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Jumbo Choice QM

Unless otherwise addressed in these Jumbo Choice QM guidelines, the more restrictive of the FNMA Selling Guide or Appendix Q must be followed. All loans must meet QM Safe Harbor requirements, and must document the Ability-to-Repay (ATR) rules.

Effective with new applications on/after February 10, 2020, ARM programs are being temporarily suspended in anticipation of the retirement of LIBOR.

Eligibility Requirements

Available Products
- Fixed Rate: 30, 25, 20, 15, 10 year
- ARM: 5/1 LIBOR, 7/1 LIBOR, 10/1 LIBOR (ARMs carry a 30 year term and are fully amortizing)

Qualifying Rate
- Fixed Rates: Note rate
- 5/1 ARM: Greater of the fully indexed rate or Note Rate + 2%
- 7/1 ARM: Greater of the fully indexed rate or Note Rate
- 10/1 ARM: Greater of the fully indexed rate or Note Rate

ARM Specifics

Interest Rate Adjustment Caps
- Initial: 2% up/down
- Subsequent: 2% up/down
- Lifetime: 5% up

Margin
3.50

Index
1-Year LIBOR (London InterBank Offer Rate)

Interest Rate Floor
3.50

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Change Dates
- 5/1: The first change date is the 60th payment due date. Subsequent change dates are every 12 months thereafter
- 7/1: The first change date is the 84th payment due date. Subsequent change dates are every 12 months thereafter
- 10/1: The first change date is the 120th payment due date. Subsequent change dates are every 12 months thereafter

Conversion Option
Not convertible

Assumption Feature
Fixed rate mortgages are not assumable; ARMs are. However, MiMutual does not underwrite or close assumptions.

Documentation Requirements
Full doc. Manual underwriting requirements apply, regardless of AUS documentation waivers. However, DU findings are required on all Jumbo loans to demonstrate the borrower is not eligible for an Agency product.

If the 1003, title commitment, or credit documents indicate the borrower is a party to a lawsuit, additional documentation must be obtained to determine no negative impact exists on the borrower’s ability to repay, assets, or collateral.

Occupancy
- Primary Residences for 1-4 units
- Second Homes
  - Must be located a reasonable distance from the borrower’s principal residence
  - Must be occupied by the borrower for some portion of the year
  - Must be suitable for year-round use
  - Must not be subject to a rental agreement and borrower must have exclusive control over the property
  - Any rental income received on the property cannot be used as qualifying income
- Investment properties for 1-4 units

Maximum DTI
- Fixed rate and ARMs ≤ 80%: 43.00%
- Non-occupant coborrowers with blended ratios: 43.00%
- LTV/CLTVs > 80%: 38.00%
### LTV/CLTV/HCLTV

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<th>Transaction Type</th>
<th>Units</th>
<th>FICO</th>
<th>Maximum LTV/CLTV/CLTV</th>
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<td>Purchase and Rate/Term Refinances**</td>
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<td>1-2</td>
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<td>90%²</td>
<td>$1,000,000</td>
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<td>661</td>
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<td>$1,500,000</td>
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<tr>
<td>Rate/Term Refi</td>
<td>1-4</td>
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<td>70%</td>
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<tr>
<td>Cash Out Refi</td>
<td>1-4</td>
<td>680</td>
<td>60%</td>
<td>$1,500,000 (max cash out $500,000)</td>
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*Footnotes on following page*
First-Time Homebuyers are subject to a maximum loan amount of $1,000,000. Loan amounts up to $1,500,000 allowed in CA and NJ. See Eligible Borrower section for specific requirements for FTHBs.

The following requirements apply for transactions with LTVs greater than 80%
- No MI required
- Secondary financing is allowed. See Secondary Financing for details
- Non-permanent resident aliens not allowed
- Escrow account required for loans > 80% LTV unless prohibited by applicable law

The following requirements apply for investment property purchases, rate/term refis, and cash out refis:
- Florida condos limited to 50% LTV/CLTV/HCLTV
- Gift funds not allowed
- Transaction must be arm’s length
- Appraiser to provide comparable rent schedule
- FTHBs not allowed
- If using rental income, an executed lease agreement must be provided. See Rental Income in the Income/Employment section for further details.

Texas 50(a)(6) refinances only allowed on 20, 25, 30 year fixed rate transactions. See Texas 50(a)(6) Refinances section.

NOTES:
- Minimum loan amount is $1 over the conforming/high balance loan limit
- Higher Priced Mortgage Loans (HPML) are allowed if the following requirements are met:
  - Loan must have an escrow account for a minimum of 5 years
  - 1002.14(a)(1) allowing the consumer to waive the requirement that the appraisal copy be provided three business days before consummation, does not apply to higher-priced mortgage loans subject to § 1026.35(c). A consumer of a higher-priced mortgage loan subject to § 1026.35(c) may not waive the timing requirement to receive a copy of the appraisal under § 1026.35(c)(6)(i).
  - If the property was acquired by the seller less than 90 days from the purchase agreement, and the purchase price exceeds the seller’s acquisition price by more than 10%, then a second full appraisal is required
  - If the property was acquired by the seller between 91-180 days from the purchase agreement, and the purchase price exceeds the seller’s acquisition price by more than 20%, then a second full appraisal is required
  - If a second appraisal is required for one of the above two reasons, the borrower may only be charged for one of the appraisals
- Residual Income Calculation must be provided and must meet the residual income requirements indicated in the Income/Employment section

(Remainder of page intentionally left blank)
**Borrowers**

**Eligible**

- US Citizens
- Permanent Resident Aliens with evidence of lawful residency
  - Must be employed in the United States for the past 24 months
- Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions:
  - Primary residence only
  - Maximum LTV/CLTV/HCLTV 80%
  - Unexpired H1B, H2B, E1, L1, and G Series visas only. G Series visas must have no diplomatic immunity.
  - Credit tradeline requirements must be met, no exceptions.
  - Borrower must have a current 24 month employment history in the US
- First Time Homebuyers
  - Defined as a borrower who has not owned a home in the last 3 years. For loans with more than 1 borrower, where at least 1 borrower has owned a home in the last 3 years, first time homebuyer requirements do not apply
  - Maximum loan amount $1,000,000
  - For transactions located in CA and NJ, a maximum loan amount of $1,500,000 is allowed if the following requirements are met:
    - 680 minimum FICO score
    - Primary residence only
    - Reserve requirements for FTHBs are met
    - Maximum 80% LTV/CLTV/HCLTV
- Non-occupant coborrowers are allowed with the following features:
  - One-unit primary residence only
  - Purchase and rate/term transactions only
  - Maximum loan amount $1,000,000
    - Up to $1,500,000 allowed in CA and NJ only
  - Max LTV/CLTV 80%
  - No minimum downpayment required from the occupant borrower; downpayment and reserves may be from the occupant borrower or non-occupant coborrower
  - An additional 6 months reserves are required
  - The non-occupant coborrower must be an immediate family member
  - Blended ratios allowed with a maximum 43% DTI
  - Transaction must be arm's length
Documentation of Lawful Residency
For a Permanent Resident Alien, one of the following is required:

- A valid and current Permanent Resident Alien card (form I-551), also known as a Green Card
- A passport stamped “processed for I-551, Temporary evidence of lawful admission for permanent residence. Valid until ____. Employment authorized. This evidences the holder has been approved for, but not issued, a Permanent Resident Alien card.

For a Non-Permanent Resident Alien, verification of a valid and eligible visa that allows the Non-Permanent Resident Alien the right to work and live in the US issued by the USCIS is required. Eligible visa types are:

- H1B
- H2B
- E1
- L1
- G Series
  - G Series visas must not allow for diplomatic immunity

Ineligible
- Any borrower without a Social Security Number (ITINs are not eligible)
- Foreign Nationals
- Borrowers with diplomatic status
- Life Estates
- Non-Revocable Trusts
- Guardianships
- LLCs, corporations, or partnerships
- Land Trusts, including Illinois Land Trusts
- Borrowers with any ownership in a business that is federally illegal, regardless if the income is not being used to qualify

Multiple Properties Financed/Owned
The borrower(s) may own a total of four (10) financed, 1-4 unit residential properties, including the subject property, and regardless of occupancy of the subject property.

If the borrower owns up to 4 financed properties:
- Max financing for the subject transaction is allowed
- Additional financed 1-4 unit residential properties require an additional 3 months reserves for each property

If the borrower owns between 5 and 10 financed properties:
- The subject transaction is limited to the lower of 80% LTV/CLTV/HCLTV or the program maximum
- Subject property requires the greater of 6 months reserves or required reserves per guidelines as indicated in the Assets section of this guide
- Additional financed 1-4 unit residential properties require 6 months reserves for each property

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The borrower may own an unlimited number of financed 1-4 unit residential properties when the subject transaction is a primary residence, with the following requirements met:

- The subject transaction is limited to a maximum of the lower of 80% LTV/CLTV/HCLTV or program maximum
- Additional financed 1-4 unit residential properties require 6 months reserves for each property.

1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage.

Ownership of commercial or multifamily (5+ units) real estate is not included in this limitation.

For other properties owned, documentation to confirm the P&I, taxes, insurance, HOA dues, lease payments, or other property-related expenses must be provided.

**Properties Listed for Sale**

Properties currently listed for sale (at the time of application) are not eligible.

Properties listed for sale within six months of the application date are acceptable if the following requirements are met:

- Rate/term refinance only
- Primary and second homes only
- Documentation showing cancellation of listing must be provided
- Acceptable letter of explanation from the borrower detailing the rationale for cancelling the listing is required

Cash out refinances are not eligible if the property was listed for sale within 12 months of the application date.
Rate/Term Refinance Restrictions

- The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items.
  - If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC that has been in place for twelve (12) months and total draws do not exceed $2,000 in the most recent twelve (12) months.
  - A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months.
  - A seasoned equity line is defined as not having draws totaling over $2,000 in the most recent twelve (12) months. Withdrawal activity must be documented with a transaction history.
  - Max cash back at closing is limited to 1% of the new loan amount.
- Properties inherited less than twelve (12) months prior to application date can be considered for a Rate and Term refinance transaction if the following requirements are met:
  - Must have clear title or copy of probate evidencing borrower was awarded the property.
  - A copy of the will or probate document must be provided, along with the buy-out agreement signed by all beneficiaries.
  - Borrower retains sole ownership of the property after the pay out of the other beneficiaries.
  - Cash back to borrower not to exceed 1% of loan amount.

Cash Out Refinance Restrictions

- Borrower must have owned the property for at least 6 months. If the property is owned free & clear and 6 months seasoning is not met, refer to Delayed Purchase Financing.
- Maximum cash-out limitations include the payoff of any unsecured debt, unseasoned liens and any cash in hand.
- Inherited properties may not be refinanced as a cash out refinance prior to 12 months ownership. See Rate/Term Refinances for requirements.
- Cash out refinances where the borrower is paying off a loan from a pledged asset/retirement account loan, secured loan, unsecured family loan, or replenishing business funds used to purchase the property, the following guidelines apply:
  - Cash out limitation is waived if previous transaction was a purchase.
  - Seasoning requirement for cash out is waived (borrower does not have to own for 6 months prior to subject transaction).
  - Funds used to purchase the subject must be documented and sourced.
  - CD for subject transaction must reflect payoff or paydown of pledged asset / retirement account loan, secured loan, unsecured family loan or business asset account. If cash out proceeds exceed payoff of loans, excess cash must meet cash out limitations.
  - The purchase must have been arm’s length.
  - Investment properties are ineligible.
Texas 50(a)(6) Refinances
In addition to standard guidelines, loans originated in the State of Texas may be subject to additional requirements and restrictions due to the provisions of Section 50(a)(6) of the Texas Constitution (Texas Equity Loan). All cash-out loans and certain Rate and Term refinance transactions, involving the borrower’s primary homestead property, are subject to these special requirements. MiMutual follows Fannie Mae requirements related to Section 50(a)(6) loans. Failure to follow these requirements will result in the loan being ineligible.

If the existing loan is not a Texas Home Equity loan, funds from a new loan may be used in the following manner and still be considered a standard Rate and Term refinance transaction:

- New loan is less than or equal to the existing UPB.
- New loan equals UPB plus prepaids and closing costs.
- New loan pays down or pays off a purchase money second.
- New loan pays down or pays off an existing Secured Home Improvement Loan (mechanics lien).
- New loan provides funds necessary to satisfy a court ordered divorce equity buyout.

Under certain circumstances, a refinance of an existing Texas Home Equity loan may be considered as a standard refinance transaction. The following requirements must be met:

- At least one year has elapsed since the Texas Home Equity loan was closed
- There can be no advance of new money (except closing costs)
- The new principal loan balance may not exceed 80% of the property’s fair market value on the day of the refinance
- The borrower must be provided with a new disclosure 12 or more days prior to closing, advising the borrower of the risks of refinancing into a non-Texas Home Equity loan
- The borrower(s) and borrower’s spouse (if applicable) must sign an Affidavit at closing acknowledging that the above four requirements have been met

Eligible Product Types
20, 25 and 30-year fixed rate only

Max LTV/CLTV
Texas Equity Loans are limited to the lesser of 80% LTV/CLTV or program maximum. Please refer to specific program for LTV/CLTV maximum.

Eligible Property Types
Single-unit principal residence designated as the borrower’s homestead under Texas law. Eligible property types are limited to an attached or detached dwelling, a unit in a PUD project, or a unit in a condominium project. Owner occupied primary residences only. Documented proof of Homestead Designation is required. 2-4 unit properties not allowed.

Non-Borrowing Spouse
The owner of the homestead and their spouse must consent to the extension of credit by executing the Deed of Trust. A non-borrowing spouse, regardless of their ownership interest in the homestead property, has the right to cancel.
**Property Valuation**
To determine current value, MiMutual must obtain a new full appraisal on either a Uniform Residential Appraisal Report, or Individual Condominium Unit Appraisal Report. The appraisal for the property and the acknowledgment of fair market value must not include any property other than the homestead.

The survey (or other acceptable evidence) must demonstrate that:
- Homestead property and any adjacent land are separate parcels, and
- Homestead property is a separately platted and subdivided lot for which full ingress and egress is available.

**Additional Requirements for Texas Equity Loans**
- Fees and charges to make the loan may not exceed 2% of the loan amount. The following fees and charges can be excluded from the testing:
  - Bona Fide Discounts to lower the rate selected
  - Appraisal Fee
  - Survey Fee
  - Lender’s Title Policy
- The borrower’s first payment must be due no later than two (2) months after closing.
- MiMutual must provide the title company with a detailed closing instruction letter and require acknowledgement of its receipt.
- If this loan is being used to pay off a previous Texas Equity Loan, the loan may not close before twelve (12) months have passed from the closing date of the Texas Equity Loan being paid off.
- If the new loan is a Texas Equity Loan originated to cure a failure in the original mortgage to comply with Section 50(a)(6), then the Texas law requirement that at least twelve (12) months have passed since any previous Texas Home Equity loan secured by a homestead property was closed does not apply.
- The loan may not close before twelve (12) days after the loan application was taken by the lender or the borrower receives the “NOTICE CONCERNING EXTENSIONS OF CREDIT DEFINED BY SECTION 50(a)(6),ARTICLE XVI, TEXAS CONSTITUTION” disclosure, whichever date is later AND may not close, without the borrower’s consent, one (1) business day after the date on which the borrower receives a copy of the loan application, if not previously provided, and a final itemized disclosure of the actual fees, points, interest, costs and charges that will be charged at closing.
- The loan may only close at the office of MiMutual, title company or an attorney at law.
- Power of Attorney may not be used on a Texas Equity Loan.
- Use FNMA approved Texas Equity legal documents (Note, Deed, Riders, etc.).
Continuity of Obligation

When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements have been met. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible:

- The borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements:
  - Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months, or
  - Is related to the borrower on the mortgage being refinanced.
- The borrower on the new refinance transaction was added to title twenty-four (24) months or more prior to the disbursement date of the new refinance transaction.
- The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership.
- The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply:
  - Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer.
  - The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan.

