



Attention Please!!

Due to the unprecedented impact of the coronavirus on the industry, temporary guidance has been issued regarding a number of different topics. To ensure your borrower is accurately qualified in this challenging time, please refer to the [Temporary Guidance due to COVID-19](#) document.

This document is organized similar to our internal guidelines, and contains all temporary guidance in a single location.

The direction on that document supersedes standard guidance contained in the Guideline documents and matrices. Please be sure to verify that all temporary direction is being applied.

The Temporary Guidance due to COVID-19 document can also be accessed from the intranet, under Wholesale Library Documents >> Guidelines and Matrices >> All.



Renew QM Underwriting Guidelines

Table of Contents

| | |
|--|-----------|
| Eligibility Requirements | 6 |
| Available Products | 6 |
| Qualifying Rate | 6 |
| ARM Specifics | 6 |
| Interest Rate Adjustment Caps | 6 |
| Margin | 6 |
| Index | 6 |
| Interest Rate Floor | 6 |
| Conversion Option | 6 |
| Assumption Feature | 6 |
| Documentation Requirements | 7 |
| QM Designation | 7 |
| Occupancy | 7 |
| Maximum DTI | 7 |
| LTV/CLTV/HCLTV | 8 |
| Borrowers | 9 |
| Eligible | 9 |
| Documentation of Lawful Residency | 9 |
| Inter Vivos Revocable Trusts | 10 |
| Ineligible | 11 |
| Properties Listed for Sale | 11 |
| Rate/Term Refinance Restrictions | 11 |
| Cash Out Refinance Restrictions | 12 |
| Texas 50(a)(6) Refinances | 12 |
| Eligible Product Types | 13 |
| Max LTV/CLTV | 13 |
| Eligible Property Types | 13 |
| Non-Borrowing Spouse | 13 |
| Property Valuation | 13 |
| Additional Requirements for Texas Equity Loans | 14 |
| Continuity of Obligation | 15 |
| Delayed Purchase Refinances | 15 |
| LTV/CLTV/HCLTV Calculation | 15 |
| Construction to Permanent Refinance Restrictions | 15 |
| Non-Arm's Length Transactions | 16 |
| Secondary / Subordinate Financing | 16 |
| Multiple Financed Properties | 16 |
| | |
| Credit Requirements | 17 |
| Derogatory Credit | 17 |
| Outstanding Judgments/Tax Liens/Charge-Offs/Past-Due Accounts | 17 |
| Housing Payment History | 17 |
| Mortgage History Requirements | 17 |
| Rental History Requirements | 17 |
| Inquiries | 18 |
| Credit Report | 18 |
| Age of Credit Report | 18 |
| "Frozen" Credit Reports | 18 |
| Tradelines Requirements | 18 |
| Disputed Tradelines | 18 |
| Student Loans | 19 |
| Additional Liability Requirements | 19 |

