> </ul>



Eligibility Requirements	
Topic	Guideline
<b>Borrower Eligibility</b>	<ul style="list-style-type: none"> <li>• US Citizen</li> <li>• Permanent Resident Alien</li> <li>• Non-Permanent Resident Alien with the following visas: E, G, H, L, O, P, and TN</li> <li>• First time home buyer-see Housing Payment History guideline below</li> <li>• Non-Occupant Co-Borrowers-see Underwriting Guidelines</li> </ul>
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>• Primary</li> <li>• Second Home</li> <li>• Investment Properties</li> </ul>
<b>Property Types</b>	<ul style="list-style-type: none"> <li>• 1-4 unit attached and detached properties</li> <li>• Warrantable Condos</li> <li>• PUDs</li> <li>• Mixed use properties that comply with FNMA's guidelines-see Underwriting Guidelines</li> </ul>
<b>Eligible Transactions</b>	<p>Purchase, including non-arm's length transactions-</p> <ul style="list-style-type: none"> <li>• See Underwriting Guidelines</li> </ul> <p>Rate and Term Refinance</p> <ul style="list-style-type: none"> <li>• No title seasoning required</li> <li>• Payoff of first and second, <ul style="list-style-type: none"> <li>o The second must be seasoned &gt;6 months with no draw or used to purchase the subject</li> </ul> </li> <li>• Recoup of funds expended to improve the subject property. <ul style="list-style-type: none"> <li>o Improvements must have been completed within the last 6 months preceding the application date, funds must have been Borrower's own.</li> </ul> </li> <li>o Cash out amount not to exceed documented improvement costs</li> <li>• Buyout accompanied by an executed buyout agreement</li> <li>• Delayed Financing <ul style="list-style-type: none"> <li>o When the subject property was purchased for cash within the 6 months preceding the application date, funds may be recouped up to the Borrower's documented contribution.</li> <li>o Gifted funds are not deemed to be Borrower's own funds</li> </ul> </li> </ul> <p>Cash-Out Refinance</p> <ul style="list-style-type: none"> <li>• Refinances which do not fit into the rate and term guidelines are deemed to be cash out</li> <li>• 6 months seasoning required measured from deed transfer to application</li> <li>• Max cash out allowed: <ul style="list-style-type: none"> <li>o No limit for LTVs up to 65, \$500k for LTVs above 65</li> </ul> </li> <li>• Value to be utilized must be supported-see Underwriting Guidelines</li> </ul>

Credit Requirements	
Topic	Guideline
<b>Minimum Tradelines</b>	<ul style="list-style-type: none"> <li>• Minimum of 3 tradelines</li> <li>• Must have a 24 month credit history</li> <li>• One tradeline must have been active in the last 6 months                             <ul style="list-style-type: none"> <li>○ May also be used for the 24 month history</li> </ul> </li> <li>• Tradeline do not have to be open</li> <li>• If the spouse is the only co-borrower, the primary borrower need only meet the tradeline requirement                             <ul style="list-style-type: none"> <li>○ Only one borrower is required to meet this guideline</li> </ul> </li> <li>• See Underwriting Guidelines for more details and alternatives.</li> </ul>
<b>Credit Score</b>	<ul style="list-style-type: none"> <li>• 620 minimum FICO score</li> <li>• Use the lowest middle score for pricing and guideline purposes.</li> <li>• If there is a primary borrower, use their FICO score                             <ul style="list-style-type: none"> <li>○ A borrower that provide <math>\geq 75\%</math> of the qualifying assets are considered the primary borrower</li> </ul> </li> </ul>
<b>Housing Payment History</b>	<ul style="list-style-type: none"> <li>• Housing payment History                             <ul style="list-style-type: none"> <li>○ 0x30x12</li> <li>○ 0x60x24</li> </ul> </li> <li>• First-time Homebuyer                             <ul style="list-style-type: none"> <li>○ Must document a 12-month history during the last 36 months                                     <ul style="list-style-type: none"> <li>• Must be 0x30</li> </ul> </li> <li>○ Living rent free or no history                                     <ul style="list-style-type: none"> <li>• 75% max LTV</li> <li>• 10% own funds contribution</li> <li>• Primary and second home only</li> </ul> </li> </ul> </li> </ul>
<b>Derogatory Credit Events</b>	<ul style="list-style-type: none"> <li>• Significant Events                             <ul style="list-style-type: none"> <li>○ Bankruptcy</li> <li>○ Foreclosure</li> <li>○ Short sale &amp; Short Pay</li> <li>○ Modification</li> <li>○ Dee-in-lieu</li> <li>○ Pre-foreclosure events (NOD &amp; Lis Pendens)</li> </ul> </li> <li>• Seasoning Requirements                             <ul style="list-style-type: none"> <li>○ 0-2 years, not eligible</li> <li>○ 2-4 years – 75% max LTV</li> <li>○ &gt; 4 years, no restrictions</li> </ul> </li> <li>• Judgment/Tax Lien - Must meet one of the following:                             <ul style="list-style-type: none"> <li>○ Paid off prior to or at closing, or</li> <li>○ Show 6 month satisfactory payment history, include payment in debt service, subordinate if recorded</li> </ul> </li> <li>• Collections/Charge-Offs                             <ul style="list-style-type: none"> <li>○ May be excluded if individually less than \$250 or in aggregate less than \$1,000. If greater, must be paid off prior to or at closing.</li> <li>○ Medical collections are excluded from this requirement regardless of amount.</li> </ul> </li> </ul>