**NOTE:** Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.

Delayed Purchase Refinances

Delayed Purchase Refinancing is allowed with the following requirements:

- Property was purchased by borrower for cash within six (6) months of the loan application.
- HUD-1/CD from purchase reflecting no financing obtained for the purchase of the property.
- Preliminary title reflects the borrower as the owner and no liens.
- Funds used to purchase the property are fully documented and sourced and must be the borrower’s own funds (no gift funds or business funds).
- Funds drawn from a HELOC on another property owned by the borrower, funds borrowed against a margin account, or funds from a 401(k) loan are acceptable as long as the following requirements are met:
  - The borrowed funds are fully documented
  - The borrowed funds are reflected on the Closing Disclosure (CD) as a payoff on the new refinance transaction
- LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance.
- Investment properties are allowed as long as borrower is not a builder or in the construction industry and prior transaction was arm’s length.
**LTV/CLTV/HCLTV Calculation**

- If subject property is owned more than 12 months, the LTV/CLTV/HCLTV is based on the current appraised value. The 12 month time frame is defined as prior Note date to subject Note date.
- If subject property is owned less than 12 months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value. Documented improvements must be supported with receipts. The 12 month time frame is defined as prior Note date to subject Note date.

**NOTE:** If the subject transaction is paying off a HELOC that is not included in the CLTV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed.

**Construction to Permanent Refinance Restrictions**

The conversion of construction to permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence. The borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction.

- LTV/CLTV/HCLTV is determined based on the length of time the borrower has owned the lot. The time frame is defined as the date the lot was purchased to the Note date of the subject transaction.
  - For lots owned 12 months or more, the appraised value can be used to calculate the LTV/CLTV/HCLTV.
  - For lots owned less than 12 months, the LTV/CLTV/HCLTV is based on the lesser of the current appraised value of the property or the total acquisition costs (documented construction costs plus documented purchase price of lot).

(Remainder of page intentionally left blank)
Non-Arm’s Length Transactions
A non-arm’s length transaction in one in which there is a relationship or business affiliation between the borrower(s) and/or any parties in the transaction. If a direct relationship exists between any of the parties to a transaction, including the borrower/buyer, seller (if applicable), employer, lender, broker, or appraiser, then the transaction will be considered non-arm’s length.

Non-arm’s length transactions are not eligible, with the exception of the following:
• Family sales or transfers
• Property sellers are representing themselves as agent in real estate transaction
• Relative of the property seller acting as the seller’s real estate agent
• Buyers/borrowers are representing themselves as agent in real estate transaction
• Relative of the borrower acting as the borrower’s real estate agent
• The borrower is the employee of the originating lender and the lender has an established employee loan program
• Originator is related to the borrower
• Renter buying from landlord
  o 24 months cancelled checks will be required to document a satisfactory (0x30) pay history. Written Verification of Rent is not acceptable

**NOTE:** Investment property transactions must be arm’s length

Gifts from relatives that are interested parties to the transaction are not allowed, unless it is a gift of equity. Real estate agents may apply their commission towards closing costs and/or prepaids as long as the amounts are within the interested party contribution limits.

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Secondary / Subordinate Financing
For each mortgage loan subject to a subordinate lien, to accurately calculate the LTV/CLTV/HCLTV ratio for eligibility requirement purposes, MiMutual must determine the maximum credit line for all HELOCs, if applicable, and the unpaid principal balance for all closed-end subordinate financing. If any subordinate financing is not shown on a credit report, MiMutual must diligently determine if any other subordinate financing liens exist and provide documentation from the borrower or creditor.

- Institutional Financing only. Seller subordinate financing not allowed.
- Subordinate liens must be recorded and clearly subordinate to the first mortgage lien.
- If there is or will be an outstanding balance at the time of closing, the monthly payment for the subordinate financing must be included in the calculation of the borrower’s debt-to-income ratio.
- Full disclosure must be made of the existence of subordinate financing and the subordinate financing repayment terms. The following are acceptable subordinate financing types:
  - Mortgage terms with interest at market rate.
  - Mortgage with regular payments that cover at least the interest due, resulting in no negative amortization.
- Employer subordinate financing is allowed with the following requirements:
  - Employer must have an Employee Financing Assistance Program in place.
  - Employer may require full repayment of the debt if the borrower’s employment ceases before the maturity date.
  - Financing may be structured in any of the following ways:
    - Fully amortizing level monthly payments
    - Deferred payments for some period before changing to fully amortizing payments
    - Deferred payments over the entire term.
    - Forgiveness of debt over time
    - Balloon payment of no less than five (5) years, or the borrower must have sufficient liquidity to pay off the subordinate lien.
- LTV/CLTV/HCLTV guidelines must be met for loans with subordinate financing.
Credit Requirements

Derogatory Credit

- Bankruptcy, Chapter 7, 11, 13 – four (4) years since discharge/dismissal date
- Foreclosure – four (4) years since completion date
- Short Sale/Deed-in-Lieu – four (4) years since completion/sale date
- Mortgage accounts that were settled for less, negotiated or short payoffs – four (4) years since settlement date
- Borrowers with credit events listed above between four (4) and seven (7) years must meet the following requirements:
  - Tradeline requirements must be met
  - Satisfactory housing history for 24 months required
  - No mortgage lates since credit event
  - No public records since credit event
  - Purchase or rate/term refinance of a primary residence only
    - Maximum LTV/CLTV/HCLTV is 80% or the program maximum, whichever is lower
- Loan Modification – two (2) years since modification date with no mortgage lates on any mortgage in the last 24 months
- Notice of Default – two (2) years
- A satisfactory explanation letter from the borrower(s) must be provided addressing any of the above derogatory credit events if the event occurred in the last 7 years
- Multiple derogatory credit events are not allowed
  - A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event
  - A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event
- Medical Collections – allowed to remain outstanding as long as the balance is less than $10,000 in aggregate

Exceptions for Derogatory Credit

Exceptions for credit events that require a 4 year seasoning period will be considered on a case-by-case basis between two (2) and four (4) years with extenuating circumstances, subject to the following:

- Extenuating circumstances are defined as non-recurring events beyond the borrower’s control, resulting in a sudden, significant, and prolonged reduction in income or catastrophic increase in financial obligations
  - Examples would include death or major illness of a spouse or child, but would not include divorce or job loss
- Documentation must be provided to support the claim of extenuating circumstances and confirm the nature of the event that led to the credit event and illustrate the borrower had no reasonable option other than to default on their obligations
- If the defaulted debt was assigned to an ex-spouse and the default occurred after the borrower was relieved of the obligation, the event may be considered on an exception basis
**Outstanding Judgments/ Tax Liens/Charge-Offs/Past-Due Accounts**

Tax liens, judgments charge-offs and past-due accounts must be satisfied or brought current prior to or at closing. Cash-out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs, or past-due accounts.

Payment plans on prior year tax liens/liabilities are not allowed; they must be paid in full.

**Housing Payment History**

**Mortgage History Requirements**

If the borrower(s) has a mortgage in the most recent 24 months, a VOM must be obtained. This applies to all borrowers on the loan.

No more than 1x30 in the last 12 months or 2x30 in the last 24 months is permitted. Mortgage lates must not be within the most recent 3 months of the subject transaction. 0x60 and 0x90 is required in the most recent 24 months. A satisfactory LOX from the borrower(s) must be provided for any mortgage lates within the most recent 24 months.

If the mortgage holder is a party to the transaction or a relative of the borrower, cancelled checks or bank statements to verify satisfactory rental history is required.

**Rental History Requirements**

If the borrower has a rental history in the most recent 12 months, a VOR must be obtained. This applies to all borrowers on the loan.

No more than 1x30 in the last 12 months. 0x60 and 0x90 is required in the most recent 12 months. Rental lates must not be within the most recent 3 months of the subject transaction. A satisfactory LOX from the borrower(s) must be provided for any rental lates within the most recent 12 months.

If the landlord is a party to the transaction or a relative of the borrower, cancelled checks or bank statements to verify satisfactory rental history is required. Otherwise, if not related or a party to the transaction, a satisfactory VOR can be provided.

**Inquiries**

If the credit report indicates recent inquiries within the most recent 120 days of the credit report, confirmation must be provided that the borrower did not obtain additional credit that is not reflected in the credit report or mortgage application. In these instances the borrower must explain the reason for the credit inquiry.

- If additional credit was obtained, a verification of that debt must be provided and the borrower must be qualified with the monthly payment.
- Confirmation of no new debt may be in the form of a new credit report, pre-close credit report or gap credit report.
Credit Report

Age of Credit Report
The credit report may not be more than 90 days old at the time the Note is signed.

“Frozen” Credit Reports
Credit reports with bureaus identified as “frozen” are required to be unfrozen and a current credit report with all bureaus unfrozen is required.

Tradeline Requirements
- Minimum three (3) tradelines are required. The following requirements apply:
  - One (1) tradeline must be open for twenty-four (24) months and active within the most recent six (6) months.
  - Two (2) remaining tradelines must be rated for twelve (12) months and may be opened or closed.
- OR
- Minimum two (2) tradelines are acceptable if the borrower has a satisfactory mortgage rating for at least twelve (12) months (opened or closed) within the last twenty-four (24) months and one (1) additional open tradeline.

Each borrower contributing income for qualifying must meet the minimum tradeline requirements; however, borrowers not contributing income for qualifying purposes are not subject to minimum tradeline requirements. Authorized user accounts are not allowed as an acceptable tradeline. Non-traditional credit is not allowed as an acceptable tradeline.

Credit Score Requirements
Each borrower must have a minimum of two FICO scores reporting.
- The representative score for each borrower is the middle of the three scores or the lower of the two scores reporting on the credit report
- The representative score for the loan transaction will be based on the lowest representative score for any borrower.

Disputed Tradelines
All disputed tradelines must be included in the total expense ratio (DTI) if the account belongs to the borrower(s), unless documentation can be provided that authenticates the dispute.

Derogatory accounts must be considered in analyzing the borrower(s) willingness to repay debt. However, if a disputed account has a zero balance, and no late payments, it can be disregarded.
**Student Loans**

For all student loans, whether deferred, in forbearance, or in repayment, a monthly payment must be included in the borrower’s monthly debt obligation.

- If a monthly payment is provided on the credit report, the amount indicated for the monthly payment may be used for qualifying.
- If the credit report does not provide a monthly payment or if it shows $0 as the monthly payment, the monthly payment may be one of the options below:
  - Loan payment indicated on student loan documentation verifying monthly payment is based on an income-driven plan.
- For deferred loans or loans in forbearance:
  - 1% of the outstanding loan balance (even if this amount is lower than the actual fully amortizing payment), or
  - A fully amortizing payment using the documented loan repayment terms.

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**Additional Liability Requirements**

- The monthly payment on revolving accounts with a balance must be included in the borrower’s DTI, regardless of the number of months remaining. If the credit report does not reflect a payment and the actual payment cannot be determined, a minimum payment may be calculated using the greater of $10 or 5%.
- If the credit report reflects an open-end or net thirty (30) day account, the balance owing must be subtracted from liquid assets.
- HELOCs with a current outstanding balance with no payment reflected on the credit report may have the payment documented with a current billing statement. HELOCs with a current $0 balance do not need a payment included in the DTI unless it is being used for downpayment or closing costs.
- Lease payments, regardless of the number of payments remaining, must be included in the DTI.
- Installment debts lasting 10 months or more must be included in the DTI.
- Alimony payments may be deducted from the income rather than included as a liability in the DTI.
  - Effective for borrowers with a divorce on/after January 1, 2019, alimony payments paid by a borrower must be treated as a liability, and may no longer be deducted from the income.

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**Departure Residence**

**Departure Residence Pending Sale**

In order to exclude the payment for a borrower’s primary residence that is pending sale but will close after the subject transaction, the following requirements must be met:

- A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared/satisfied. The pending sale transaction must be arm’s length.
- The closing date for the departure residence must be within 30 days of the subject transaction note date.
- 6 months liquid reserves must be verified for the PITIA of the departure residence.
Departure Residence Subject to Guaranteed Buy-out with Corporation Relocation

In order to exclude the payment for a borrower’s primary residence that is part of a Corporate Relocation, the following requirements must be met:

- Copy of the executed buy-out agreement verifying the borrower has no additional financial responsibility toward the departing residence once the property has been transferred to the 3rd party.
- Guaranteed buy-out by the 3rd party must occur within 4 months of the fully executed guaranteed buy-out agreement.
- Evidence of receipt of equity advance if funds will be used for down payment or closing costs.
- Verification of an additional 6 months PITIA of the departure residence.
- The transaction on the departure residence must be arm’s length

Co-Signed Loans

The monthly payment on a co-signed loan may be excluded from the DTI if evidence of timely payments made by the primary obligor (other than the borrower) is provided for the most recent 12 months and there are no late payments reporting on the account.

Court Order

If the obligation to make payments on a debt has been assigned to another person by court order, the payment may be excluded from the DTI if the following documents are provided.

- Copy of court order.
- For mortgage debt, a copy of the document transferring ownership of property.
- If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owing on the mortgage property should be taken into account when reviewing the borrower’s credit profile.

Assumption with No Release of Liability

The debt on a previous mortgage may be excluded from DTI with evidence the borrower no longer owns the property. The following requirements apply:

- Payment history showing the mortgage on the assumed property has been current during the previous twelve (12) months or
- The value on the property, as established by an appraisal or sales price on the HUD-1/CD results in an LTV of 75% or less.

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Tax Liability
If the most recent tax return or tax extension indicates a borrower owes money to the IRS or State Tax Authority, evidence of sufficient assets to pay the debt must be documented if the amount due is within 90 days of loan application date, or if tax transcripts show an outstanding balance due.

- A payment plan for the most recent tax year is allowed if the following requirements are met:
  - Payment plan was set up at the time the taxes were due. Copy of payment plan must be included in loan file.
  - Payment is included in the DTI.
  - Satisfactory pay history based on terms of payment plan is provided.
  - Payment plan is only allowed for taxes due for most recent tax year, prior years not allowed. For example, borrower files their 2019 return or extension in April 2020. A payment plan would be allowed for taxes due for 2019 tax year. Payment plans for 2018 or prior years would not be allowed.
  - Borrower does not have a prior history of tax liens.

Loans Secured by Financial Assets
Loans secured by financial assets (life insurance policies, 401(k), IRAs, CDs, etc.) do not require a payment to be included in the DTI as long as documentation is provided to show the borrower’s financial asset as collateral for the loan.