| | |
|--|-----------|
| Departure Residence Pending Sale _____ | 19 |
| Co-Signed Loans _____ | 19 |
| Court Order _____ | 20 |
| Assumption with No Release of Liability _____ | 20 |
| Tax Liability _____ | 20 |
| Loans Secured by Financial Assets _____ | 20 |
| | |
| <i>Income/Employment Requirements</i> _____ | 21 |
| Declining Income _____ | 21 |
| Gaps in Employment _____ | 21 |
| Residual Income _____ | 21 |
| Paystub Requirements _____ | 22 |
| W2 Requirements _____ | 22 |
| Verification of Employment Requirements _____ | 22 |
| Tax Return Requirements _____ | 23 |
| Unfiled Tax Returns _____ | 23 |
| Taxpayer Identification Theft _____ | 24 |
| Specific Income Documentation Requirements _____ | 24 |
| Salaried Income _____ | 24 |
| Hourly and Part-Time Income _____ | 24 |
| Commission Income _____ | 24 |
| Overtime and Bonus Income _____ | 25 |
| 2106 Expenses _____ | 25 |
| Alimony/Child Support/Separate Maintenance _____ | 25 |
| Borrowers Employed by Family _____ | 25 |
| Capital Gains _____ | 25 |
| Disability Income (Long-Term) _____ | 25 |
| Dividends and Interest Income _____ | 26 |
| Foreign Income _____ | 26 |
| K1 Income/Loss on Schedule E _____ | 26 |
| Non-Taxable Income _____ | 26 |
| Note Income _____ | 26 |
| Rental Income _____ | 27 |
| All Properties (Except Departing Primary Residence) _____ | 27 |
| Departing Residence _____ | 27 |
| Restricted Stock and Stock Options _____ | 28 |
| Retirement Income Sources _____ | 28 |
| Pension, Annuity, 401(k), IRA Distributions _____ | 28 |
| Social Security Income _____ | 28 |
| Trust Income _____ | 29 |
| Self-Employed Income Sources _____ | 29 |
| Sole Proprietorship (includes Schedule C and Schedule F) _____ | 30 |
| Partnership/S-Corporation _____ | 30 |
| Corporation _____ | 31 |
| Unacceptable Income Sources _____ | 31 |
| | |
| <i>Asset Requirements</i> _____ | 32 |
| Documentation Requirements _____ | 32 |
| Checking and Savings Accounts, Money Markets, CDs _____ | 32 |
| Publicly Traded Stocks/Bonds/Mutual Funds _____ | 32 |
| Retirement Accounts (401(k), IRAs, etc) _____ | 32 |
| Cash Value of Life Insurance/Annuities _____ | 32 |
| Business Funds _____ | 33 |

| | |
|--|-----------|
| Gift Funds | 33 |
| Reserve Requirements | 33 |
| Financing Concessions | 34 |
| Seller Concessions | 34 |
| Personal Property | 34 |
| | |
| <i>Collateral Requirements</i> | 35 |
| Appraisal Requirements | 35 |
| Appraisal Requirements by Loan Amount | 36 |
| Eligible Collateral | 36 |
| Ineligible Collateral | 38 |
| Escrow Holdbacks | 38 |
| | |
| <i>General Provisions</i> | 39 |
| FEMA Declared Disaster Area Policy | 39 |
| Effective Date of Disaster Policy | 39 |
| Appraisal and Re-Inspection Requirements | 39 |
| Appraisal Performed On or Before Disaster Incident End Date | 39 |
| Standard Appraisal Performed After Incident Period End Date for Disaster | 40 |
| Power of Attorney | 40 |
| Requirements | 40 |
| Restrictions on the Use of a Power of Attorney | 40 |

Eligibility Requirements

Unless otherwise addressed in these Renew 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 8 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.

Available Products

- Fixed Rate: 20, 25, 30 year term
- ~~ARM: 5/1, 7/1, 10/1 ARM (fully amortizing, 30 year term)~~

Qualifying Rate

- ~~5/1: qualify with the greater of the fully indexed rate or the Note rate + 2%~~
- ~~7/1 and 10/1: qualify with the greater of the fully indexed rate or the Note rate~~

ARM Specifics

Interest Rate Adjustment Caps

- ~~5/1: 2/2/5~~
- ~~7/1 and 10/1: 5/2/5~~

Margin

4.50%

Index

1 year LIBOR

Interest Rate Floor

4.50%

Conversion Option

Not convertible

Assumption Feature

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

[Back to Top](#)

Documentation Requirements

Full doc. Manual underwriting requirements apply, regardless of AUS documentation waivers. However, DU findings are required on all loans to demonstrate the borrower is not eligible for an Agency product. All credit documents, including the title commitment, must be no older than 90 days from the Note date.

Loan file must document the 8 Ability to Repay (ATR) rules, and a Residual Income Calculation must be performed, with results that meet the [requirements](#) indicated in the Income/Employment section.

If the subject transaction is paying off a HELOC, 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 exists on the borrower's ability to repay, assets, or collateral.