Asset & Income Requirements	
Topic	Guideline
<b>DTI</b>	<ul style="list-style-type: none"> <li>• Maximum DTI is 50%</li> <li>• DTI above 43 must meet residual income guidelines                             <ul style="list-style-type: none"> <li>○ See Underwriting Guidelines</li> </ul> </li> <li>• DTI may be increased to 55 with the following:                             <ul style="list-style-type: none"> <li>○ Min FICO: 680</li> <li>○ Max LTV: 70</li> <li>○ Purchase or Rate/Term Refinance only</li> <li>○ Minimum Residual Income:                                     <ul style="list-style-type: none"> <li>• Greater of .5% of the loan amount or \$2k.</li> <li>• Increased requirement may be waived with an additional 6 months PITIA reserves</li> </ul> </li> </ul> </li> </ul>
<b>S/E Borrower Eligibility</b>	<ul style="list-style-type: none"> <li>• Applicants generally must have been self-employed for at least two years.                             <ul style="list-style-type: none"> <li>○ A CPA, EA, or licensed tax preparer letter or equivalent document verifying self-employment must be provided in all cases.</li> <li>○ Applicants must provide an LOE on the nature of their business and how it was impacted by COVID.</li> <li>○ At underwriter’s discretion, current business existence and operations may be re-verified prior to closing and updated bank statements may be required.</li> </ul> </li> </ul>
<b>Income Documentation</b>	<p>Personal Bank Statements</p> <ul style="list-style-type: none"> <li>• Provide the most recent 12 or 24 months of personal bank statements.                             <ul style="list-style-type: none"> <li>○ Evaluate deposits to verify that they are part of Applicant’s income stream.</li> <li>○ Any that are abnormal to Applicants typical deposits must be sourced/documentated to be considered as part of income.</li> <li>○ Total all eligible deposits and divide by number of statements provided to determine monthly income.</li> <li>○ Provide the most recent 3 months of business statements to verify that income is coming from Applicant’s business.</li> <li>○ Transfers from only one account are allowed.</li> <li>○ Transfers between personal accounts not considered income.</li> <li>○ An applicant who provides personal statements but does not meet the above outlined criteria will have their statements treated as business statements.</li> </ul> </li> </ul> <p>Business Bank Statements</p> <ul style="list-style-type: none"> <li>• Provide the most recent 12 or 24 months of business bank statements.</li> <li>• Multiple accounts may be used, however the same calculation method must be applied across all accounts provided.</li> <li>• The Applicant(s) combined must own 50% or more of the business to utilize business bank statements.</li> </ul>