Income/Employment Requirements
To establish stability of employment and income for the borrower(s) whose income is used to qualify, the following requirements must be met:

- A minimum of 2 years stable employment and income history
- Verifiable
- High probability of continuing for at least 3 years

An Income Calculation Worksheet is required on all loans.

Declining Income
When the borrower has declining income, the most recent 12 months should be used. In certain cases, an average of income for a longer period may be used when the decline is related to a one-time capital expenditure and proper documentation is provided. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower’s ability to repay.

If declining income is for a non-self-employed borrower, the employer or the borrower should provide a written justification for including the declining income in qualifying.
**Gaps in Employment**
A minimum of 2 years employment and income history is required to be documented.

Gaps more than 30 days during the past 2 years require a satisfactory letter of explanation, and the borrower must be employed with their current employer for a minimum of 6 months to include as qualifying income.
- Extended gaps of employment 6 months or greater require a documented 2 year work history prior to the absence
- Exceptions may be considered on a case-by-case basis when the borrower is on the job less than 6 months, and the gap is less than 6 months

**Residual Income**
A Residual Income Calculation is required. All loans must meet the residual income requirements below. Residual Income equals Gross Qualifying Income less Monthly Debt (as included in the DTI).

<table>
<thead>
<tr>
<th># in Household</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required Residual</td>
<td>$1,550</td>
<td>$2,600</td>
<td>$3,150</td>
<td>$3,550</td>
<td>$3,700</td>
</tr>
</tbody>
</table>

*Add $150 for additional family members

**Paystub Requirements**
Paystubs must:
- Clearly identify the employee/borrower and the employer;
- Reflect the current pay period and Year to Date (YTD) earnings;
  - YTD pay with most recent pay period at the time of application must be no earlier than 90 days prior to the Note date
- Be computer-generated;
- Reflect the URL address, date, and time printed, and also identifying information, for paystubs issued electronically via email or internet

**W2 Requirements**
W2 forms must be complete, and be a copy provided by the employer.
Verification of Employment Requirements
The requirements below apply when income is positive and included in qualifying income:

- Verbal Verification of Employment (VVOE) must be performed no more than ten (10) business days prior to the Note date. The VVOE should include the following information for the borrower:
  - Date of contact
  - Name and title of person contacting the employer
  - Name of employer
  - Start date of employment
  - Employment status and job title
  - Name, phone number, and title of contact person at employer
  - Independent source used to obtain employer phone number

- Verification of the existence of borrower’s self-employment must be verified through a third party source and no more than 30 calendar days prior to the Note date.
  - Third party verification can be from a CPA, regulatory agency or applicable licensing bureau. A borrower’s website is not an acceptable third party source
  - Listing and address of the borrower’s business
  - Name and title of person completing the verification and date of verification

- Written Verification of Employment may be required for a borrower’s income sourced from commissions, overtime and other income when the income detail is not clearly documented on W2 forms or paystubs. Written VOEs cannot be used as a sole source for verification of employment; paystubs and W2s are still required

Tax Return Requirements

- Personal income tax returns (if applicable) must be complete with all schedules (W2 forms, K1s, etc), and must be signed and dated on or before the closing date
  - Effective for loans closed on/after January 1, 2019, tax transcripts are allowed in lieu of a signature on the corresponding tax return

- Business income tax returns (if applicable) must be complete with all schedules and must be signed
  - Effective for loans closed on/after January 1, 2019, tax transcripts are allowed in lieu of a signature on the corresponding tax return

- A 4506-T must be signed and completed for all borrowers.
  - Tax transcripts for personal tax returns for 2 years are required when tax returns are used to document borrower’s income or any loss and must match the documentation in the loan file.
  - W2 transcripts for 2 years are required to validate W2 wages if tax transcripts are not provided and the borrower does not have any other income source or loss. The following W2 type earnings will require tax transcripts:
    - Borrower with commission-based income that is greater than 25% of borrower's total pay
    - Borrower with 2106 expenses (Unreimbursed Business Expenses)
    - Borrower employed by family
    - Borrower with ownership in company
  - The September 2015 version must be used for all loans closed on/after December 7, 2015, which includes the signatory attestation box.

- Taxpayer Consent Form signed by all borrowers is required
• After the tax return extension expiration date, loan is not eligible without prior year tax returns
• In cases where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found". In these cases, an additional prior year's tax transcripts should be obtained and provided, along with a signed copy of the unverifiable returns (stamped as received and signed by the borrower’s local IRS office), and evidence of either the refund received that matches the amount as stated on the returns and deposited into the borrower’s account, or if the borrower owed the IRS, evidence the amount owed as stated on the return was paid along with a copy of the cancelled check used. Large increases in income that cannot be validated through a tax transcript may only be considered for qualifying on a case-by-case basis
• If the IRS rejects a 4506-T request and the reason for the rejection is either “Unable to Process” or “Limitation”, the following conditions must be met in order to validate the borrower’s income:
  o Copy of the IRS rejection with a code of “Unable to Process” or “Limitation”, and
  o Record of Account for 2 years obtained by the borrower from the IRS. Adjusted Gross Income and Taxable Income on the Record of Account should match the borrower’s 1040s
    OR
  o Tax return transcripts for 2 years obtained by the borrower via mail from the IRS.

Unfiled Tax Returns
The following guidelines apply for the prior year’s tax return:
• For loans closed between January 1 and the tax filing date, (typically April 15), borrowers must provide:
  o IRS Form 1099 and W2 forms from the previous year
  o Loans closing in January prior to the receipt of W2s may use the prior year’s year-end paystub.
    For borrowers using 1099s, evidence of receipt of 1099 income must be provided
• When using tax returns to verify income, and loan closing is between the tax filing due date (typically April 15) and the extension expiration date (typically October 15), the borrower must provide (as applicable):
  o Copy of the filed extension
  o W2 forms
  o 1099s when applicable
  o Current year Profit & Loss Statement, executed by the borrower
  o Year-End Profit & Loss Statement for prior year, executed by the borrower
  o Balance Sheet for prior calendar year (all self-employment types)
  o Evidence of payment of any tax liability identified on the federal tax extension form

**NOTE:** The total tax liability reported on IRS Form 4868 must be reviewed by the underwriter and compared to the borrower’s tax liability from the previous two years as a measure of income source stability and continuance. An estimated tax liability that is inconsistent with the previous years may make it necessary for MiMutual to require the current returns in order to proceed.
Specific Income Documentation Requirements

**Salaried Income**
- YTD paystub
- W2s or personal tax returns (2 years), with W2 transcripts or tax transcripts (as applicable) to support
- VVOE

**Hourly and Part-Time Income**
- YTD paystub
- W2s or personal tax returns (2 years), with W2 transcripts or tax transcripts (as applicable) to support
- VVOE
- Stable to increasing income should be averaged over a 2 year period

**Commission Income**
- YTD paystub
- 2 years W2s if commissions are less than 25% of total income
- 2 years tax returns and W2 forms are required if commissions are greater than or equal to 25% of the total income
- W2 transcripts or tax transcripts (as applicable) are required to support
- Unreimbursed Business Expenses (Form 2106) must be subtracted from income
- VVOE
- Stable to increasing income should be averaged for 2 years

**Overtime and Bonus Income**
- YTD paystub
- W2s or personal tax returns for the last 2 years, with W2 transcripts or tax transcripts (as applicable) to support
- VVOE
- Stable to increasing income should be averaged for 2 years

**2106 Expenses**
- Employee Business Expenses must be deducted from the adjusted gross income
- Two years tax returns are required. If 2017 tax returns reflect 2106 expenses and 2018 tax returns show no expenses (due to tax law change), a 12-month average of expenses must be based on 2017 tax return and deducted from qualifying income
- Two years tax transcripts are required

**Alimony/Child Support/Separate Maintenance**
- Considered with a divorce decree, court-ordered separation agreement, or other legal agreement provided the income will continue for at least 3 years
- Evidence of receipt of full, regular, and timely payments for the most recent 12 months are required
- Two years tax transcripts are required
- If the income is the borrower’s primary income source and there is a defined expiration date, even if it is beyond 3 years, the income may not be acceptable for qualifying purposes
**Borrowers Employed by Family**
- YTD paystub
- 2 years W2s and 2 years personal tax returns, with two years tax transcripts to support
- VVOE

**NOTE:** Borrower’s potential ownership in the business must be addressed.

**Capital Gains**
- Must be gains from similar assets for 3 continuous years to be considered from qualifying income
- If the trend results in a gain, it may be added as income
- If the trend results in a loss, the loss must be deducted from total income
- 3 years of personal tax returns showing a consistent history of capital gains from similar assets are required. Three years tax transcripts are required to support.
- Document assets similar to the assets reported as capital gains to support the continuation of the capital gain income

**Disability Income (Long-Term)**
- A copy of the policy or benefits statement must be provided to determine current eligibility for disability payments, amount of payments, frequency of payments, and if there is an established termination date
- Termination date may not be within 3 years of the Note date
  - Note that reaching a specific age may trigger a termination date depending on the policy

**Dividends and Interest Income**
- 2 years of personal tax returns, with two years tax transcripts to support
- Documented assets to support the continuation of the interest and dividend income

**Foreign Income**
- YTD paystub
- W2 forms or the equivalent and personal tax returns reflecting the foreign earned income. Income must be reported on 2 years US tax returns, with two years tax transcripts to support
- VVOE
- All income must be converted to US currency

**K1 Income/Loss on Schedule E**
- If the income is positive, stable, and not used for qualifying, the K1 is not required
- If less than 25% ownership with income used in qualifying:
  - Verification of Employment Requirements apply
  - Year-to-Date income must be verified if the most recent K1 is more than 90 days aged prior to Note date
- If 25% or greater ownership with income used in qualifying:
  - Verification of Employment requirements apply
  - Partnership/S Corp and Self-Employment requirements apply
- If the income is negative, the K1s for the applicable years are required and if ownership is 25% or greater, see self-employment requirements
- Two years tax transcripts are required to support
**Non-Taxable Income**

Non-taxable income includes but is not limited to child support, military rations/quarters, disability, foster care, etc.

- Documentation must be provided to support continuation for 3 years
- Income may be grossed up by applicable tax amount. Tax returns must be provided to confirm income is non-taxable, with two years tax transcripts to support
- If the borrower is not required to file a federal tax return, income may be grossed up to 25%

**Note Income**

- A copy of the Note must be provided, and document the amount, frequency, and duration of the payment
- Evidence of receipt for the past 12 months and evidence of the Note income must be reflected on personal tax returns. Tax transcripts are required to support
- Note income must have a 3 year continuance

**Rental Income**

**All Properties (Except Departing Primary Residence)**

- Lease agreements must be provided if rental income is used for qualifying purposes
  - Current lease for each rental property, including commercial properties listed in Part I of Schedule E of the 1040s. Rent rolls are not allowed
  - If the current lease amount is less than the rental income reported on the tax returns, justification for using the income from the tax returns must be provided and warrant the use of the higher income. If there is no justification, the lease amount less expenses will be considered for rental income/loss
  - For leases that have a rollover clause or the property is in a state where all leases roll over, the following requirements must be met:
    - Copy of most recent lease
    - Current documentation to evidence receipt of rent (copy of check or deposit into bank account) must be consistent with most recent lease
- Personal Tax Returns – Two years
  - For properties listed on Schedule E, rental income should be calculated using net rental income + depreciation + interest + taxes + insurance + HOA divided by applicable months minus PITIA
  - If rental income is not available on the borrower’s tax returns, net rental income should be calculated using gross rents x 75% minus PITIA
  - Two years tax transcripts are required to support
  - See Tax Returns for additional requirements regarding unfiled prior year returns
- Net rental income may be added to the borrower’s total monthly income. Net rental losses must be added to the borrower’s total monthly obligations
- If the subject property is the borrower’s primary residence (one unit property or one unit property with an accessory unit) and generating rental income, the full PITIA should be included in the borrower’s total monthly obligations
- If the subject property is the borrower’s primary residence with 2-4 units, rental income may be included for the unit(s) not occupied by the borrower as long as the requirements for a lease agreement and/or tax returns above are met.

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Departing Residence
If the borrower is converting their current primary residence to a rental property and using rental income to offset the payment, the following requirements apply:

- Borrower must have documented equity in departure residence of 25%.
  - Documented equity may be evidenced by:
    - an exterior or full appraisal dated within six (6) months of subject transaction
      OR
    - the original sales price and the current unpaid principal balance.
- Copy of current lease agreement.
- Copy of security deposit and evidence of deposit to borrower’s account.

Restricted Stock and Stock Options

- Eligible as qualifying income, provided the income has been consistently received for 2 years as identified on the paystubs, W2s, and tax returns as income, and the vesting schedule indicates the income will continue for a minimum of 2 years at a similar level as prior 2 years.
- A 2 year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the lower of the current stock price or the 52 week average for the most recent 12 months reporting at the time of application. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule. Additional awards must be similar to the qualifying income and awarded on a consistent basis.
- There must be no indication the borrower will not continue to receive future awards consistent with historical awards received.
- Borrower must be currently employed by the employer issuing the RSUs/stock options in order for the RSUs/stock options to be considered in qualifying income. Vested restricted stock units and stock options cannot be used for reserves if using for income to qualify.
- Stock must be a publicly-traded stock.

Retirement Income Sources

Pension, Annuity, 401(k), IRA Distributions

- Existing distribution of assets from an IRA, 401(k) or similar retirement asset must be sufficient to continue for a minimum of three (3) years.
  - Distribution must have been set up at least six (6) months prior to Note date if there is no prior history of receipt OR a 2 year history of receipt must be evidenced.
  - Distributions cannot be set up or changed solely for loan qualification purposes.
- Document regular and continued receipt of income as verified by any of the following:
  - Letters from the organizations providing the income.
  - Copies of retirement award letters.
  - Copies of federal income tax returns (signed and dated on or before the closing date), with tax transcripts to support
  - Most recent IRS W2 or 1099 forms.
  - Proof of current receipt with two (2) months bank statements.

Two years tax transcripts are required.

If any retirement income will cease within the first three (3) years of the loan, the income may not be used.
Social Security Income
Social Security income must be verified by a Social Security Administration benefit verification letter. If any benefits expire within the first full three years of the loan, the income source may not be used in qualifying.

Benefits for children or a surviving spouse that have a defined expiration date must have a remaining term of at least 3 years.

Trust Income
Income from trusts may be used if guaranteed and regular payments will continue for at least 3 years.
- Regular receipt of trust income for the past 12 months must be documented.
- A complete copy of the Trust Agreement or Trustee Statement showing:
  - Total amount of borrower-designated trust funds
  - Terms of payment
  - Duration of trust
  - Evidence the trust is irrevocable
  - If trust fund assets are being used for downpayment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income

NOTE: If borrowers are using trust funds as an eligible asset, then trust income is ineligible for qualifying income

Self-Employed Income Sources
Self-employed borrowers are defined as those individuals who have 25% or greater ownership interest or receive a 1099 statement to document income.

Year-to-date is defined as the period ending as of the most recent tax return through the most recent quarter ending one month prior to the note date. For tax returns on extension the entire unfiled year is also required. For example: 2014 returns in file and note date is 7/14/2015 would require 2015 YTD documentation through Q1 or through March 31, 2015. Note date of 8/14/2015 would require YTD documentation covering Q1 and Q2 or through June 30, 2015.