QM Designation

The QM Designation must be provided in the loan file:

- **QM Safe Harbor** if the loan is not a Higher-Priced Covered Transaction (HPCT)
- **QM Rebuttable Presumption** if the loan is a Higher Priced Covered Transaction (HPCT)

Occupancy

Primary residence only for 1-4 units.

Maximum DTI

- LTVs > 80%: 38.00%
- LTVs ≤ 80%: 43.00%

[Back to Top](#)

(Remainder of page intentionally left blank)

LTV/CLTV/HCLTV

| Primary Residence Purchase and Rate/Term Refinance | | | | | |
|--|-------|---------------|------------------|----------------------------------|------------------|
| Transaction Type | Units | Minimum Score | Maximum LTV | Maximum Loan Amount ¹ | |
| Purchase or Rate/Term Refi | 1-4 | 660 | 90% ² | \$1,500,000 | |
| | | 600 | 80% | \$1,500,000 | |
| | | 660 | 80% | \$2,000,000 | |
| Primary Residence Cash Out Refinance ³ | | | | | |
| Transaction Type | Units | Minimum Score | Maximum LTV | Maximum Loan Amount ¹ | Maximum Cash Out |
| Cash Out Refi | 1-4 | 600 | 80% | \$1,000,000 | \$250,000 |
| | | 620 | 70% | \$1,500,000 | \$500,000 |

¹First-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 for First-Time Homebuyers. See Eligible Borrower section for specific requirements for First-Time Homebuyers.

²The following requirements apply for transactions with LTVs greater than 80%:

- MI not required
- Maximum DTI 38% for LTVs greater than 80%
- Escrow/impound accounts required for LTVs greater than 80% unless prohibited by applicable laws

³Texas 50(a)(6) refinance transactions (Texas Equity Loans) only allowed on 20, 25 and 30-year fixed rate only. Additional restrictions apply. See [Texas 50\(a\)\(6\) Refinances](#) below.

Notes:

- Minimum loan amount is \$100,000.
- 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 of this guide.

[Back to Top](#)

Borrowers

Eligible

- US Citizens
- Permanent Resident Aliens with evidence of lawful residency
 - Must be employed in the United States for the past 24 months
 - Documentation evidencing lawful residence must be met (below)
- 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
 - Reserve requirements as described in the [Assets](#) section must be met
 - For transactions located in CA and NJ, a maximum loan amount of \$1,500,000 is allowed if the following requirements are met, **and only apply for loan amounts over \$1,000,000 in the allowed states:**
 - Primary residence only
 - Reserve requirements for FTHBs are met
 - Maximum 80% LTV/CLTV/HCLTV
- [Inter Vivos Revocable Trusts](#)
- All borrowers must have a valid SSN

Documentation of Lawful Residency

A Permanent Resident Alien is a non-US citizen who is legally eligible to maintain permanent residency in the US and holds a Permanent Resident card. Document legal residency with one of the following:

- 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.

[Back to Top](#)

Inter Vivos Revocable Trusts

An inter vivos revocable trust is a trust that an individual creates during their lifetime, becomes effective during their lifetime, and can be changed or canceled at any time for any reason, during their lifetime.

MiMutual will accept inter vivos revocable trusts as an eligible borrower under the Renew program. The subject property can be a single-family residence, condominium, or PUD, if documentation and eligibility requirements are met. Title insurance must provide full title insurance coverage without exceptions for the trust or trustees for the inter vivos revocable trust in that state.

To determine whether the trust meets all the criteria required by State and investor standards, one of the following will be required:

- A copy of the trust agreement
- An attorney's opinion stating the trust meets all secondary marketing requirements as set forth by Freddie Mac (FHLMC) or Fannie Mae (FNMA), as applicable, and any applicable State requirements
- Certification from a title company evidencing compliance with all secondary marketing requirements as set forth by FHLMC/FNMA and any applicable State requirements
- Certification from an individual trustee evidencing compliance with all secondary marketing requirements as set forth by FHLMC/FNMA, and any applicable State requirements. Additionally, the following requirements must be met:
 - Submit copies of the first page, signature page, and the page(s) of the trust agreement that verifies the trustee, and that the trust is revocable.
 - Certifications completed by an individual trustee must be notarized.