Asset & Income Requirements	
Topic	Guideline
<b>Income Calculation Methods</b>	<p>Method 1   Uniform Expense Ratio</p> <ul style="list-style-type: none"> <li>• Multiply eligible deposits received by a 50% expense ratio.</li> <li>• Multiply result by Applicant's ownership percentage and divide by number of statements provided.               <ul style="list-style-type: none"> <li>◦ The expense ratio must be reasonable to Applicant's line of work and Applicant qualifies, no further information is required.</li> </ul> </li> <li>• Any abnormal deposits will need to be sourced and documented.</li> </ul> <p>Method 2   Profit and Loss Statement</p> <ul style="list-style-type: none"> <li>• Provide a CPA, EA, or licensed tax preparer prepared profit and loss statement covering the period of bank statements provided.</li> <li>• As long as business statements support eligible deposits of at least 75% of the gross receipts listed on the P&amp;L, use the net income on the P&amp;L for qualifying based on the Applicant's pro-rata share of ownership.</li> <li>• Any abnormal deposits will need to be sourced and documented. Income utilized to qualify must be reasonable based on the Applicant's line of work.</li> </ul> <p>Method 3   CPA Letter for Expense Ratio</p> <ul style="list-style-type: none"> <li>• Provide a letter from Applicant's CPA, EA, or licensed tax preparer stating the business' expense ratio based on the most recent year's tax return.               <ul style="list-style-type: none"> <li>◦ The letter may not include any exculpatory language.</li> </ul> </li> <li>• Multiply the expense ratio by the business' total deposits over the period shown on bank statements.</li> <li>• Deduct that figure from the total deposits.</li> <li>• Multiply net deposits by the Applicant's pro-rata ownership percentage and divide by the number of statements provided.</li> <li>• Income utilized to qualify must be reasonable based on the Applicant's line of work.</li> </ul> <p>All Methods:</p> <ul style="list-style-type: none"> <li>• Comingled accounts will be treated as business accounts for purposes of determining income.</li> <li>• NSF's:               <ul style="list-style-type: none"> <li>◦ NSF's are counted on an "instance" basis.</li> <li>◦ A max of 3 instances are allowed if 12 months of statements are provided</li> <li>◦ A max of 6 instances are allowed if 24 months of statements are provided.</li> </ul> </li> </ul> <p>See Underwriting Guidelines for additional detail.</p> <ul style="list-style-type: none"> <li>• Income trend:               <ul style="list-style-type: none"> <li>◦ Bank statements should show a stable or increasing trend.</li> <li>◦ If the trend is declining and/or irregular, additional documentation may be required at underwriter's discretion.</li> </ul> </li> </ul>

Topic	Guideline
<b>Co-Borrower</b>	<ul style="list-style-type: none"> <li>• Full documentation from a Co-Applicant who is not self-employed may be used to supplement bank statement.</li> <li>• See full documentation guidelines for additional information on acceptable sources.</li> <li>• Taxable income is counted on a “gross” amount regardless of the net deposit shown on bank statements.</li> </ul>
<b>Other Income</b>	<p>Rental Income</p> <ul style="list-style-type: none"> <li>• Utilize 75% of the current lease income less PITIA on a net basis.</li> <li>• Do not include rental deposits as part of the bank statement income stream.</li> <li>• Document receipt of rental income.</li> <li>• Rental income may not be used to qualify on a vacant unit, except on the subject property on a purchase transaction.</li> </ul> <p>Other Income Sources</p> <ul style="list-style-type: none"> <li>• Other Income Sources</li> <li>• Borrowers who have supplemental income sources may utilize them to qualify provided the history of receipt and continuance requirements under the full documentation guidelines are met.</li> <li>• The borrower utilizing 1099 income must still earn the majority of their income from activity calculated via 1099s and the applicable expense ratio.</li> <li>• The acceptable supplemental income sources are limited to:             <ul style="list-style-type: none"> <li>o Social security</li> <li>o Pension</li> <li>o Alimony</li> <li>o Child support</li> <li>o Asset distribution/utilization</li> <li>o Second job income</li> </ul> </li> </ul>
<b>Asset Accounts</b>	<ul style="list-style-type: none"> <li>• Use 100% of cash and cash equivalents</li> <li>• Use 80% of face value for non-retirement asset accounts</li> <li>• Use 70% of retirement assets if Borrower is under 59.5, 80% if over</li> <li>• If the Borrower is liquidating funds from non-retirement sources, document liquidation and end balance</li> <li>• If the Borrower is liquidating from retirement accounts, document the liquidation and end balance</li> <li>• 1031 exchanges eligible for investment properties             <ul style="list-style-type: none"> <li>o see Underwriting Guidelines</li> </ul> </li> <li>• Business funds may be used provided the Borrower(s) own(s) a minimum of 51% combined ownership of the business.             <ul style="list-style-type: none"> <li>o The amount of funds that may be utilized is based on the Borrower’s percentage of ownership.</li> <li>o Borrower(s) must provide either:                 <ul style="list-style-type: none"> <li>• A letter from Borrower’s CPA, EA, or licensed tax preparer stating that the Borrower(s) may access the business funds and that the withdrawal will have no adverse impact; or</li> <li>• A letter from the Borrower(s) stating that they may access the business funds and Cash Flow Analysis to document that the withdrawal will have no adverse impact-see Underwriting Guidelines</li> </ul> </li> </ul> </li> </ul> <p>Cash out proceeds MAY be used to meet the reserve requirement at a maximum 75 LTV</p>