All self-employed income is required to be analyzed on FNMA Form 1084.
- A liquidity analysis must be included in the file if the income analysis includes income from boxes 1, 2, or 3 on the K-1 that is greater than distributions indicated on the K-1
- If a liquidity analysis is required and the borrower is using business funds for downpayment or closing costs, the liquidity analysis must consider the reduction of those assets

NOTE: If borrowers are using trust funds as an eligible asset, then trust income is ineligible for qualifying income
**Sole Proprietorship**
- YTD through current quarter P&L and Balance Sheet
  - Tax returns for prior year are not a substitute for balance sheet if most recent quarter falls in previous tax year
  - YTD P&L and YTD Balance Sheet may be waived if the borrower is a 1099-paid borrower who does not actually own a business if all of the following requirements are met:
    - Schedule C in Block 28 (Total Expenses) must be analyzed in relation to income in Block 7 (Gross Income). Expenses are less than 5% of income.
    - Analysis of Blocks 8 (Advertising), 11 (Contract Labor), 16a (Mortgage Interest), 20 (Rent/Lease), and 26 (Wages) must indicate the borrower does not have any expenses in these categories
    - Analysis of Blocks 17 (Legal and Professional Services) and Block 18 (Office Expense) indicate nominal or $0 expense
    - Block C (Business Name) does not have a separate business name entity
    - YTD income in the form of a written VOE or pay history is provided by the employer paying the 1099. YTD income must support prior year’s income.
- Personal tax returns, including all schedules, for prior two years, with two years tax transcripts to support
- See tax returns for additional requirements regarding [Unfiled Tax Returns](#)
- Stable to increasing income should be averaged for 2 years

**Partnership/S-Corporation**
- 2 years personal tax returns, signed on or before the closing date, with two years tax transcripts to support
- 2 years K1s reflecting ownership percentage, if counting any income from this source in qualifying (K1 income, W2 income, capital gains, or interest/dividends), or if Schedule E reflects a loss
- 2 years business tax returns (1065s or 1120s), signed if 25% or greater ownership. Business returns are not required if the income reporting is positive, not declining, and not counted as qualifying income
- Due date for business returns for Partnerships and S-Corporations is typically March 15 with an extension for 6 months or typically September 15. After the extension date, the loan is not eligible without the filed tax return
- YTD Profit & Loss statement and Balance Sheet if 25% or greater ownership
- Stable to increasing income should be averaged for 2 years

**Corporation**
- 2 years personal tax returns, signed on or before the closing date, with two years tax transcripts to support
- 2 years business tax returns (1120), signed if 25% or greater ownership
  - Business returns must reflect percentage of ownership for borrower.
- YTD profit and loss statement and balance sheet if 25% or greater ownership.
- Stable to increasing income should be averaged for two (2) years.
Unacceptable Income Sources

- Rental income received from borrower’s primary residence (one unit property or one unit property with accessory unit)
- Rental income received from a second home
- Income from trailing coborrowers
- Deferred compensation
- Retained Earnings
- Education Benefits
- Any unverified source
- Income that is temporary or a one-time occurrence
- Asset depletion
- Mortgage differential payments from an employer to subsidize an employee’s mortgage payments
- Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations. Federal law restricts the following activities and therefore the income from these sources is not allowed for qualifying:
  - Foreign shell banks
  - Medical marijuana dispensaries
  - Any business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law.
  - Businesses engaged in any type of internet gambling

Asset Requirements

Eligible assets must be held in a US account.

Documentation Requirements

All asset documentation must be dated within 60 days of the Note date.

Large deposits inconsistent with monthly income or other deposits must be verified if using for downpayment, reserves, or closing costs. It must be verified that the deposit was not the result of a new, undisclosed debt.

Asset verification by a Fannie Mae approved asset validation provider is allowed in lieu of 2 months statements provided by the borrower. The asset verification must provide 60 days of account activity and include all items normally indicated on bank statements.

Checking and Savings Accounts, Money Markets, CDs

- The two most recent, consecutive months’ statements (all pages) for each account are required
- 100% of the funds are eligible for calculation
Publicly Traded Stocks/Bonds/Mutual Funds
- The two months most recent statements (all pages) are required.
- 100% of the funds are eligible for calculation
- Non-vested stock is ineligible
- Margin account and/or pledged asset balances must be deducted

Retirement Accounts (401(k), IRAs, etc)
- Most recent statement or two most recent consecutive monthly statements (all pages) covering a two month period
- Evidence of liquidation is required when funds are used for downpayment or closing costs
- Evidence of access to funds is required for employer-sponsored retirement accounts
- If the borrower is > 59 ½ years old, 70% of the vested value of retirement accounts, after reduction of any outstanding loans, may be considered toward the required reserves
- If the borrower is < 59 ½ years old, 60% of the vested value of retirement accounts, after reduction of any outstanding loans, may be considered toward the required reserves
- Retirement accounts that do not allow any type of withdrawal are ineligible for use as reserves
- If the asset is being used as qualifying income, then it is an ineligible asset source

Cash Value of Life Insurance/Annuities
- Most recent two statement(s) covering a two (2) month period are required
- 100% of the value is eligible for calculation, unless it is subject to penalties

1031 Exchange
- Allowed on second home and investment purchases only. Reverse 1031 Exchanges are not allowed
- Documentation requirements:
  - HUD-1s/CDs for both properties
  - Exchange Agreement
  - Sales Contract for the exchange property
  - Verification of funds from the Exchange Intermediary
Business Funds
100% of business funds may be used for downpayment and/or closing costs, and for reserves with additional requirements. Cash flow analysis required using most recent 3 months business bank statements to determine no negative impact to business based on withdrawal of funds. Statements must not reflect any NSFs (non-sufficient funds) or overdrafts.

- The borrower must have access to the funds
- If borrower(s) ownership in the business is less than 100%, the following requirements must be met:
  - Borrower(s) must have majority ownership of 51% or greater
  - The other owners of the business must provide an access letter to the business funds
  - Borrower(s) percentage of ownership must be applied to the balance of business funds for use by the borrower(s)
- Business funds for reserves or a combination of personal/business funds for reserves will require the total amount of reserves to be double the regular requirement for the subject property and any additional financed REO

Gift Funds
- Gift funds are permitted after borrower has at least 5% own funds into the transaction
- Gift funds cannot be used as reserves
- Gift funds not allowed on LTVs > 80%
- Gift funds not allowed on investment properties
- Donor must be an immediate family member, future spouse, or domestic partner
- An executed gift letter with the gift amount, donor’s name, address, telephone number, and relationship is required
- It must be verified that sufficient funds to cover the gift are either in the donor’s account, or have been transferred to the borrower’s account. Acceptable documentation includes the following:
  - A copy of the donor’s check and the borrower’s deposit slip
  - A copy of the donor’s withdrawal slip and the borrower’s deposit slip
  - A copy of the donor’s check to the closing agent
  - A HUD-1 Settlement Statement/CD showing receipt of the donor’s check. When the funds are not transferred prior to settlement, MiMutual must document that the donor gave the closing agent the gift funds in the form of a certified check, cashier’s check, or other official check.
**Reserve Requirements**

Beyond the minimum reserve requirements and in an effort to fully document the borrower’s ability to meet their obligations, borrowers should disclose and verify all other liquid assets. Gift funds and borrowed funds (secured or unsecured) cannot be used for reserves.

<table>
<thead>
<tr>
<th>Reserve Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Occupancy</strong></td>
</tr>
<tr>
<td>Primary Residence</td>
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<tr>
<td>Second Home</td>
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<td></td>
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<tr>
<td>Investment Property</td>
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<tr>
<td>First Time Homebuyer</td>
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<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>Non-Occupant CoBorrower</td>
</tr>
</tbody>
</table>

**Reserves for Additional 1-4 Unit Financed Residential Properties Owned**

- If borrower owns up to 4 financed 1-4 unit properties, an additional 3 months PITIA reserves for each property is required
- If borrower owns more than 4 financed 1-4 unit properties:
  - An additional 6 months PITIA reserves are required for each property
  - Reserves for the subject property are the greater of the program requirements listed above (based on the occupancy, LTV, and loan amount) or 6 months reserves

**NOTE:** If excluded from the count of multiple financed properties, reserves are not required.
Financing Concessions
Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses, and may never be applied to any portion of the down payment or contributed to the borrower’s financial reserve requirements.

Maximum IPCs are as follows:

<table>
<thead>
<tr>
<th>LTV/CLTV/HCLTV Limit and Transaction Type</th>
<th>Percent Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary residences with LTVs &gt; 80%</td>
<td>3%</td>
</tr>
<tr>
<td>Primary residences and Second Homes with LTVs ≤ 80%</td>
<td>6%</td>
</tr>
<tr>
<td>Investment Properties (regardless of LTV)</td>
<td>2%</td>
</tr>
</tbody>
</table>

**NOTE:** Sales concessions include vacations, furniture, automobiles, securities, or other giveaway items

Seller Concessions
All seller concessions must be addressed in the sales contract, appraisal, and HUD-1/CD. A seller concession is defined as any interested party contribution beyond the stated limits as shown in the prior section, or any amounts not being used for closing costs or prepaid expenses.

If a seller concession is present, both the appraised value and the sales price must be reduced by the concession amount for the purposes of calculating LTV/CLTV/HCLTV.

**Personal Property**
Any personal property transferred with a property sale must be deemed to have zero transfer value as indicated by the sales contract and appraisal.

If any value is associated with the personal property, the sales price and the appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.
Collateral Requirements

Appraisal Requirements
- Full appraisals are required on all transactions (1004 or 1073). See table below for appraisal requirements.
  - Investment properties must contain a comparable rent schedule
  - Appraisals must be completed for the subject transaction. Use of a prior appraisal, regardless of the date of the prior appraisal, is not allowed
- Appraisals must be ordered through your MiMutual-assigned AMC on all transactions, including correspondent.
- Transferred appraisals are not allowed.
- Appraisal Update (Form 1004D) is allowed for appraisals that are over 120 days aged but less than 180 days aged from Note date.
  - The appraiser must inspect the exterior of the property and provide a photo.
  - Appraiser must review current market data to determine whether the property has declined in value since the date of the original appraisal. If the value has declined since the original appraisal, a new full appraisal is required.
  - The Appraisal update 1004D must be dated within 120 days of the Note date
- Collateral Desktop Analysis (CDA) ordered from Clear Capital is required to support the value of the appraisal (unless two full appraisals are obtained).
  - If the CDA returns a value that is ‘indeterminate’ or if the CDA indicates a lower value than the appraised value that exceeds a 10% tolerance then one of the following requirements must be met:
    - A Clear Capital BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation will be used for the appraised value of the property. MiMutual is responsible for ordering the BPO and the Value Reconciliation through Clear Capital
    - A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. MiMutual is responsible for providing the field review or second full appraisal
- Escrow holdback accounts are not eligible. Any repairs or improvements must be fully completed prior to closing, and evidence of satisfactory completion is required.
  - When two appraisals are required, and both appraisals are done “subject to” (1004D required), it is acceptable to provide only one 1004D
- When 2 appraisals are required, the following apply:
  - Appraisals must be completed by 2 independent companies
  - The LTV will be determined by the lower of the two appraised values as long as the lower appraisal supports the value conclusion. The final inspection and/or recertification of value must be for the appraisal with the lower value
  - The underwriter must review both appraisal reports and address any inconsistencies between the two reports. All discrepancies must be reconciled.
  - The appraiser that performed the appraisal with the lower value should complete the final inspection when applicable (two 1004Ds are not required, even if both reports were ‘subject to’)

**NOTE:** If a second appraisal is required, MiMutual will cover the cost.
For properties purchased by the seller of the property within 90 days of the fully executed purchase contract, additional requirements will apply:
- Second full appraisal is required
- Property seller on the purchase contract must be the owner of record
- Increases in value should be justified and documented with commentary from the appraiser and recent paired sales

**NOTE:** These requirements do not apply if the seller is a bank that received the property as a result of foreclosure or deed-in-lieu

### Appraisal Requirements by Loan Amount

<table>
<thead>
<tr>
<th>First Lien Loan Amount</th>
<th>Appraisal Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purchase Transactions</strong></td>
<td></td>
</tr>
<tr>
<td>≤ $2,000,000</td>
<td>One (1) Full Appraisal</td>
</tr>
<tr>
<td>&gt; $2,000,000</td>
<td>Two (2) Full Appraisals</td>
</tr>
<tr>
<td><strong>Refinance Transactions</strong></td>
<td></td>
</tr>
<tr>
<td>≤ $1,500,000</td>
<td>One (1) Full Appraisal</td>
</tr>
<tr>
<td>&gt; $1,500,000</td>
<td>Two (2) Full Appraisals</td>
</tr>
</tbody>
</table>

A second or subsequent appraisal must not be ordered, obtained, used or paid for in connection with a mortgage financing transaction unless:
- there is a reasonable basis to believe that the initial appraisal was flawed or tainted and such basis is clearly and appropriately noted in the mortgage file or
- such appraisal is done pursuant to written, pre-established bona fide pre- or post-funding appraisal review or qualify control processors or underwriting guidelines, and so long as the seller/lender adheres to a policy of selecting the most reliable appraisal rather than the appraisal that states the highest value or
- a second appraisal is required by law or required per guidelines
Eligible Collateral

Eligible collateral includes:

- 1-4 unit owner occupied properties
- 1 unit second homes
- 1-4 unit investment properties
- Planned Unit Developments (PUDs)
- Modular homes (not manufactured)
- Condominiums – Attached – (must be FNMA Warrantable)
  - CPM certificates allowed
  - Full review allowed, warranty to FNMA guides
  - Limited review allowed for attached units in established condominium projects:
    - Eligible transactions as per FNMA guides
    - Projects located in Florida are not eligible for limited review
  - Projects with 2-4 units – no condominium review or condominium warranty is required. FNMA basic requirements only
  - Florida condominiums limited to 50% LTV/CLTV/HCLTV on investment transactions
  - Condominium documents to support condo eligibility review must be no older than 120 days from the Note date
- Condominiums – Detached (including site condos)
  - No project review or condominium warranty is required
  - FNMA basic requirements apply

(continued on next page)

- Properties with ≤ 40 acres
  - Properties > 10 acres and ≤ 40 acres must meet the following:
    - Must be common and typical for the area, with a maximum 35% land-to-value ratio
    - No income-producing attributes
    - For transactions > 20 acres:
      - Transaction must be 5% below maximum LTV/CLTV allowed for program
        - For example, if the borrower qualifies for a loan at 90% LTV based on the transaction, FICO score, loan amount, and reserves, then the maximum allowed would be 85%
      - 20, 25, 30 year fixed rate terms only
- Properties subject to existing oil/gas leases must meet the following:
  - Title endorsement providing coverage to MiMutual against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease
  - No active drilling. Appraiser to comment or current survey to show no active drilling
  - No lease recorded after the home construction date. Re-recording of a lease after the home was constructed is permitted.
  - Must be connected to public water

NOTE: Properties that fall outside these parameters can be considered on an exception basis.
Ineligible Collateral
Ineligible collateral includes:

- Co-Op
- Properties subject to leasehold
- Unique properties / log homes
- 2-4 unit second homes
- Model home leasebacks
- Non-warrantable condos
- Condotels
- Manufactured/Mobile homes
- Any properties with > 40 acres. Appraiser must indicate total acreage. It is unacceptable to have the property appraised with only 40 acres in order to meet eligibility.
- Working farms, ranches, or orchards
- Properties for which the appraisal indicates a Condition Rating of C5 or C6, or a Quality Rating of Q6
- Properties without permanently affixed legal heating systems (ex: space heaters or fireplaces as the sole source of heat)
- Properties without water or public electricity connections to the site
- Properties with a private transfer covenant
- Tenants-in-Common (TIC) projects
**FEMA Declared Disaster Area Policy**
The FEMA Declared Disaster Area Policy applies to all areas eligible for individual and/or public assistance due to a federal government disaster declaration.

