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Non-Agency – Expanded Fixed, ARM and Interest Only Program Eligibility and Underwriting Guidelines



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CORRESPONDENT LENDING

Introduction

This document describes LenderLive's eligibility requirements and underwriting guidelines for its Non-Agency - Expanded Fixed, ARM and Interest Only Mortgage Loan Program.

Correspondents are required to meet all guidelines in LenderLive's **Correspondent Lending Seller Guide**, this **Non-Agency - Expanded Fixed, ARM and Interest Only Program Eligibility and Underwriting Guidelines**, and the **Correspondent Agreement**. Correspondent Lending Seller Guide is available under [Seller Guides and Product Profiles](#) tab of [Correspondent Lending](#) website.

Updates and Revisions

LenderLive may, at any time, alter or waive any of the requirements of this document, impose other additional requirements, or rescind or amend any and all material set forth in this document. The most recent updates and revisions are dated and highlighted in gray.

Product Profile – Eligibility Matrix & Summary Guidelines

Refer to Non-Agency – Expanded Fixed, ARM, and Interest Only **Product Profile** for Eligibility Matrix and Summary Guidelines. Product Profile is available under [Seller Guides and Product Profiles](#) tab of [Correspondent Lending](#) website.

See Program Matrix section of this document for LTV/CLTV/HCLTV, Maximum Loan Amounts and Cash Out Amounts.

See Reserve section of this document for reserve requirements.

Loan File Submission

Prior Approval Requirement

All loans must be submitted to LenderLive for Prior Approval. Unless specific approval is granted by LenderLive, Correspondents are not delegated to underwrite Non-Agency - Expanded Fixed, ARM and Interest Only Mortgage Loan Program. Correspondents must obtain approval from LenderLive prior to closing.

Correspondent Sellers that have been granted specific approval to underwrite this program, on a delegated basis, must submit appraisals to LenderLive for third party appraisal review. See Third Party Appraisal Review for Delegated Correspondents section below for requirements.

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Loan File Submission for Prior Approval

To submit a Mortgage Loan File for Prior Approval, follow the steps listed below:

1. Ensure Mortgage Loan File meets requirements set forth in this **Non-Agency - Expanded Fixed, ARM and Interest Only Program Eligibility and Underwriting Guidelines**
2. Complete *Prior Approval Submission Form* available under [Forms, Tools & Job Aids](#) tab of [Correspondent Lending](#) website
 - a. If an exception is required, complete *Exception Request Form* and submit with Prior Approval package. Refer to Exception Requests section, below, for details
3. Upload Mortgage Loan file via eOriginator

Third Party Appraisal Review for Delegated Correspondents

The following requirements only pertain to Correspondent Sellers that have been granted specific approval to underwrite Mortgage Loans, for this program, on a delegated basis.

Correspondent Sellers delegated to underwrite this program must submit appraisals to LenderLive for third party appraisal review; to ensure value is supported; prior to proceeding with closing.

Follow the below steps to obtain the third party appraisal review:

1. Register/Lock loan
2. Email 1st generation PDF of appraisal(s) to AppraisalReview@lenderlive.com
3. Allow up to 4 business days for LenderLive to notify the Correspondent Seller about the results of the third party appraisal review. LenderLive will either:
 - a. Notify the Correspondent Seller that the appraised value **is** supported, or
 - b. Notify the Correspondent Seller that the appraised value **is not** supported for specified reasons
 - i. Correspondent Seller will have an opportunity to rebut the findings
 - ii. Allow up to 4 business days for LenderLive to reply to rebuttal correspondence
4. Once LenderLive notifies the Correspondent Seller that the appraised value is supported, Correspondent Seller may proceed with closing

Email all correspondence to AppraisalReview@lenderlive.com.

Exception Requests **(Revised – 02/14/17)**

LenderLive will consider exception requests for the following items, as outlined in the respective sections of this Non-Agency - Expanded Fixed, ARM and Interest Only Program Eligibility and Underwriting Guidelines:

- Unpermitted structural additions
- ~~Borrower's inability to meet minimum tradeline requirements~~

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- Self-Employed licensed professionals (i.e., medical, legal, accounting, etc.) in business less than 3 years
- **Payment Shock exception to 250%**

Pricing Implications of Exceptions

Exceptions may have pricing implications. If applicable, pricing impact will be communicated at the time of exception request approval.