Topic	Guideline
<b>Gift Funds</b>	<ul style="list-style-type: none"> <li>• Gift funds are allowed for funds to close only.                             <ul style="list-style-type: none"> <li>◦ A 5% contribution from the borrower’s own funds is required</li> </ul> </li> <li>• Gifts must be documented in compliance with Fannie Mae’s requirements and be from immediate family members-see Underwriting Guidelines.</li> <li>• Gifts of equity are allowed                             <ul style="list-style-type: none"> <li>◦ Max 75 LTV</li> <li>◦ No borrower contribution is required on a primary residence or a second home.</li> <li>◦ A 5% borrower contribution is required for investment properties</li> </ul> </li> </ul>

Other Program Highlights / Requirements	
Topic	Guideline
<b>Alimony &amp; Child Support</b>	<ul style="list-style-type: none"> <li>• Must be included in the debt service.</li> </ul>
<b>Installment Debt</b>	<ul style="list-style-type: none"> <li>• Installment loans must be included in the DTI.</li> <li>• Installment debt with less than 10 months’ worth of payments remaining may be excluded, provided there are assets to make the remaining payments.</li> <li>• Borrower may pay down the debt to less than the sum of 10 months’ worth of payments.                             <ul style="list-style-type: none"> <li>◦ The assets used must be sourced.</li> </ul> </li> <li>• Loans secured by financial assets (margin loan, 401(K) loan, etc.) do not need to be included in the debt service provided the asset balance exceeds the loan balance.</li> </ul>
<b>Appraisals</b>	<ul style="list-style-type: none"> <li>• Loan amount up to \$2MM, one appraisal required</li> <li>• Loan amount over \$2MM, two appraisals required</li> </ul> <p>In instances where one appraisal is required, said appraisal must have a CU score less than or equal to 2.5.</p> <ul style="list-style-type: none"> <li>• If the CU score exceeds 2.5 or is unavailable, a CDA with a variance less than 10% is required.</li> <li>• Loan amounts above \$1.5MM and up to \$2MM may not utilize the CU score in lieu of obtaining a CDA.</li> <li>• Appraisals must have a SSR score of <math>\leq 2.5</math> <ul style="list-style-type: none"> <li>◦ If greater, a CDA will be required</li> </ul> </li> </ul> <p>Purchases</p> <ul style="list-style-type: none"> <li>• Use the lessor of purchase price or appraised value</li> </ul> <p>Refinances</p> <ul style="list-style-type: none"> <li>• If owned less than 12 months                             <ul style="list-style-type: none"> <li>◦ Use the lessor of the purchase price or appraised value</li> <li>◦ Exception                                     <ul style="list-style-type: none"> <li>• Current value must be supported by a CDA with a variance <math>\leq 10\%</math></li> <li>• Properties in Geographical Restriction Area 2 are not eligible for the exception</li> </ul> </li> </ul> </li> </ul>

