

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	\$2,000,000	80%	
		\$1,000,000	90%*	
	620	\$2,000,000	65%	
\$1,000,000		75%		

\* 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
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%		

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>o See Underwriting Guidelines</li> </ul> </li> <li>• DTI may be increased to 55 with the following:               <ul style="list-style-type: none"> <li>o Min FICO: 680</li> <li>o Max LTV: 70</li> <li>o Purchase or Rate/Term Refinance only</li> <li>o 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>Income Documentation - Wage Earner</b>	<p>Documentation Requirements</p> <ul style="list-style-type: none"> <li>• Provide the last two years' W-2's</li> <li>• The most recent 30 consecutive days of paystubs including year to date in come with the most recent one dated within 60 calendar days of the note date.</li> </ul> <p>Qualification:</p> <ul style="list-style-type: none"> <li>• If Applicant receives bonus, commission, or overtime, obtain a written VOE to determine a history and continuance.               <ul style="list-style-type: none"> <li>o Generally, a two year history is required</li> <li>o 1-2 years can be used on a case by case basis with positive factors to offset and a reasonable expectation of continuance.</li> </ul> </li> <li>• HEM reserves right to request tax returns in its sole discretion.</li> <li>• Restricted stock units:               <ul style="list-style-type: none"> <li>o Restricted stock units may be used as qualifying income.</li> <li>o Applicant must have a two year history of receipt and a three year continuance on vesting.</li> </ul> </li> <li>• Stock options:               <ul style="list-style-type: none"> <li>o Stock options may be used as qualifying income.</li> <li>o Applicant must have a two year history of receipt and exercise.</li> </ul> </li> </ul>

Topic	Guideline
<p><b>Income Documentation - Self-Employed</b></p>	<ul style="list-style-type: none"> <li>• Applicants must generally be self-employed for 2 years, however 1-2 years is acceptable with 2 years previous employment in same line of work and no gaps.</li> <li>• Provide the most recent one or two years' personal and/or business federal tax returns as applicable.               <ul style="list-style-type: none"> <li>○ If providing two years of income documents, take 24 month average of income if increasing, 12 month average if decreasing. If decreasing, additional documentation may be required.</li> <li>○ A year end and/or year to date profit and loss statement and balance sheet dated within 60 calendar days of funding may be required.</li> <li>○ See Underwriting Guidelines for additional information.</li> </ul> </li> <li>• Verification of current business revenues and operations required prior to closing, to be verified with the following:               <ul style="list-style-type: none"> <li>○ Applicant to provide an LOE on the nature of their business and any impact from COVID</li> <li>○ Most recent two (2) business bank statements prior to application supporting the profit and loss statement provided</li> <li>○ Most recent one (1) business bank statement prior to funding supporting the profit and loss statement</li> </ul> </li> </ul>
<p><b>Other Income</b></p>	<p>Asset Distribution</p> <ul style="list-style-type: none"> <li>• Applicants may supplement income disclosed via traditional income sources by annuitizing their assets.</li> <li>• They may set up a monthly distribution and document receipt of at least one monthly distribution prior to closing.</li> <li>• The distribution must have at least 7 years of continuance based on the effective value of the asset as of the distribution commencement.</li> <li>• Verify current balance within 60 days of the note date.</li> <li>• Retirement accounts are ineligible if Applicant is under 59.5               <ul style="list-style-type: none"> <li>○ See Underwriting Guidelines</li> </ul> </li> </ul> <p>Passive Asset Utilization</p> <ul style="list-style-type: none"> <li>• Applicants may supplement income disclosed via traditional sources by depleting assets available over a 10 year term with no rate of return imputed.</li> <li>• All assets necessary to complete the transaction, including post-closing reserves, must be deducted in order to complete the calculation.</li> <li>• Verify current balance with the most recent full monthly statement available as of the note date. Standard asset haircuts are utilized               <ul style="list-style-type: none"> <li>○ See Asset Accounts.</li> </ul> </li> </ul> <p>Rental Income: Method 1   Tax Returns</p> <ul style="list-style-type: none"> <li>• Utilize the net figure on schedule E page 1 of most recent year's tax return adding back depreciation, amortization and interest.</li> <li>• Subtract the principal and interest component of the mortgage payment.</li> <li>• Current insurance, taxes, and homeowner's association dues do not need to be documented.</li> <li>• Document the unit in question is rented with most recent month's rent check.</li> </ul>

Topic	Guideline
<b>Other Income</b>	<p>Method 2   Lease</p> <ul style="list-style-type: none"> <li>• Use 75% of current lease less documented PITI plus HOA dues and/or common charges.</li> <li>• If lease is materially greater than income listed on tax return(s),               <ul style="list-style-type: none"> <li>o Applicant to provide supporting explanation/documentation.</li> </ul> </li> <li>• Document the unit in question is rented with most recent month's rent check.</li> <li>• Rental income from a vacant property may only be used on the subject property on a purchase transaction.</li> </ul> <p>Other Sources</p> <ul style="list-style-type: none"> <li>• Document most recent 1-2 years receipt on tax returns and supporting tax documentation, current receipt, and expectation of at least three years' continuance</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>
<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>o 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>o Max 75 LTV</li> <li>o No borrower contribution is required on a primary residence or a second home.</li> <li>o 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> <li>In instances where one appraisal is required, said appraisal must have a CU score less than or equal to 2.5.</li> <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>
<b>Geographical Restrictions</b>	<ul style="list-style-type: none"> <li>Area 1 - New Jersey, Connecticut           <ul style="list-style-type: none"> <li>Max LTV 85%</li> </ul> </li> <li>Area 2 - Counties: Essex (NJ), San Francisco (CA)           <ul style="list-style-type: none"> <li>75% Max LTV for R/T refinances</li> <li>70% Max LTV on Cash-out refinances</li> </ul> </li> <li>Texas Cash Out           <ul style="list-style-type: none"> <li>See Underwriting Guidelines</li> </ul> </li> </ul>

Other Program Highlights / Requirements	
Topic	Guideline
<b>Reserves</b>	<ul style="list-style-type: none"> <li>• Loan amounts up to \$1MM               <ul style="list-style-type: none"> <li>◦ 6 months PITIA</li> </ul> </li> <li>• Loan amounts above \$1MM and up to \$2MM:               <ul style="list-style-type: none"> <li>◦ 9 months PITIA</li> </ul> </li> <li>• Loan amounts above \$2MM and up to \$3.0MM:               <ul style="list-style-type: none"> <li>◦ 12 months PITIA</li> </ul> </li> <li>• LTV &gt;85: Additional 6 months PITIA</li> <li>• DTI &gt;50 and increased residual income requirement not met:               <ul style="list-style-type: none"> <li>◦ additional 6 months PITIA</li> </ul> </li> <li>• Other real estate owned:               <ul style="list-style-type: none"> <li>◦ 2 months of each property's PITIA-See Underwriting Guidelines for an alternative</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 = 4.00%</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>
<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>◦ Utilize the start rate over the amortizing term</li> </ul> </li> <li>• Amortizing ARM:               <ul style="list-style-type: none"> <li>◦ 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>◦ 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>◦ 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>