*Effective Date of Disaster Policy*
The disaster-area policy becomes effective as of the incident period end date for the disaster/event. FEMA publishes the incident period along with the declaration date once the area is presidentially declared. For example, refer to the following dates to understand when property re-inspection requirements apply:
- **Disaster Incident Period:**
  - Begin Date: January 15
  - End Date: January 17
- **Disaster Declaration Date:** February 2
- **Effective Date for Disaster Procedures:** January 17

Based on the dates noted in the above example, all appraisals performed on or before January 17 would require the appropriate re-inspection or review. Appraisals performed after January 17 would continue to require written certification by the appraiser that indicated whether the property was free from damage and whether the disaster had any effect on value or marketability. If there was damage, the extent of that damage needs to be addressed.

The disaster policy will be in effect for transactions during an ongoing disaster and transactions with a Note date that is within ninety (90) days of the end date of the disaster incident period. The disaster policy is also in effect for loans with a post-closing disaster and prior to date of sale to investor.

*Appraisal and Re-Inspection Requirements*
To ensure the property value has not been impacted by the disaster, a post-disaster property inspection is required. The inspection may be performed by the original appraiser, another licensed appraiser, or licensed property inspection company.

*Appraisal Performed On or Before Disaster Incident End Date*
The property inspection must identify the following:
- Property is free from damage and the disaster had no effect on value or marketability.
- If the re-inspection indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, or other post-disaster inspection report, with photos of interior, exterior, and neighborhood.
Standard Appraisal Performed After Incident Period End Date for Disaster
Appraisal must include written certification by the appraiser that:
- Property is free from damage and the disaster had no effect on value or marketability.
- If the appraisal indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, with photos of interior and exterior.


Power of Attorney
Subject to the restrictions and requirements listed below, MiMutual will allow the use of a Power of Attorney (POA) to execute the security instrument, note and other closing documents on behalf of the borrower(s).

Requirements
- POA to be recorded along with security instrument in those states requiring recordation.
- The person(s) name(s) granting the power of attorney must match the name on the security instrument.
- The form, signatures, and recording requirements of the applicable state must be followed.
- The POA must be valid at the time the affected loan documents were signed.
- The POA must be notarized and unless otherwise required by applicable law, must reference the address of the subject property.
- Only relatives (as defined by FNMA), fiancé, fiancée or domestic partners of the borrower may be named to act as an attorney-in-fact.
- It must be confirmed that the POA complies with all state laws.

Restrictions on the Use of a Power of Attorney
Except as required by applicable law, the following restrictions apply:
- Borrower(s) must sign at least the initial 1003/disclosures.
- POAs not allowed on Cash Out transactions.

Title Requirements
Title must be held as Fee Simple, with vesting as either individual, joint tenants, or tenants in common.

Title to the subject property must not contain an unacceptable title impediment, including unpaid real estate taxes and/or survey exceptions. If surveys are not commonly required in a particular jurisdiction, an ALTA 9 Endorsement must be provided. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception.

The title commitment cannot be dated more than 90 days prior to the Note date. If the commitment expires, acceptable gap coverage or an updated commitment must be obtained.

Unless otherwise stated here, Fannie Mae title insurance guidelines should be followed.
Jumbo Choice Non-QM

*Jumbo Choice Non-QM is a non-QM loan with any of the following attributes: DTI > 43%, Qualifying income stream using asset depletion calculation, investment purchase transactions using rental income with no lease agreement provided, or departure residence excluded from DTI when the property is not listed for sale or leased to rent at the time of the subject transaction.*

*All Jumbo Choice QM guidance will apply unless specifically noted within this chapter.*

*Effective with new applications on/after February 10, 2020, ARM programs are being temporarily suspended in anticipation of the retirement of LIBOR.*

**Eligibility Requirements**

**Available Terms**
- Fixed Rate: 30, 25, 20, 15, 10 year
  - Fixed Rate Interest Only: 30 year term. 10 year IO period.
- ARM: 5/1 LIBOR, 7/1 LIBOR, 10/1 LIBOR (ARMs carry a 30 year term and are fully amortizing)
  - ARM Interest Only: 5/1 and 7/1. 30 year term with 10 year IO period.

**Ineligible Features**
- Loans that exceed the 3% Points and Fees cap
- High Cost loans (Federal, State, or Local)
- Non-Standard to Standard refinance transactions (ATR Exempt)
  - A non-standard mortgage includes various types of mortgages that can lead to payment shock and result in default, such as ARMs, interest only, or negative amortization loans. The ATR/QM rule provides flexibility to homeowners in these types of loans by allowing a refinance without having to meet ATR requirements. However, these flexibilities are not permitted under the Jumbo Choice Non-QM program; all loans must meet all 8 ATR factors.
- Balloons
- Graduated payments
- Temporary buydowns
- Loans with prepayment penalties
- Convertible ARMs

**Higher Priced Mortgage Loans (HPMLs)**
- The loan must have an escrow account for a minimum of 5 years
- If the property was acquired by the seller less than 90 days from the purchase agreement and the purchase price exceeds the seller’s acquisition price by more than 10%, then a second full appraisal is required. Bank owned properties are not exempt.
- If the property was acquired by the seller between 91-180 days from the purchase agreement and the purchase price exceeds the seller’s acquisition price by more than 20%, then a second full appraisal is required. Bank owned properties are not exempt.
- If a second appraisal is required for one of the above two reasons, the borrower may only be charged for one of the appraisals.
**Qualifying Rate**
- Fixed Rates: Note rate
- 5/1 ARM: Greater of the fully indexed rate or Note Rate + 2%
- 7/1 ARM: Greater of the fully indexed rate or Note Rate
- 10/1 ARM: Greater of the fully indexed rate or Note Rate

**NOTE:** Interest Only loans must be qualified using the fully-amortizing payment (not the IO payment)

**Maximum DTI**
- Fixed rate: 49.99%
- ARM: 47.00%
- LTV/CLTV over 80% (Fixed and ARM): 38.00%
- Non-Occupant CoBorrowers w/Blended Ratios: 43.00%

**Borrowers**

**Eligible**
- (all Eligible Borrowers mentioned in the Jumbo Choice QM chapter), and
- Non-occupant coborrowers are allowed with the following features:
  - One-unit primary residence only
  - Purchase and rate/term transactions only
  - Maximum loan amount $1,000,000
  - Up to $1,500,000 allowed in CA and NJ only
  - Max LTV/CLTV 80%
  - No minimum downpayment required from the occupant borrower; downpayment and reserves may be from the occupant borrower or non-occupant coborrower
  - An additional 6 months reserves are required
  - The non-occupant coborrower must be an immediate family member
  - Blended ratios allowed with a maximum 43% DTI
  - Transaction must be arm's length
  - Interest Only feature not permitted
### LTV/CLTV/HCLTV

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Units</th>
<th>FICO</th>
<th>Maximum LTV/CLTV/HCLTV</th>
<th>Maximum Loan Amount¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>**Primary Residence</td>
<td>Purchase and Rate/Term Refinances**</td>
<td>1-2</td>
<td>680</td>
<td>90%²</td>
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<tr>
<td></td>
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<td>661</td>
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<td>680</td>
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<tr>
<td></td>
<td>1-4</td>
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<td>70%</td>
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<tr>
<td>**Primary Residence</td>
<td>Cash Out Refinance**</td>
<td>1-2</td>
<td>680</td>
<td>80%</td>
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<td>661</td>
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### Second Home | Purchase and Rate/Term Refinance

<table>
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<tr>
<th>Transaction Type</th>
<th>Units</th>
<th>FICO</th>
<th>Maximum LTV/CLTV/HCLTV</th>
<th>Maximum Loan Amount¹</th>
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<tr>
<td><strong>Purchase or Rate/Term Refinance</strong></td>
<td>1</td>
<td>661</td>
<td>80%</td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>661</td>
<td>65%</td>
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### Second Home | Cash Out Refinance

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<th>Transaction Type</th>
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<th>FICO</th>
<th>Maximum LTV/CLTV/HCLTV</th>
<th>Maximum Loan Amount¹</th>
<th>Maximum Cash Out</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Out Refinance</strong></td>
<td>1</td>
<td>661</td>
<td>65%</td>
<td>$1,000,000</td>
<td>$500,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>661</td>
<td>60%</td>
<td>$1,500,000</td>
<td>$500,000</td>
</tr>
</tbody>
</table>

### Investment³ | Purchase and Rate/Term Refinance | Cash Out Refinance

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Units</th>
<th>FICO</th>
<th>Maximum LTV/CLTV/HCLTV</th>
<th>Maximum Loan Amount¹</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purchase</strong></td>
<td>1-4</td>
<td>680</td>
<td>75%</td>
<td>$1,500,000</td>
</tr>
<tr>
<td><strong>Rate/Term Refi</strong></td>
<td>1-4</td>
<td>680</td>
<td>70%</td>
<td>$1,500,000</td>
</tr>
<tr>
<td><strong>Cash Out Refi</strong></td>
<td>1-4</td>
<td>680</td>
<td>60%</td>
<td>$1,500,000 (max cash out $500,000)</td>
</tr>
</tbody>
</table>

*Footnotes on following page*
First-Time Homebuyers are subject to a maximum loan amount of $1,000,000. Loan amounts up to $1,500,000 allowed in CA and NJ. See Eligible Borrower section for specific requirements for FTHBs.

The following requirements apply for transactions with LTVs greater than 80%:
- MI not required
- Secondary financing is allowed. See Secondary Financing for details
- Maximum DTI 38%
- Non-permanent resident aliens not allowed
- Escrow account required for loans > 80% LTV unless prohibited by applicable law

The following requirements apply for investment property purchases, rate/term refis, and cash out refis:
- Florida condos limited to 50% LTV/CLTV/HCLTV
- Gift funds not allowed
- Transaction must be arm’s length
- Appraiser to provide comparable rent schedule
- FTHBs not allowed

Texas 50(a)(6) refinances are only allowed on 20, 25, 30 year fixed rate. See Texas 50(a)(6) Refinances section for further detail.

Underwriting
Manual underwriting is required, regardless of AUS documentation waivers. However, DU findings are required on all Jumbo loans to demonstrate the borrower is not eligible for an Agency product.

Unless otherwise noted here, the more restrictive of the FNMA Selling Guide or Appendix Q must be followed. In all cases, the loan file must document the 8 ATR rules.
Documentation

- All loans must be manually underwritten and fully documented. Full income and asset verification is required. No documentation waivers based on AUS recommendations permitted.
- All credit documents, including title commitment must be no older than ninety (90) days from the Note date.
- QM designation must be provided in the loan file. For the Select Non-QM program;
  - QM designation is Non-QM/ATR, or
  - QM designation is Exempt for investment property transactions when the transaction is exclusively for business purposes
    - Investment property transactions require an attestation form the borrower stating the property is used 100% of the time for business purposes in order for the designation to be Exempt. If the borrower does not use the property 100% of the time for business purposes, the QM designation would be Non-QM/ATR for Select Non-QM loans.
    - Cash-out refinances of investment properties must also contain an attestation regarding the proceeds from the cash out refinance. If 100% of the proceeds are not used for business purposes, the loan is subject to ATR and the designation would be Non-QM/ATR.
- Loan file must document the eight (8) Ability to Repay (ATR) rules identified in Part 1026-Truth-in-Lending (Regulation Z).
- Residual income calculation must be provided and meet the residual income requirements indicated in the Income/Employment section of this guide.
- If subject transaction is paying off a HELOC that is not included in the CLTV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed.
- If the 1003, title commitment or credit documents indicate the borrower is a party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower’s ability to repay, assets or collateral.
Credit Requirements

**Mortgage Payment History**
If the mortgage holder is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory mortgage history is required.

**Departure Residence**

**Departure Residence to be Rented**

<table>
<thead>
<tr>
<th>Option 1: No Lease</th>
<th>Option 2: Lease Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>No lease required.</td>
<td>Copy of current lease agreement.</td>
</tr>
<tr>
<td>Signed letter of intent from borrower indicating they intend to rent the departure residence within 90 days of closing on the subject transaction.</td>
<td>Copy of security deposit and evidence of deposit into borrower's account.</td>
</tr>
<tr>
<td>Departure residence must have a minimum of 20% equity after deduction of outstanding liens to use rent to offset the payment.</td>
<td>Departure residence must have a minimum of 20% equity after the deduction of outstanding liens to use rent to offset the payment.</td>
</tr>
<tr>
<td>If less than 20% equity, the full payment with no benefit of rent must be included in the DTI.</td>
<td>If less than 20% equity, the full payment with no benefit of rent must be included in the DTI.</td>
</tr>
<tr>
<td>Equity in the departure residence must be documented with the prior purchase price, AVM, BPO or 2055 exterior appraisal dated within six (6) months of the subject transaction.</td>
<td>Equity in the departure residence must be documented with the prior purchase price, AVM, BPO or 2055 exterior appraisal dated within six (6) months of the subject transaction.</td>
</tr>
<tr>
<td>Market Rent Survey is required by a licensed appraiser. Rent calculation is 75% of the market rent less PITIA.</td>
<td>Rental calculation is based on 75% of the lease amount less PITIA. Any negative amount must be included in the DTI. Any positive income is included as rental income.</td>
</tr>
<tr>
<td>Any negative amount must be included in the DTI.</td>
<td></td>
</tr>
<tr>
<td>Any positive rental income is disregarded for the income calculation and can only be used to offset the payment.</td>
<td></td>
</tr>
<tr>
<td>Required reserves for departure residence = 9 months PITIA</td>
<td>Required reserves for departure residence = 6 months PITIA</td>
</tr>
<tr>
<td>Maximum LTV/CLTV/HCLTV on the subject transaction is 80%</td>
<td>No limit on LTV/CLTV/HCLTV, refer to program maximum</td>
</tr>
</tbody>
</table>

Market Rent Survey is required by a licensed appraiser. Rent calculation is 75% of the market rent less PITIA. Any negative amount must be included in the DTI. Any positive rental income is disregarded for the income calculation and can only be used to offset the payment.