Exception Request Process

To initiate an Exception Request, the Correspondent must complete and submit the LenderLive *Exception Request Form*, which is located under [Forms, Tools & Job Aids](#) tab of [Correspondent Lending](#) website

LenderLive will provide a decision, in writing. The exception approval must be included in the credit file when the loan is delivered for purchase.

Underwriting

Manual Underwriting

All loans must be manually underwritten;

GSE eligible loans are not permitted. All loans are required to be submitted for a GSE AUS decision approval. A DU or LP findings report must be present in the file verifying the loan does not qualify for delivery to Fannie Mae or Freddie Mac. The loan is not eligible with any of the following AUS responses:

- DU Approve/Eligible
- DU Refer Eligible
- LP Freddie Mac Accept

Non-Agency - Expanded Fixed, ARM and Interest Only Program Eligibility and Underwriting Guidelines is intended reference and supplement Fannie Mae's Selling Guide. Correspondents must refer to [Fannie Mae Selling Guide](#) for specific information concerning qualification requirements that are not specifically referenced in this document. To the extent there is a difference in standards between Non-Agency - Expanded Fixed, ARM and Interest Only Program Eligibility and Underwriting Guidelines and Fannie Mae Selling Guide; Correspondents may rely on Non-Agency - Expanded Fixed, ARM and Interest Only Program Eligibility and Underwriting Guidelines.

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Qualified Mortgages

Any loan designated as a Qualified Mortgage (QM) must adhere to the standards set forth in the CFPB's Reg Z, Section 1026.43(e). For all such QM loans, if any aspect of **Non-Agency - Expanded Fixed, ARM and Interest Only Program Eligibility and Underwriting Guidelines** related to income and/or obligations is less than the minimum required under Appendix Q, refer to Appendix Q for the ultimate resolution. See General Appendix Q Requirements – Standards for Determining Monthly Debt and Income section.

Non Qualified Mortgages & ATR - Borrower Certification Form

Any loan **not** designated as a Qualified Mortgage (non QM) must be designated as ATR compliant and must adhere to the standards set forth in the CFPB's Reg Z, Section 1026.43(c). **Furthermore, with the exception of the characteristic that renders such loan non QM (i.e., Interest Only, DTI > 43%, 1 year only Tax Return(s), and/or Asset Utilization), the remaining requirements of Appendix Q related to income and/or obligations must be followed (additional exceptions to Appendix Q requirements may be considered on a case by case if all 8 ATR Factors have been considered and are evident in the loan file).**

ATR – Borrower Certification Form

Loans subject to Reg Z ATR require an executed **ATR - Borrower Certification** form signed by borrower and lender. Borrower(s) must attest to the following: (i) they have fully disclosed their financial obligations; (ii) they have reviewed and understand the loan terms and (iii) they have the ability to repay the loan. Form is available under [Forms, Tools & Job Aids](#) tab of [Correspondent Lending](#) website.

ATR - Borrower Certification Form is *not* required for Safe Harbor Qualified Mortgage Loans.

FraudGUARD® or Similar Third Party Fraud Report Product

FraudGUARD by Interthinx is a comprehensive system that provides loan-level information on valuation, fraud detection and regulatory compliance issues.

LenderLive will process FraudGUARD or a similar third party fraud report that covers standard areas of quality control including, but not limited to Borrower validation, Social Security Verification, and property information, including other real estate owned properties.

Correspondent Sellers that have obtained specific approval from LenderLive to underwrite this product on a Delegated basis must provide a third party fraud detection report.