Trust certifications must confirm the following:

- The existence and date of the trust.
- The Settlers and the current trustees.
- The powers of the trustees.
- Whether the trust is revocable; and, if revocable, who holds the right to revoke.
- The names and number of the trustees required to sign on behalf of the trust.
- The trust identification number, whether that is a Social Security number, or an IRS issued Tax Identification Number.
- How title to the trust assets should be taken.
- A statement that the trust has not been revoked, modified or amended in any manner.

The trust agreement must state the following:

- The trustee is authorized to borrow money for the purpose of purchase or refinance.
- The beneficiary does not need to grant written consent for the trust to borrow money. If consent is required, consent has been granted in writing for purposes of the mortgage.
- There is no unusual risk or impairment to MiMutual's rights.
- Holding title in the trust does not diminish MiMutual's rights as a creditor.

[Back to Top](#)

Ineligible

- Non-permanent resident aliens
- Non-occupant coborrowers
- 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

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
 - 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.

[Back to Top](#)

Cash Out Refinance Restrictions

- Borrower must have owned the property for at least 6 months.
- 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
 - HUD-1/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

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

[Back to Top](#)

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.

[Back to Top](#)

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.).

[Back to Top](#)

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

Not permitted.

LTV/CLTV/HCLTV Calculation

- If subject property is owned more than twelve (12) months, the LTV/CLTV/HCLTV is based on the current appraised value. The twelve (12) month time frame is defined as prior Note date to subject Note date.
- If subject property is owned less than twelve (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 twelve (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

Not permitted.

[Back to Top](#)

Non-Arm's Length Transactions

A non-arm's length transaction exists whenever the borrower has a personal or business relationship with parties to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company, or other interested party. The following non-arm's length transactions are eligible:

- 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
 - Evidence of employee loan program to be included in loan file
- Originator is related to the borrower
- Renter buying from landlord
 - Cancelled checks or bank statements will be required to document a satisfactory pay history between borrower and landlord.

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.

Secondary / Subordinate Financing

Not permitted.

Multiple Financed Properties

- The borrower(s) may own a total of four (4) financed, 1-4 unit residential properties, including the subject property
- All financed 1-4 unit residential properties require an additional three (3) months reserves for each property, unless the exclusions below apply:
 - 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 or more units) real estate is not included in this limitation.

[Back to Top](#)

Credit Requirements

Derogatory Credit

- Bankruptcy, Chapter 7, 11, 13 – two (2) years since discharge/dismissal date
- Foreclosure – two (2) years since completion date
- Short Sale/Deed-in-Lieu – two (2) years since completion/sale date
- Mortgage accounts that were settled for less, negotiated or short payoffs – two (2) years since settlement date
- Loan Modification – one (1) year since modification date
- Notice of Default – one (1) year seasoning
- Medical Collections – allowed to remain outstanding as long as the balance is less than \$10,000 in aggregate
- 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 seven years

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 12 months, a mortgage rating must be obtained. The mortgage rating may be on the credit report or a VOM. This applies to all borrowers on the loan.

No more than 1x30 in the last 12 months. No 60-day lates or greater in the most recent 12 months. A satisfactory explanation letter from the borrower(s) must be provided for any mortgage late within the most recent twelve (12) 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 mortgage 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. No 60-day lates or greater in the most recent 12 months. A satisfactory explanation letter from the borrower(s) must be provided for any rental late within the most recent twelve (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.

[Back to Top](#)

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. Nontraditional credit is not allowed as an acceptable tradeline.

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.