Required reserves for departure residence = 9 months PITIA

Maximum LTV/CLTV/HCLTV on the subject transaction is 80%

No limit on LTV/CLTV/HCLTV, refer to program maximum
### Departure Residence to be Sold

<table>
<thead>
<tr>
<th>Option 1: Not Under Contract</th>
<th>Option 2: Under Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>No contract required for departure residence. Departure residence may be listed for sale or intent to list for sale.</td>
<td>A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared/satisfied.</td>
</tr>
<tr>
<td>Signed letter of intent from borrower indicating they intend to list the departure residence for sale within ninety (90) days of closing on subject transaction. If listed for sale, provide copy of current listing.</td>
<td>The departure transaction must be closing within 30 days of the subject transaction.</td>
</tr>
<tr>
<td>Equity in the departure residence must be documented with a 2055 exterior appraisal or full appraisal dated within six months of the subject transaction Note date.</td>
<td>The pending sale transaction must be arm’s length.</td>
</tr>
<tr>
<td>Departure residence must have a minimum of 20% equity after deduction of outstanding liens to exclude the payment from the DTI.</td>
<td>No appraisal required for departure residence.</td>
</tr>
<tr>
<td>If less than 20% equity, the full payment must be included in the DTI.</td>
<td>The borrower must be netting a positive number from the sale of the property or assets must be accounted for to cover any funds the borrower may have to bring to closing on the sale of the departure residence.</td>
</tr>
<tr>
<td>The lower of the appraised value or current listing (if listed) should be used to determine 20% equity.</td>
<td>Required reserves for the departure residence are based on the marketing time indicated by the departure residence appraisal:</td>
</tr>
<tr>
<td>Required reserves for the departure residence are based on the marketing time indicated by the departure residence appraisal:</td>
<td>Required reserves for the departure residence = 6 months PITIA</td>
</tr>
<tr>
<td>If appraisal indicates marketing time of six (6) months or less = 12 months PITIA</td>
<td></td>
</tr>
<tr>
<td>If departure residence has been on the market &gt; six (6) months = 24 months PITIA</td>
<td></td>
</tr>
<tr>
<td>If appraisal indicates marketing time over six (6) months = 24 months PITIA</td>
<td></td>
</tr>
<tr>
<td>Maximum LTV/CLTV/HCLTV on the subject transaction is 80%.</td>
<td>No limit on LTV/CLTV/HCLTV, refer to program maximum.</td>
</tr>
</tbody>
</table>
**Income/Employment Requirements**

**An Income Calculation Worksheet is required on all loans.** Fannie Mae Form 1084 is required for self-employed income analysis.

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**Asset Depletion**

Calculate the depletion of assets using a 3% return over the life of the loan; the same as calculating a P&I payment for a mortgage.

- For borrowers >59 ½ years of age, all post-closing retirement and liquid assets may be used in the calculation if the assets are fully vested and unrestricted.
- For borrowers <59 ½, all post-closing liquid (non-retirement) assets can be included in the calculation.
  - Minimum liquid post-closing assets of $500,000 required to include asset depletion for qualifying income.
- Eligible assets must be held in a US account
- Business funds are not allowed for income calculation

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**Unacceptable Income Sources**

Mortgage differential payments from an employer to subsidize an employee’s mortgage payments are not permitted.

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**Rental Income**

**All Properties (Except Departing Primary Residence)**

- Lease agreements must be provided if rental income is used for qualifying purposes, except:
  - If the subject property is the purchase of an investment property, a lease agreement may not be required if the following are met:
    - Borrower(s) have a demonstrated landlord history for the most recent 2 years on tax returns, or
    - Maximum LTV/CLTV is 65%
    - In either case, a comparable rent schedule by the appraiser is required on all investment property transactions
  - If the property is an investment property (subject or non-subject) and is a seasonal rental, vacation rental or short-term rental, the requirement for a lease agreement may not be required if the following requirement is met:
    - Most recent two (2) years tax returns reflect the property on Schedule E with consistent rents from year to year
    - The county/city where the property is located does not have prohibitions or restrictions on short-term rentals that impacts rental income received

**Departure Residence**

See [Departure Residence](#) for specific requirements
Asset Requirements
Eligible assets must be held in a US account.

Reserve Requirements

<table>
<thead>
<tr>
<th>Occupancy</th>
<th>Loan Amount</th>
<th>Number of Months of PITIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Residence</td>
<td>≤ $1,000,000 with LTV ≤ 80%</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>≤ $1,000,000 with LTV &gt; 80%</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>$1,000,001 - $1,500,000</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>$1,500,001 - $2,000,000</td>
<td>12</td>
</tr>
<tr>
<td>Second Home</td>
<td>≤ $1,000,000</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>$1,000,001 - $1,500,000</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>$1,500,001 - $2,000,000</td>
<td>24</td>
</tr>
<tr>
<td>Investment Property</td>
<td>≤ $1,000,000</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>$1,000,001 - $1,500,000</td>
<td>18</td>
</tr>
<tr>
<td>First Time Homebuyer</td>
<td>≤ $1,000,000 with LTV ≤ 80%</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>≤ $1,000,000 with LTV &gt; 80%</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>$1,000,001 - $1,500,000</td>
<td>15</td>
</tr>
<tr>
<td>Interest Only Products</td>
<td>Reserves are based on the qualifying PITIA</td>
<td></td>
</tr>
<tr>
<td>Non-Occupying CoBorrowers</td>
<td>Additional 6 months reserves required</td>
<td></td>
</tr>
</tbody>
</table>

Reserves for Additional 1-4 Unit Financed Residential Properties Owned
- An additional 6 months PITIA reserves are required for each property
- If excluded from the count of multiple financed properties, reserves are not required

Collateral Requirements

Higher Priced Mortgage Loans
See Higher Priced Mortgage Loans for appraisal requirements on HPMLs.

NOTE: If a second appraisal is required, MiMutual will cover the cost.
Jumbo Max

The Jumbo Max program provides jumbo financing that does not require mortgage insurance. Unless otherwise addressed in these guidelines, follow the most recent FNMA Selling Guide or FHLMC Seller/Servicer Guide.

Eligibility Requirements

Available Products
- Fixed Rate: 30, 15 year
- ARM: 5/1 LIBOR, 7/1 LIBOR, 10/1 LIBOR (ARMs carry a 30 year term and are fully amortizing)
  - Interest-Only ARM: 5/1 LIBOR, 7/1 LIBOR, 10/1 LIBOR (120 month IO term, 240 month amortizing term)

Qualifying Rate
- Fixed Rates: Note rate
- 5/1 ARM: Greater of the fully indexed rate or maximum potential Note rate after first adjustment
- 7/1 ARM: Greater of the fully indexed rate or Note Rate
- 10/1 ARM: Greater of the fully indexed rate or Note Rate

NOTE: The fully indexed rate is the sum of the index and the margin

ARM Specifics

Interest Rate Adjustment Caps
- Initial: 2% up/down
- Subsequent: 2% up/down
- Lifetime: 5% up

Margin
2.25%

Index
1-Year LIBOR (London InterBank Offer Rate)

Interest Rate Floor
2.25%
**Change Dates**
- 5/1: The first change date is the 61st payment due date. Subsequent change dates are every 12 months thereafter
- 7/1: The first change date is the 85th payment due date. Subsequent change dates are every 12 months thereafter
- 10/1: The first change date is the 121st payment due date. Subsequent change dates are every 12 months thereafter

**Conversion Option**
Not convertible

**Documentation Requirements**
Full doc. Manual underwriting requirements apply, regardless of AUS documentation waivers. However, DU findings are required on all Jumbo loans to demonstrate the borrower is not eligible for an Agency product.

**Occupancy**

**Primary Residence**
A primary residence is the property the borrower occupies as his or her principal residence. At least one of the borrowers must occupy, be on title to the property, and execute the Note and the security instrument. A borrower may not maintain more than one primary residence at any given time.
- 1-4 unit detached, attached, PUD, and eligible condominiums

**Second Home**
The property must be occupied by the borrower from time-to-time and is suitable for year-round use. Typically the property is located in either a resort or vacation area or for convenience in a city where the borrower works when the primary residence is in a distant suburb.
- 1 unit detached, attached, PUD, and eligible condominiums
- Property may not be a time share, subject to a rental agreement or other shared ownership arrangements.
- The property must be a reasonable distance from the borrower’s primary residence.
- Rental income and expenses on Schedule E of the borrower’s personal tax return(s) must not be significant.
- Rental income from a second home cannot be used to qualify the borrower.

**Investment Property (Non-Owner Occupied)**
An investment property is owned by the borrower but is not occupied by the borrower.
- 1-4 unit detached, attached, PUD, and eligible condominiums.
## LTV/CLTV/HCLTV

**Fixed Rate and Fully Amortizing ARMS**

<table>
<thead>
<tr>
<th>Occupancy / Units</th>
<th>Purchase and Rate/Term Refinance</th>
<th>Cash Out Refinance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max Loan Amount</td>
<td>Max LTV/CLTV</td>
<td>Minimum Score</td>
</tr>
<tr>
<td>Primary 1 Unit</td>
<td>$1,000,000</td>
<td>90%*</td>
</tr>
<tr>
<td></td>
<td>$1,500,000</td>
<td>90%*</td>
</tr>
<tr>
<td></td>
<td>$2,000,000</td>
<td>80/80%</td>
</tr>
<tr>
<td></td>
<td>$2,000,000</td>
<td>80/90%</td>
</tr>
<tr>
<td></td>
<td>$2,500,000</td>
<td>70/70%</td>
</tr>
<tr>
<td></td>
<td>$3,000,000</td>
<td>70/70%</td>
</tr>
<tr>
<td>Second Home</td>
<td>$2,000,000</td>
<td>80/80%</td>
</tr>
<tr>
<td></td>
<td>$3,000,000</td>
<td>65/65%</td>
</tr>
<tr>
<td>Primary 2-4 Unit</td>
<td>$2,000,000</td>
<td>75/75%</td>
</tr>
<tr>
<td>Non-Owner Occ 1-4 Unit</td>
<td>$1,500,000</td>
<td>75/75%</td>
</tr>
<tr>
<td></td>
<td>$2,000,000</td>
<td>70/70%</td>
</tr>
</tbody>
</table>

*Rate/Term refi eligible to 80/90%. Purchase eligible to 90/90%. Greater than 80% LTV fixed rate only.

**Interest Only**

<table>
<thead>
<tr>
<th>Occupancy / Units</th>
<th>Purchase and Rate/Term Refinance</th>
<th>Cash Out Refinance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max Loan Amount</td>
<td>Max LTV/CLTV</td>
<td>Minimum Score</td>
</tr>
<tr>
<td>Primary 1-4 Unit</td>
<td>$1,500,000</td>
<td>75/75%</td>
</tr>
<tr>
<td>Second Home</td>
<td>$1,500,000</td>
<td>70/70%</td>
</tr>
</tbody>
</table>
## Program Highlights

<table>
<thead>
<tr>
<th>Feature</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Underwriting</strong></td>
<td>Loans must be underwritten manually to these guidelines.</td>
</tr>
<tr>
<td><strong>Mortgage Insurance</strong></td>
<td>No PMI allowed</td>
</tr>
<tr>
<td><strong>Minimum Loan Amount</strong></td>
<td>Must be $1 over the current one-unit conforming limit</td>
</tr>
<tr>
<td><strong>DTI</strong></td>
<td>Max 43%. Max 40% DTI &gt; 80% LTV.</td>
</tr>
<tr>
<td><strong>Reserves</strong></td>
<td>If LTV/CLTV ≤ 80% (primary residence):</td>
</tr>
<tr>
<td></td>
<td>• 6mos PITI reserves required for loan amounts ≤ $1,000,000</td>
</tr>
<tr>
<td></td>
<td>• 9mos PITI reserves required for loan amounts $1,000,001 to $2,000,000</td>
</tr>
<tr>
<td></td>
<td>• 24mos PITI reserves required for loan amounts $2,000,001 to $3,000,000</td>
</tr>
<tr>
<td></td>
<td>If LTV/CLTV &gt; 80% (primary residence):</td>
</tr>
<tr>
<td></td>
<td>• 18mos PITI reserves required for loan amounts ≤ $1,000,000</td>
</tr>
<tr>
<td></td>
<td>• 24mos PITI reserves required for loan amounts $1,000,001 to $1,500,000</td>
</tr>
<tr>
<td>For Second Homes:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 12mos PITI reserves required for loan amounts &gt; $1,000,000 to $2,000,000</td>
</tr>
<tr>
<td>For Non-Owner Occupied properties:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 12mos PITI reserves required for loan amounts ≤ $1,500,000</td>
</tr>
<tr>
<td></td>
<td>• 18mos PITI reserves required for loan amounts &gt; $1,500,000</td>
</tr>
<tr>
<td>For Interest Only loans (primary residence and second home):</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 18mos PITI reserves are required</td>
</tr>
<tr>
<td><strong>Minimum Credit Req'mts</strong></td>
<td>Non-traditional credit is not acceptable. All borrowers must have a minimum of 2 credit scores. Each borrower must have a minimum of 3 open tradelines active for the past 24 months. For borrowers with mortgage or rental history, borrower must have 0x30 lates in the past 24 months.</td>
</tr>
<tr>
<td><strong>Eligible Property Types</strong></td>
<td>Single family, PUD, condo (Agency eligible only), and 2-4 units.</td>
</tr>
<tr>
<td><strong>Declining Property Values</strong></td>
<td>Reduce maximum LTV by 5% (max 80% LTV) for any property located in an area of declining property values as reported by appraiser.</td>
</tr>
<tr>
<td><strong>Condominium Restrictions</strong></td>
<td>Fannie Mae or Freddie Mac warrantable condos. Minimum 400 square feet.</td>
</tr>
<tr>
<td><strong>State Restrictions</strong></td>
<td>Texas cash out not permitted.</td>
</tr>
<tr>
<td><strong>Appraisal Restrictions</strong></td>
<td>2 full appraisals required for loan amounts &gt; $1.5MM. If a second appraisal is required, MiMutual will cover the cost.</td>
</tr>
<tr>
<td><strong>Rate/Term Refinance</strong></td>
<td>Not allowed over 80%. Cash out must be the lower of $2,000 or 1% of the new loan amount.</td>
</tr>
<tr>
<td><strong>First Time Homebuyer</strong></td>
<td>• Owner-occupied only</td>
</tr>
<tr>
<td></td>
<td>• 12mos PITI reserves required</td>
</tr>
<tr>
<td></td>
<td>• Max $1,500,000 loan amount</td>
</tr>
<tr>
<td></td>
<td>• Max 80% LTV</td>
</tr>
<tr>
<td></td>
<td>• Interest only not permitted</td>
</tr>
<tr>
<td><strong>Seller Contribution</strong></td>
<td>Maximum 6% of sales price for owner-occupied and second homes. Maximum 2% for non-owner occupied.</td>
</tr>
<tr>
<td><strong>Higher Priced Covered Transactions</strong></td>
<td>Not allowed</td>
</tr>
</tbody>
</table>
### Ineligible Features

- Balloon
- Prepayment penalty
- Escrow holdback
- Recast / reamortization
- Temporary buydown

### Borrowers

Borrowers must have reached the age at which the mortgage Note can be enforced in the jurisdiction where the property is located. There is no maximum age limit for a borrower. All borrowers must have a valid SSN. There is a maximum of 4 borrowers per loan.