Other Program Highlights / Requirements	
Topic	Guideline
<b>Geographical Restrictions</b>	<ul style="list-style-type: none"> <li>• Area 1 - New Jersey, Connecticut               <ul style="list-style-type: none"> <li>o Max LTV 85%</li> </ul> </li> <li>• Area 2 - Counties: Essex (NJ), San Francisco (CA)               <ul style="list-style-type: none"> <li>o 75% Max LTV for R/T refinances</li> <li>o 70% Max LTV on Cash-out refinances</li> </ul> </li> <li>• Texas Cash Out               <ul style="list-style-type: none"> <li>o See Underwriting Guidelines</li> </ul> </li> </ul>
<b>Reserves</b>	<ul style="list-style-type: none"> <li>• Loan amount up to \$1MM:               <ul style="list-style-type: none"> <li>o 6 months PITIA</li> </ul> </li> <li>• Loan amount above \$1MM up to \$2M               <ul style="list-style-type: none"> <li>o 9 months PITIA</li> </ul> </li> <li>• Loan amount above \$2MM up to \$3M               <ul style="list-style-type: none"> <li>o 12 months PITIA</li> </ul> </li> <li>• LTV &gt;85 additional 6 months PITIA</li> <li>• DTI &gt;50 and increased residual income not met               <ul style="list-style-type: none"> <li>o additional 6 months PITIA</li> </ul> </li> <li>• Other real estate owned               <ul style="list-style-type: none"> <li>o 2 months of each property's PITIA</li> </ul> </li> </ul>
<b>Title &amp; Vesting</b>	<ul style="list-style-type: none"> <li>• Individual names as joint tenants, community property, or tenants in common</li> <li>• Living trusts meeting FNMA's requirements</li> <li>• Blind Trusts-see Underwriting Guidelines for requirements</li> <li>• Limited Liability Corporations-see Underwriting Guidelines for requirements</li> <li>• Partnerships/Corporations-see Underwriting Guidelines</li> </ul>
<b>ARM Terms</b>	<ul style="list-style-type: none"> <li>• Margin = 4.25%</li> <li>• Index = 30 Day Average of SOFR</li> <li>• Caps = 2/1/5</li> <li>• Floor Rate = Note Rate</li> <li>• Adjustment Period = 6 Months</li> </ul>
<b>Interest Only</b>	<ul style="list-style-type: none"> <li>• Interest Only features are allowed on ARMs and FRMs</li> <li>• The IO period is 10 years.</li> <li>• Standard guidelines apply.</li> <li>• 40 year term: max 80 LTV</li> </ul>

Other Program Highlights / Requirements	
Topic	Guideline
<b>Qualifying Payment</b>	<p>To determine the P&amp;I component of the Qualifying Payment, utilize the below (except as otherwise specified):</p> <ul style="list-style-type: none"> <li>• Fixed Rate:               <ul style="list-style-type: none"> <li>o Utilize the start rate over the amortizing term</li> </ul> </li> <li>• Amortizing ARM:               <ul style="list-style-type: none"> <li>o Utilize the greater of the start rate or the index plus margin, amortized over full term of the loan</li> </ul> </li> <li>• FRM/ARM with IO Feature:               <ul style="list-style-type: none"> <li>o Utilize the greater of the start rate or the index plus margin, amortized over 20 years</li> </ul> </li> </ul>
<b>Pre-payment Penalties</b>	<ul style="list-style-type: none"> <li>• Prepayment penalties may be placed on investment properties for a period of at least one year in an amount equal to two percent of the original principal balance               <ul style="list-style-type: none"> <li>o See Underwriting Guidelines for requirements.</li> </ul> </li> <li>• Price implications apply for prepayment penalty terms less than three years, including no prepayment penalty.</li> </ul>
<b>Minimum Loan Amount</b>	<ul style="list-style-type: none"> <li>• \$150,000</li> </ul>