[Back to Top](#)

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

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 for divorces prior to 1/1/2019. 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

Departure Residence Pending Sale

If a borrower has a departure residence that will not be sold prior to the subject transaction closing, the borrower must qualify with the full payment in the DTI and have three (3) months reserves for the departure residence.

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.

[Back to Top](#)

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.

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.

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.

[Back to Top](#)

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. The employer or the borrower should provide an explanation for the decline, and the underwriter 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).

| # in Household | 1 | 2 | 3 | 4 | 5 |
|----------------|---------|---------|---------|---------|---------|
| Req'd Residual | \$1,550 | \$2,600 | \$3,150 | \$3,550 | \$3,700 |

**Add \$150 for additional family members*

[Back to Top](#)

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

[Back to Top](#)

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
 - In lieu of a signature, personal tax transcripts for the corresponding year may be provided on or before the closing date
- Business income tax returns (if applicable) must be complete with all schedules and must be signed
 - In lieu of a signature, business tax transcripts for the corresponding year may be provided on or before the closing date
- Tax transcripts must be provided to support tax returns
- A 4506-T must be signed and completed for all borrowers.
 - The latest version, which includes the signatory attestation box, must be used
- Taxpayer Consent Form signed by all borrowers is required
- 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.
 - For taxpayer identity theft instructions, see [Taxpayer Identification Theft](#)
 - 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. Large increases in income that cannot be validated through a tax transcript may only be considered for qualifying on a case-by-case basis
- 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
- After the tax return extension expiration date, loan is not eligible without prior year tax returns

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:
 - IRS Form 1099 and W2 forms from the previous year
 - 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
- Personal 1040 Tax Returns – for loans closed between the tax filing due date (typically April 15) and the extension expiration date (typically October 15), the borrower must provide (as applicable):
 - Copy of the filed extension
 - W2 forms
 - 1099s when applicable
 - Year-end Profit & Loss Statement for prior year, executed by the borrower, if self-employed
 - Balance Sheet for prior calendar year (all self-employment types)
- Partnership (1065) or S-Corporation (1120S) tax returns – for loans closed between the tax filing due date (typically March 15) and the extension expiration date (typically September 15), borrowers must provide as applicable:
 - Copy of the filed extension
 - Year-end profit & loss for prior year
 - Balance sheet for prior calendar year

[Back to Top](#)

- Corporation (1120) tax returns (assuming calendar year) – for loans closed between the tax filing due date (typically April 15) and the extension expiration date (typically October 15), borrowers must provide as applicable:
 - Copy of the filed extension
 - Year-end profit & loss for prior year
 - Balance sheet for prior calendar year
- After the tax return extension expiration date, loan is not eligible without prior year tax returns

Taxpayer Identification Theft

If the 4506-T transcripts do not match the borrower's income and the borrower is a victim of taxpayer identification theft, the following conditions must be met to validate the borrower's income:

- Proof of identification theft, as evidenced by one (1) of the following:
 - Proof ID theft was reported to and received by the IRS (IRS form 14039).
 - Copy of notification from the IRS alerting the taxpayer to possible identification theft.
- In addition to one (1) of the documents above, all applicable documents below must be provided:
 - Tax Transcript showing fraudulent information.
 - Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower's 1040s. Validation of prior tax year's income (income for current year must be in line with prior years).

Specific Income Documentation Requirements

Salaried Income

- YTD paystub
- W2s or personal tax returns (2 years)
- W2 transcripts or tax transcripts (as applicable) to support – see [Tax Return Requirements](#)
- VVOE

Hourly and Part-Time Income

- YTD paystub
- W2s or personal tax returns (2 years)
- W2 transcripts or tax transcripts (as applicable) to support – see [Tax Return Requirements](#)
- 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 – see [Tax Return Requirements](#)
- VVOE
- Stable to increasing income should be averaged for 2 years

[Back to Top](#)

Overtime and Bonus Income

- YTD paystub
- W2s or personal tax returns for the last 2 years
- W2 transcripts or tax transcripts (as applicable) to support – see [Tax Return Requirements](#)
- 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
- 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)

- May be a private policy or an employer-sponsored policy
- 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

[Back to Top](#)

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

[Back to Top](#)

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.