### Eligible

- **US Citizens**
- **Permanent Resident Aliens**
  - Same requirements as US citizens
  - Copy of valid resident alien card must be included in loan file
- **Non-Permanent Resident Aliens**
  - Must be legally present in the US with an acceptable visa type:
    - E Series (E-1, E-2, E-3)
    - G Series (G-1, G-2, G-3, G-4, G-5)
    - H Series (H-1B, H-1C, H-2, H-3, H-4)
    - L Series (L-1A, L-1B, L-2)
    - NATO Series (NATO 1-6)
    - O Series (O-1)
    - TN-1, Canadian NAFTA visa
    - TN-2, Mexican NAFTA visa
  - Must have a valid SSN
  - Maximum LTV 80%
  - Must have a minimum of 2 year employment history in the US and qualifying income must be from the US
  - Must be able to verify that current employment has a probability of 3 year continuance. VOE form may be used to document
  - Must have a 2 year credit history in the US and must meet minimum credit requirements
  - Must have a 2 year established US based asset history. No funds from outside the US are allowed.
  - Owner-occupied, single family primary residence only. Interest only not allowed.
- **First Time Homebuyers**
  - Owner-occupied, primary residences only
  - FTHBs limited to a maximum of 80%
  - Interest only not allowed
  - See product matrix for loan limits and other requirements
- **Inter Vivos Revocable Trusts**
  - Trust must be established by one or more natural persons, individually or jointly
  - The individual(s) establishing the trust must be the primary beneficiary/beneficiaries
  - If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.
  - At least one of the trustees must be either the individual establishing the trust, or an institutional trustee that customarily performs the duties of a trustee and is duly authorized to act as a trustee under applicable state law.
  - The mortgage and trust documents must meet Agency eligibility criteria including title and title insurance requirements, as well as applicable state laws that regulate the loan origination of inter-vivos revocable trusts.
  - The trustee(s) must have the power to mortgage the security property for the purpose of securing a loan to the party (or parties) who are the borrower(s) under the mortgage or deed of trust note.

**Ineligible**
- Non-occupant coborrowers
- Any borrower without a Social Security Number (ITINs are not eligible)
- Foreign Nationals
- Borrowers with diplomatic status
- Non-Revocable Trusts
- LLCs, corporations, or partnerships
- Land Trusts, including Illinois Land Trusts

**Multiple Properties Financed-Owned**
Borrowers may not own more than four (4) residential 1-4 unit financed properties regardless of the occupancy of the subject property.

Borrowers must have six (6) months PITI reserves for each additional financed property owned.

Financed properties held in the name of an LLC or other corporation, commercial properties, and unimproved land can be excluded from the calculation of number of properties financed.
Purchases

- Must adhere to Agency guidelines.
- LTV/CLTV is calculated using the lesser of the purchase price or the appraised value of the subject property.
- Seller must have taken title to the subject property a minimum of ninety (90) days prior to the date of sales contract.
- Personal property may not be included in the purchase agreement/sales contract. Personal property items should be deleted from the sales contract or reasonable value must be documented and the sales price adjusted. Items that are customary to residential real estate transactions such as lighting fixtures, kitchen appliances, window treatments and ceiling fans are not considered personal property.

Rate/Term Refinance Restrictions

- Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the date of application.
- Minimum of 6 months seasoning from the note date of the new transaction required if previous refinance was cash-out, including the pay-off of a non-seasoned subordinate lien.
- For properties purchased within six (6) months of closing date the LTV will be based upon the lesser of the original sales price or the current appraised value conclusion from the appraiser. Original sales price will be determined from the HUD-1 Settlement Statement/Closing Disclosure from the subject acquisition transaction.
- For properties purchased more than six (6) months prior to the closing date the current appraised value may be used to calculate LTV.
- The mortgage amount may include the:
  - Principal balance of the existing first lien.
  - Pay off of a purchase second lien with no draws exceeding $2,000 within the past 12 months from date of application. Withdrawal activity must be documented with a transaction history of the line of credit. 12 months seasoning is not required.
  - Pay off of a co-owner pursuant to a written agreement.
  - Financing of the payment of prepaid items and closing costs.
  - Pay off of a non-purchase second lien seasoned a minimum of 12 months from date of application. The second lien must not evidence draws exceeding $2,000 within the past 12 months from date of application. Withdrawal activity must be documented with a transaction history of the line of credit.
- Cash back to the borrower is limited to the lesser of $2,000 or 1% of the new mortgage loan.
Cash Out Refinance Restrictions

- Borrower must have held title for a minimum of 6 months from closing date. Inherited properties are exempt from this seasoning requirement.
- Properties that have been listed for sale within the past 6 months of application are not eligible for a cash-out refinance. If the property was listed within the previous 6 – 12 months from application date, a letter from the borrower explaining the reason for retaining the property is required.
- If the subject property was purchased within the 6-12 month period prior to the closing date for the new loan the LTV will be based on the lesser of the sales price or the current appraised value.
- If the subject property was purchased more than 12 months from the closing date for the new loan LTV will be based off the current appraised value.
- Texas Cash-Out refinances are ineligible.
- Cash out is limited to the maximum amounts stated on the Product Matrix

Continuity of Obligation

For a refinance transaction to be eligible for purchase there must be a continuity of obligation of the outstanding lien that will be paid through the refinance transaction. Continuity of obligation is met when any one of the following exists:

- At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced.
- The borrower has been on title and residing in the property for at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor.
- The loan being refinanced and the title to the property are in the name of a natural person or a limited liability company (LLC) as long as the borrower owns at least 25% of the LLC prior to transfer. Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.
- The borrower has recently been legally awarded, the property (divorce, separation or dissolution of a domestic partnership).

Loans with an acceptable continuity of obligation may be underwritten, priced, and delivered as either cash-out or limited cash-out refinance transactions based on the requirements for each type of transaction.

Delayed Financing Refinances

Delayed financing refinances in which the borrowers purchased the subject property for cash within the last ninety days (90) from the date of the application are eligible for purchase. Cash back to the borrower in excess of the original purchase price or appraised value (whichever is less) is not allowed. Delayed financing refinances are not subject to cash-out refinancing program limitations.

The original purchase transaction must be documented by a Closing Disclosure confirming that no mortgage financing was used to obtain the subject property.
A Delayed Financing may be treated as a rate/term refinance transaction if the following criteria are met:

- Primary residence only
- 5% reduction to the maximum LTV/CLTV per LTV matrix
- No asset depletion
- Property not listed for sale since acquisition
- Property not located in Texas

**Land Contract /Contract for Deed**
The payoff of an installment loan land contract is not eligible.

**Construction to Permanent Refinance Restrictions**
Construction loan refinances are eligible as rate and term or cash-out refinances and must meet the following criteria:

- Borrower must have held title to the lot for a minimum of 6 months prior to the closing of the permanent loan.
- The LTV will be based on the current appraised value of the lot if the borrower has held title to the lot for 12 or more months prior to the closing date of the permanent loan.
- If the lot was acquired less than 12 months before the closing date of the permanent loan the LTV will be based on the lesser of a) the original purchase price of the lot plus the total acquisition costs (sum of construction costs) or b) the current appraised value of the lot plus the total acquisition costs.
- Appraiser’s final inspection is required.
- A certificate of occupancy is required from the applicable governing authority. If the applicable governing authority does not require a certificate of occupancy proof must be provided.
- Cash out is limited to the maximum amounts stated on the Product Matrix.
- Construction loan refinances in which the borrower has acted as builder are not eligible for purchase.

**Non-Arm’s Length Transactions**
All of the parties to a transaction should be independent of one another. Except as indicated below, if a direct relationship exists between or among the parties, the transaction is a non-arm’s length transaction and the related loan is not eligible. The following non-arm’s length transactions are eligible, provided that such transactions and the related circumstances are properly documented:

- Sales or transfers between members of the same family. Transaction may not be due to any adverse circumstances.
- Property seller acting as his or her own real estate agent.
- Borrower acting as his or her own real estate agent.
- Borrower is the employee of the originating lender.
- Borrower purchasing from his or her current landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord).
- Investment property transactions must be arm’s length.
Secondary / Subordinate Financing
- New subordinate financing is permitted up to the maximum allowable LTV/CLTV. Only institutional financing is permitted.
- Maximum LTV / CLTV / HLTV for subordinated HELOCs will be based on the fully drawn balance.
- Subordination of an existing loan is permitted up to maximum LTV allowed.
- Subordinate liens must not have negative amortization, no balloon within 5 years, and no prepayment penalties.
- In cases in which a HELOC is resubordinated to the subject mortgage, a 1% minimum payment of the total line amount will be used, regardless of whether the HELOC has a zero balance. If the HELOC balance is greater than zero, the minimum payment under the HELOC terms will be used.

Credit Requirements
For scenarios not specifically addressed below, please refer to the most recent Fannie Mae or Freddie Mac Selling Guide.

For all transaction types, credit documents may not be older than 90 days from the Note date.

Bankruptcy/Foreclosure/Deed-in-Lieu/Short Sale
At least 7 years must have elapsed since bankruptcy discharge or dismissal, foreclosure, short sale, or deed-in-lieu measured from the date of completion to the date of application.

A satisfactory letter of explanation for the event from the borrower is required. Borrower must also show reestablished credit and meet the minimum credit requirements.

Modifications
Only lender-initiated modifications on owner occupied properties (with proof that they were not caused by a distress situation) are permitted.
- The borrower must have made 48 consecutive months of timely mortgage payments on the modified loan before closing on the refinance mortgage loan.
- Restructured loans in which the terms of the original transaction have been changed, resulting in a partial or absolute forgiveness of debt, or a restructure of debt are not eligible:
  - Forgiveness of a portion of principal and or interest in either the first or the second mortgage.
  - Application of a principal curtailment or on behalf of the investor to simulate principal forgiveness.
  - Conversion of any portion of the original mortgage debt to a subordinate mortgage or conversion of any portion of the original mortgage debt from secured to unsecured.

Judgments/Liens/Collections
A satisfactory explanation for any delinquent credit from the borrower is required. The borrower must pay off all delinquent credit that has the potential to impact lien position.

Collection accounts or charged-off accounts do not need to be paid off if the balance of an individual account is less than $250.00, or if the total balance of all accounts is $1,000 or less.
**Mortgage/Rental History**
A minimum of 24 months verified housing history is required. Mortgage payment history must reflect 0% in the most recent 24 months.

Mortgage/rental history may be documented as follows:
- A 24 month mortgage payment history from an institutional lender, as verified through (i) credit bureau report reference for 24 months, (ii) 24 months canceled checks, or (iii) most recent 12 months canceled checks with a VOM for the prior 12 months.
- For rental verification a standard VOR completed by a professional management company or 12 months bank statements or canceled checks are required.
- If a borrower is refinancing a privately held mortgage, the following payment verification requirements apply:
  - The privately held mortgage payments must be verified with either cancelled checks or bank statements (if the payment is automatically withdrawn from the borrower’s account).
  - Evidence must be included in the loan file that the lien being paid off is a current recorded lien against the subject property.

**Inquiries**
All inquiries that have taken place within 120 days of the credit report date must be explained by the borrower and documented accordingly. Borrower must be qualified with any new debt.

**Credit Report**

**Minimum Credit Requirements**
Each borrower contributing income must have 3 open and active trade lines for 24 months with a 24 month history. 2 of the 3 trade lines must show activity within the last 12 months from date of application.

One trade line must be an installment, rental or mortgage account. MiMutual may consider a borrower not meeting the above trade line requirement if the credit history meets the following:
- No fewer than (10) trade lines are reporting, one (1) of which must be a mortgage or a rental history.
- At least one (1) trade line has been open and reporting for a minimum of 12 months.
- The borrower has an established credit history for at least 10 years.

Non-traditional/alternative credit accounts are not considered acceptable trade lines. Authorized user accounts are not considered acceptable trade lines. Trade lines may not show significant adverse history.
**Credit Score Requirements**

The representative credit score for qualification purposes for an individual borrower is the middle score of the three (3) scores reported. If two (2) scores are reported the representative credit score is the lower of the two scores. Credit scores from all three repositories must be requested (Equifax, Experian and TransUnion).

- For multiple borrowers, the credit score is the lowest of all representative credit scores.
- If only one credit score or no credit score is reported, borrower is not eligible.

See the [LTV Matrix](#) for minimum credit score requirements.

**Debts and Liabilities**

For information regarding the treatment of debts and liabilities not addressed below, please refer to the most recent Fannie Mae or Freddie Mac Selling Guide.

**Debt-to-Income Ratio**

The Debt-to-Income (DTI) ratio is based on the total of existing monthly liabilities and any planned future monthly liabilities divided by gross monthly income. Liabilities include but are not limited to all housing expenses, revolving debts, installment debts, other mortgages, rent, alimony, child support, and other consistent and recurring expenses. Refer to the [Program Highlights](#) for the maximum allowable DTI.

**Installment Debt**

- Installment debt, including car lease payments, must be included in the qualifying ratio regardless of months remaining.
- Debt that is not a contingent liability must be included in the DTI.
- A contingent liability is defined as a debt paid by a party or entity other than the borrower where said party or entity and not the borrower is the primary obligor. If the borrower is the primary obligor on any liability, the debt must be included in the DTI.
  - Example: a borrower financed the purchase of an automobile for their business and the business pays the loan. If the loan is in the borrower’s name, this debt must be included in the DTI.
- Real estate owned by the borrower where the borrower is not on the Note may be excluded from DTI with 12 months cancelled checks showing another party is making the payments. Tax and Insurance amounts on the property must be documented and the full amount of taxes and insurance must be included in the DTI.
- PITI on real estate owned pending sale must be included in the DTI.
- Borrowers who have entered into an IRS repayment plan must have a minimum of three months timely pay history. Credit report and title must not indicate an IRS tax lien.
- Student loans must be included as a long term debt even if payments are deferred. If the monthly amount of a student loan is not shown on the credit report, a payment of 1% of the balance may be used for qualifying.
- Payments related to a 401(k) loan do not need to be included in total debt obligation.
- Child support payments with 10 months or less remaining do not need to be included in total debt obligation.
**Revolving Debt**
- All revolving debt is included for qualifying regardless of number of payments remaining.
- The monthly payment amount of a revolving account shown on the credit report may be used for qualifying.
- If the monthly payment amount of a revolving account is not shown on the credit report a payment of five percent (5%) of the balance may be used for qualifying.
- The payment may only be excluded if the account is documented as paid in full and closed.

**Home Equity Line of Credit (HELOC)**
For HELOC loans paid off at closing, the line must be closed to any future draws. A requirement on the title commitment for payoff and cancellation of HELOC is acceptable to document.

**Debts Paid by Others**
Debts paid by other entities, such as the borrower's business or a family member, **must** be included in the ratios; they cannot be excluded.

**Income/Employment Requirements**
All income sources and method of income calculation must meet most recent Appendix Q Standards for Determining Monthly Debt and Income. The loan file should include an Income Analysis form detailing income calculations.

**Employment and Income Stability**
Borrower(s) must have a minimum of 2 years employment and income history. Gaps in employment over 30 days during the most recent 2 year period require a satisfactory letter of explanation from the borrower. All borrowers contributing income for qualification must be employed at present employment for a minimum of 6 months to qualify if there is a gap in employment greater than 6 months during the previous 2 years.