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.

[Back to Top](#)

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).
 - In lieu of a signature, personal tax transcripts for the corresponding year may be provided on or before the closing date
- 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.

[Back to Top](#)

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

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.

- Income calculations should be based on the FNMA Form 1084 or FHLMC Form 91 or equivalent income calculation form.
- 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.
- Year-to-date financials (profit & loss statement and balance sheet) are not required if the income reporting is positive, not declining, and not counted in qualifying income

For example: 2018 returns in file and Note date is 7/14/2019 would require 2019 YTD documentation through Q1 or through March 31, 2019. Note date of 8/14/2019 would require YTD documentation covering Q1 and Q2 or through June 30, 2019.

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

[Back to Top](#)

Sole Proprietorship (includes Schedule C and Schedule F)

- YTD P&L and Balance Sheet
 - Tax returns for prior year are not a substitute for balance sheet
- 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, signed on or before the closing date
- 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
 - In lieu of a signature, personal tax transcripts for the corresponding year may be provided on or before the closing date
- 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
 - In lieu of a signature, business tax transcripts for the corresponding year may be provided on or before the closing date
- 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

[Back to Top](#)

Corporation

- 2 years personal tax returns, signed on or before the closing date
 - In lieu of a signature, personal tax transcripts for the corresponding year may be provided on or before the closing date
- Two years tax transcripts to support
- 2 years business tax returns (1120), signed if 25% or greater ownership
 - In lieu of a signature, business tax transcripts for the corresponding year may be provided on or before the closing date
- 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)
- Income from trailing coborrowers
- Deferred compensation
- Retained Earnings
- Education Benefits
- Any unverified source
- Income that is temporary or a one-time occurrence
- Asset depletion
- 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
- Projected income
 - May be considered on an exception basis if borrower has a non-revocable contract and employment starts within 60 days of closing

[Back to Top](#)

Asset Requirements

Documentation Requirements

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 (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, is eligible for calculation
- If the borrower is < 59 ½ years old, 60% of the vested value of retirement accounts, after reduction of any outstanding loans, is eligible for calculation
- Retirement accounts that do not allow any type of withdrawal are ineligible for use as reserves

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

[Back to Top](#)

Business Funds

100% of business funds may be used for downpayment and/or closing costs (not permitted to be used for reserves).

- Cash flow analysis required using most recent 3 months business bank statements to determine no negative impact to business.
- Statements must not reflect any NSFs (non-sufficient funds) or overdrafts.
- The borrower must be the sole proprietor or 100% owner of the business

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%
- Donor must be an immediate family member, future spouse, or domestic partner
- An executed gift letter with the gift amount and source, 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.

Reserve Requirements

Borrowed funds (secured or unsecured) cannot be used for reserves.

| Reserve Requirements (Number of Months of PITIA) | | |
|--|---|--------|
| Occupancy | Loan Amount | Months |
| Primary Residence | ≤ \$1,000,000 with LTV ≤ 80% | 3 |
| | ≤ \$1,000,000 with LTV > 80% | 6 |
| | \$1,000,001 - \$1,500,000 | 6 |
| | \$1,500,001 - \$2,000,000 | 9 |
| First Time Homebuyer | ≤ \$1,000,000 with LTV ≤ 80% | 6 |
| | ≤ \$1,000,000 with LTV > 80% | 9 |
| | \$1,000,001 - \$1,500,000 | 9 |
| Additional 1-4 Unit Financed REO | <ul style="list-style-type: none"> • Additional 3 months PITIA reserves for each property required. <ul style="list-style-type: none"> • Max of 4 financed properties may be owned. • If eligible to be excluded from the count of multiple financed properties, reserves are not required. | |

[Back to Top](#)

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 limited to 6% with LTVs \leq 80%; 3% for LTVs $>$ 80%.

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 (Financing Concessions), 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

[Back to Top](#)

Collateral Requirements

Appraisal Requirements

- 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).
 - MiMutual is responsible for ordering the CDA
 - 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 of Three Reports is required. The value of the Reconciliation will be used for the appraised value of the property. MiMutual is responsible for ordering the BPO and 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 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 underwriter must review both appraisal reports and address any inconsistencies between the two reports. All discrepancies must be reconciled.
 - If the two appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one 1004D. If only one 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon
- 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
 - The above requirements do not apply if the seller is a bank that received the property as a result of foreclosure or deed-in-lieu

[Back to Top](#)

- Higher Priced Mortgage Loans (HPML)
 - 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.

Appraisal Requirements by Loan Amount

| First Lien Amount | Appraisal Requirements |
|-------------------------------|------------------------|
| Refinance Transactions | |
| ≤ \$1,500,000 | 1 full appraisal |
| > \$1,500,000 | 2 full appraisals |

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

Eligible Collateral

Eligible collateral includes:

- 1-4 unit owner occupied 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
 - 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
- Condominiums – Non-Warrantable
 - Only one non-warrantable feature is allowed, and LTV must be 10% below product/program maximum. For example, if borrower qualifies for a loan at 90% LTV based on FICO score, loan amount and reserves, then the maximum allowed would be 80%:
 - **Commercial Space** - Commercial space includes space above and below grade. Commercial space must be compatible with the residential use of the project. For example, restaurants, small shops, business offices, small market/grocery store that complement the neighborhood.
 - Maximum 50% allowed

- **Maximum ownership by one entity** is 25% for projects with more than ten (10) units.
 - Units owned by the developer, sponsor, or succeeding developer that are vacant and being actively marketed for sale are not included in the calculation.
 - Units currently leased must be included in the calculation.
 - For projects with ten (10) units or less, Fannie Mae guidelines apply for the number of units owned by one (1) entity and would not be considered non-warrantable.
- **Presale** - New projects or converted projects (as defined by Fannie Mae) must have at least 30% of the units sold or under contract to owner occupants or second home purchasers for the subject phase; common areas/amenities must be complete for the subject phase.
- **Budget** – for projects with line item for replacement reserves of less than 10%;
 - Less than 10% but greater than 7% replacement reserves allowed if current reserve balance exceeds 10% of operating expenses
 - Less than 7% replacement reserves allowed if current reserve balance exceeds 20% operating expenses
 - Project balance sheet must be provided and within 120 days of the Note date.
- The subject legal phase and any other prior legal phases in which units have been offered for sale are substantially complete (common elements complete and units complete subject to selection of buyer upgrades/preference items).
- Primary residence only.
- All other Fannie Mae condo requirements must be met.
- Loans outside of these parameters with strong compensating factors may be considered on an exception basis.
- Properties with ≤ 20 acres
 - Properties > 10 acres and ≤ 20 acres must meet the following:
 - Maximum 35% land-to-value ratio
 - No income-producing attributes
- 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
- Properties with leased solar panels must meet FNMA guides

[Back to Top](#)

Ineligible Collateral

Ineligible collateral includes:

- Co-Ops
- Properties subject to leasehold
- Unique properties / log homes
- Second home properties
- Model home leasebacks
- Condotels
- Investment properties
- Manufactured/Mobile homes
- Mixed-use properties
- Any properties with > 20 acres.
- 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 located in areas where a valid security interest in the property cannot be obtained
- Properties with a private transfer fee covenant, unless the covenant is excluded under 12 CFR 1228 as an excepted transfer fee covenant
- Tenants-in-Common (TIC) projects

Escrow Holdbacks

Not allowed

[Back to Top](#)

General Provisions

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.

[Back to Top](#)

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.

Please note that FEMA makes updates to their state lists. Closely monitor FEMA's online reference [here](#).

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.
- POAs not allowed on Texas Section 50(a)(6) transactions

[Back to Top](#)