**Tax Return Requirements**
Tax transcripts must be obtained prior to closing on all loans.

**Income Documentation Requirements**
Appendix Q states that a borrower with a 25% or greater ownership interest in a business is considered self-employed. Any borrower for whom the ownership of 25 percent or more of a corporation, limited liability company, partnership, sole proprietorship or other entity appears in the loan file must have the supporting documentation that is required by the relevant portions of the **Self-Employed Borrowers** subsection. This documentation is required even if the borrower is a salaried employee of such business entity and/or another company, and even if MiMutual only relied upon the borrower’s salary or other income to establish eligibility.
Salaried Borrowers

- Completed, signed and dated final Uniform Residential Mortgage Application. Most current form must be used.
- W-2’s from all employers for the past 2 years. All W2s must be computer generated.
- If the borrower does not have 2 years of employment due to previously being in school, a copy of the school transcript is required.
- Most recent paystubs, covering a 30 day period with YTD earnings. All paystubs must be computer generated.
- Tax returns are not required for salaried borrowers if wage income is the only source of income used for qualification.
- Unreimbursed business expenses prior to 2018 must be deducted from income. Borrower must be self-employed in order to deduct business expenses.
- Borrowers employed in a family business must provide evidence that they are not owners of the business with a CPA letter from the business and personal tax returns.
- Signed IRS Form 4506T. Two years tax transcripts need to be obtained from the IRS prior to closing and used to validate the income documentation used to underwrite the loan. Wage transcripts are acceptable. Any income documentation discrepancy between the IRS transcripts and the supporting income documentation (Paystubs, W2s, tax returns, etc.) as provided by the borrower must be reconciled and adequately addressed.

Salaried Borrowers Who Also File Self-Employed and/or Supplemental Income/Loss Tax Return

- Salaried borrowers who also own 25% or more of a business or other entity are required to provide a year-to-date P&L and balance sheet for that business or entity even if the income from that business or entity is not being used to qualify. This requirement includes all businesses and entities including those organized as pass through entities.
- Salaried borrowers who file a schedule C (sole proprietorship) will be considered as self-employed and required to provide a year-to-date P&L and balance sheet. This includes borrowers who may be filing the Schedule C as a tax write off for accounting purposes.
- Most recent signed two (2) years business tax returns are required for businesses where the borrower owns 25% or more and the business reports an income loss on the schedule K-1. Loss must be deducted from income.

Salaried Borrowers with Commission/Bonus

- For borrowers receiving bonus, commission, or any other non-base salary compensation in addition to base salary, a 2 year history of the receipt of the income is required.
- This must be addressed with a written VOE breaking down the bonus or commission income for the past 2 years, further supported by a year-to-date paystub.
- A year-to-date paystub, W-2’s and tax returns alone will not satisfy the documentation requirements for bonus, commission or any other non-base salary compensation.

Verbal VOE

A Verbal VOE dated 10 business days prior to closing must be documented in writing. The verbal VOE must cover 24 months of employment. If the borrower has changed jobs during the past two years the verbal VOE must show the start and end dates for each job. Any employment gaps exceeding 30 days must be addressed with a satisfactory letter of explanation from the borrower.
Self-Employed Borrowers

- Borrowers with a 25 percent or greater ownership interest in a business are considered self-employed and will be evaluated as a self-employed borrower for underwriting purposes.
- Completed, signed and dated final Uniform Residential Mortgage Application. Most current form must be used.
- For business income being used for qualifying, the most recent signed 2 years tax returns, including all schedules, both individual and business returns are required. All personal and business tax returns must be signed and dated prior to closing.
- Self-employed borrowers using wage income to qualify paid by their business need to fully document the income with W-2’s for the past 2 years and most recent paystubs, covering a 30 day period with year-to-date earnings. W-2 and paystubs must be computer generated.
- If tax return schedules show a loss in the prior year for any business where the borrower owns 25% or more, business tax returns including all schedules are required for this business in order to calculate the average loss. This is required regardless if this business income is being used to qualify. Tax returns must be signed and dated prior to closing.
- Signed IRS Form 4506T. Two years tax transcripts must be obtained from the IRS prior to closing and used to validate the income documentation used to underwrite the loan. Any income documentation discrepancy between the IRS transcripts and the supporting income documentation (Paystubs, W2s, tax returns, etc.) as provided by the borrower must be reconciled and adequately addressed.

P&L and Balance Sheet Requirements

- Year-to-date P&L statement and balance sheet are required if note date is beyond 90 days from the end of the last fiscal year.
- All borrowers owning 25% or more of a business or entity must provide a year-to-date P&L statement and balance sheet for that entity, regardless of whether or not the business income is being used to qualify. This requirement includes all business entities, including those organized as pass through entities.
- If the tax return for the previous tax year is not filed, a 12 month P&L and balance sheet for this period is required.
- If the most recent year’s tax returns have not been filed by the IRS deadline, an executed copy of the borrower’s extension request for both personal and business tax returns must be provided.
- The P&L and balance sheet is required even if the borrower does not have a business checking account.
- P&L and tax returns must show stable or increasing income from all business entities and income sources for the period relative to previous periods. Income cannot decline by 20% or more from the prior tax period.

Verification of Active Business

MiMutual must verify the existence of the borrower’s business within 30 calendar days prior to closing. This may be accomplished with a verification from a third party, such as a CPA, regulatory agency or by an applicable licensing bureau. If a CPA letter is used, it must indicate the borrower has been self-employed for a minimum of 2 years.
Rental Income
- Rental income from other properties must be documented with the borrower’s most recent signed federal income tax return that includes Schedule E. Leases are required for all properties where rental income is being used to qualify.
- Projected rental income for the purchase on an investment property cannot be used for qualifying unless there is a current lease.
- Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 12 months or the time period after the lease expired.

Conversion of Departing Residence to Investment Property
If the current primary residence is being converted to an investment property the following applies:
- The rental income from the departing residence may be used if the borrower has a loan to value of 75% or less, as evidenced by either:
  - A current residential appraisal (no more than 6 months old from application date)
  - An Exterior Only appraisal (2055).
  - An Automated Valuation Model (AVM) listing the prior sales price minus outstanding liens as evidenced by a mortgage statement. The AVM may not be used as a current valuation to determine the borrower’s equity percentage.
- A 25% expense/vacancy deduction must be applied to all rental income. Copies of the signed lease are required.
- Reserves of 6 months of PITI must be documented in addition to the required reserves for the primary residence

2106 Expenses
Unreimbursed business expenses must be deducted from income. This includes borrowers who earn commission income regardless of the percentage of commission income to total income.

Alimony/Child Support Income
Alimony and Child Support are allowable sources of income with proof of a minimum of three year continuance.

Non-Taxable Income
- The non-taxable portion of fixed income, such as Social Security income, VA benefits, pensions, and annuity income may be grossed up 25%.

Retirement or Pension Income
Retirement or Pension Income may be verified by the following:
- Copies of retirement award letters.
- Copies of last 2 months bank statements to document the regular deposit of payments.

Annuity retirement benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income.
**Social Security Income**
Social Security Income may be verified by the following:
- Copy of the Social Security Administrations award letter.
- Copies of last 2 months bank statements to document the regular deposit of payments.

Benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income.

**Foreign Income**
Foreign income used for qualifying must be supported by the most recent two years’ US tax returns.

**Unacceptable Income Sources**
- Any unverified source
- Restricted Stock Income (RSU)
- Income that is temporary or a one-time occurrence
- Rental income (boarder income) received from the borrower’s primary residence
- Expense account payments
- Retained earnings
- Non-occupant income
**Asset Requirements**

For information regarding assets and source of funds not addressed below please refer to the most recent Fannie Mae or Freddie Mac Selling Guide.

**Source of Funds**

- The borrower must have sufficient liquid assets to meet the requirements for downpayment, pre-paid items, closing costs and reserves.
- Funds needed for closing must be verified with copies of the most recent 2 months bank statements, including all pages.
- Large deposits, defined as a single deposit that exceeds 50% of the total monthly qualifying income, must be sourced.
- Acceptable sources of verified funds include:
  - Bank deposits
  - Stocks, stock options, bonds, and mutual funds.
    - Stocks and bonds will be discounted at 70% of value for reserves.
  - Life insurance surrender value if used for cash to close must be liquidated. If used for reserves, no liquidation is required.
  - Sale of real property.
  - Sale of personal property with supporting documentation.
  - Disbursement from a Trust Fund.
  - Disbursement from an IRA/401K.
- Business funds can be used for down payment. Personal and business tax returns for the entity the funds are being withdrawn from, and a YTD P&L and Balance Sheet are required. Business funds may not be counted toward cash reserves. A letter from an accountant verifying the following:
  - The amount of business assets that can be used must correspond to the borrower’s percentage of ownership in the business.
  - The funds are not a loan.
  - Withdrawal of the funds will not negatively impact the business.
- Gift funds are an acceptable source of funds as follows for primary residences with LTV ≤ to 80% as follows:
  - Borrower must contribute at least 5% from their own funds.
  - Gift donor must be a relative, defined as the borrower’s spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé or domestic partner.
  - Gift letter from donor that includes name, address, telephone number and relationship to borrower
  - Evidence of funds transfer and receipt prior to closing.
  - Gift funds are not allowed for investment property transactions
- Gifts of Equity are not allowed to be used as a source of funds

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Cash Reserves

All loans require a minimum cash reserve. Refer to the Program Highlights for reserve requirements. Reserves must be verified and comprised of liquid assets that borrower can readily access. If a borrower owns multiple financed properties, the borrowers must have an additional 6 months cash reserves for each additional property. Equity lines of credit, gift funds, and cash out from refinance transactions are not acceptable sources to meet the reserve requirement.

Vested funds from individual retirement accounts (IRA/SEP/Keogh/401k accounts) are acceptable sources of funds for reserves. If the retirement assets are in the form of stocks, bonds, or mutual funds, in order to be considered for reserves, the account must be discounted by 30% to account for market volatility.

Interested Party Contributions

Interested party contributions include funds contributed by the property seller, builder, developer, real estate agent or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses. Interested party contributions exceeding the allowed amount per the Program Highlights will be deducted from the sales price to determine LTV.

Collateral Requirements

Appraisal Requirements

All appraisals must be completed on the most current Agency appraisal forms, and conform to Agency appraisal practices.

- Appraisals must not be over 120 days old from the date of the Note. If appraisal is over 120 days old, a new appraisal needs to be performed. For new construction, an appraisal update on form 1004D is required.
- Two (2) full appraisals are required for loan amounts > $1.5 million. Appraisals assigned from another lender are not acceptable. LTV will be based on lower of the two values. All inconsistencies between the two appraisals must be addressed and reconciled.

Third Party Appraisal Review

- MiMutual must order an appraisal desk review product for each loan from Clear Capital.
  - The review must not be over 120 days old from the date of the Note.
- If the desk review produces a value in excess of a 10% negative variance to the appraised value, the loan is not eligible.
- All appraisals are reviewed for eligibility as well as value support. However, the use of an appraisal review product does not relieve the seller of its representations and warranties relating to the property and the appraisal including the underwriting thereof.

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**Eligible Collateral**

- 1-4 units attached/detached owner occupied properties.
- 1-unit second homes.
- 1-4 unit non-owner occupied properties.
- Low/mid/high-rise new and established Fannie Mae or Freddie Mac warrantable condominiums.
  - Warrantable condominium types S and T.
  - Limited review is not eligible. All attached condominiums require full lender review with Condo Project Manager (CPM). The conventional Condo and PUD warranty form must be used to warrant the condo project.
  - The project must be reviewed within the 3 months preceding the date of the note.
  - Minimum square footage 400.
- Planned Unit Development (PUD).

**Ineligible Collateral**

Ineligible collateral includes:

- Manufactured Homes
- Factory built housing
- Properties with income producing attributes
- Condo hotel units
- Log homes
- Non-warrantable condominiums
- Condominiums with HOA in litigation
- Timeshare units
- Geothermal homes
- Unique properties
- Mixed use properties
- Working farms
- Hobby farms
- Commercial properties
- Agriculturally zoned properties (agricultural/residential eligible)
- Properties with more than 10 acres
- Properties held as leasehold

**Declining Markets**

Reduce maximum LTV by 5% (with maximum 80% LTV) for any property located in an area of declining property values as reported by appraiser.
**Land-to-Value**
The property site should be of a size, shape, and topography that is generally conforming and acceptable in the market area. It must also have competitive utilities, street improvements, adequate vehicular access, and other amenities. Because amenities, easements, and encroachments may either detract from or enhance the marketability of a site, the appraiser must reflect them in his or her analysis and evaluation. The appraiser must comment if the site has adverse conditions or if there is market resistance to a property because the site is not compatible with the neighborhood or the requirements of the competitive market, and assess the effect, if any, on the value and marketability of the property.

**Properties Located in a Disaster Area**
For properties located in a FEMA declared disaster area, a re-inspection is required to be performed by the original appraiser. A written certification is required from the appraiser to confirm that the property value has not been impacted by the disaster.

For FEMA declared natural disasters, the inspections must be dated after the disaster end date is declared by FEMA.

**General Provisions**

**Title Requirements**
Title must be held as Fee Simple, with vesting as either individual, joint tenants, or tenants in common. The title insurance policy/commitment must be dated within 90 days and insure the exact loan amount.
- The title policy should include all applicable endorsements issued by a title insurer qualified to do business in the jurisdiction in which the mortgage insured property is located, including the endorsements for Condominiums, PUDs, and ARM loan types.
- The title insurance coverage must include an environmental protection lien endorsement (ALTA 8.1-06 or equivalent state form).
- The title insurance policy must insure MiMutual and its successors and assigns as to the first priority lien of the loan amount at least equal to the outstanding principal balance of the loan.
- A statement by the title insurance company or closing attorney on such binder or commitment that the priority of the lien of the related Mortgage during the period between the date of the funding of the related Mortgage Loan and the date of the related title policy (which title policy shall be dated the date of recording of the related Mortgage) is insured.
- Construction loan refinance: When closed as a single transaction for both the construction loan and the permanent financing, the policy must be dated concurrently with the date of the mortgage and must include (1) a “pending disbursements” clause, and (2) a final endorsement to the title policy that extends the effective date of the coverage to the later of the final construction advance date or the endorsement date.
- Any existing tax or mechanic’s liens must be paid in full through escrow.
**Chain of Title**
- All transactions require a minimum twelve (12) month chain of title.
- For purchase transactions, seller must have taken title to the subject property a minimum of 90 days prior to the date of sales contract.

**Hazard Insurance**
- Properties where the insurance coverage on the declarations page does not cover the loan amount must be have a cost estimate from the insurance company or agent evidencing the property is insured for its replacement cost.
- Hazard insurance must have the same inception date as the date of disbursement. This may be documented with a post-closing Closing Disclosure or the correction of the inception date on the hazard policy.

**HERO/PACE/Solar Panels**
Any item that will include a UCC associated with the property and/or will create an easement on title is ineligible.

**Escrow Accounts**
While not required, it is recommended that an escrow account be created for funds collected to pay taxes, hazard insurance, flood insurance, special assessments, water, sewer, and other items as applicable.

All applicable loans must adhere to HFIAA regarding flood insurance escrows.

Escrow holdbacks are not permitted.