CORRESPONDENT LENDING

Eligible and Ineligible Mortgage Loan Products

Eligible Mortgage Loan Programs (Revised – 02/14/17)

The following Mortgage Loan Programs and amortizations are eligible for purchase by LenderLive:

- 30 Year Fixed
- 5/1 LIBOR ARM with ~~5%~~ 4% margin and ~~2-2-5~~ ~~5-2-5~~ caps, fully amortized
- 5/1 Interest Only (10 year Interest Only period) LIBOR ARM with ~~5%~~ 4% margin and 2-2-5 ~~5-2-5~~ caps, fully amortized
- 7/1 LIBOR ARM with ~~5%~~ 4% margin and 5-2-5 caps, fully amortized
- 7/1 Interest Only (10 year Interest Only period) LIBOR ARM with ~~5%~~ 4% margin and 5-2-5 caps, fully amortized

Interest Only Terms (Revised – 02/14/17)

The following restrictions and requirements apply to Interest Only ARMs:

- Primary Residence and Second Home transactions only (Investment Property is not eligible)
- ~~Purchase and Rate and Term Refinance only (cash out and debt consolidation transaction are ineligible)~~
- No Foreign Nationals
- ~~43%~~ 50% DTI maximum
- 70% LTV/CLTV/HCLTV maximum
- Minimum of ~~12~~ 18 months reserves

ARM Criteria (Revised – 02/14/17)

Product	Index	Margin	Initial	Periodic	Ceiling	Floor	Look Back Period
5/1 ARM	1 yr LIBOR	5% 4%	2% 5%	2%	5%	Start Rate	45 Days
5/1 Interest Only ARM – 10 year Interest Only period	1 yr LIBOR	5% 4%	2% 5%	2%	5%	Start Rate	45 Days

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7/1 ARM	1 yr LIBOR	5% 4%	5%	2%	5%	Start Rate	45 Days
7/1 Interest Only ARM – 10 Year Interest Only Period	1 yr LIBOR	5% 4%	5%	2%	5%	Start Rate	45 Days

Assumable Mortgage Loans

- Eligible after the fixed rate period; subject to prior approval and qualification

Ineligible Transactions and Loan Attributes

- Builder Bailout
- Construction Financing
- Single Close Construction to Permanent Financing
- Conversion Loans
- Loans with Prepayment Penalties
- Modifications
- Negative Amortization
- Non Arm’s Length
- Temporary Buydowns
- Texas Equity; Texas 50(a)(6)

Geography

Ineligible U.S. States and Territories

All following U.S. states and territories are not eligible:

- New York
- West Virginia
- American Samoa, Guam, Northern Mariana Islands, Puerto Rico and the U.S. Virgin Islands

State Specific Restrictions (Revised - 02/14/17)

The following Mortgage Loan types in Illinois, New York and Texas are not eligible:

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Illinois

Illinois Land Trust vestings are ineligible.

New York (Removed – 02/14/17)

~~New York State Consolidation and Extension Modification Agreement (CEMA) are ineligible.~~

Texas

Texas Equity; Texas 50(a)(6) Mortgage Loans are ineligible.

Financing

Minimum Loan Amounts

- Minimum eligible loan amount is \$150,000

Maximum Loan Amounts

- The maximum loan amounts are posted on the Product Profile

Secondary/Subordinate Financing

Existing Secondary/Subordinate Financing

Subordination of existing secondary financing is allowed; up to the maximum CLTV/HCLTV. Additionally:

- Subordinate financing must meet Fannie requirements

New Secondary/Subordinate Financing (Revised – 02/14/17)

Purchase Transactions

- **Fixed Rate and 7/1 ARM Products only**
- New subordinate financing (institutional) allowed on Primary Residence transactions **only**. LOE, from borrower(s) required. LOE must state that borrower(s) could have qualified for a single loan, but instead chose subordinate financing
- **No** new secondary financing permitted on Second Home transactions
- If a HELOC is present the HCLTV must be calculated by dividing the sum of the original loan amount of the first mortgage, the amount of the HELOC (whether or not there have been any

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draws), and the unpaid principal balance of all other subordinate financing by the lower of the property's sales price or appraised value

- All subordinate loan obligations must be considered, verified, and taken into account when calculating the borrower's DTI
- If the subordinate financing is a HELOC secured by the subject property, monthly payments equal to the greater of:
 - The minimum payment required under the HELOC terms considering all draws made on or before closing of the subject transaction

Rate/Term Refinance

New subordinate financing is **not** permitted.

Cash Out Refinance

New subordinate financing is **not** permitted.

Financing and Sales Concessions

Interested party contributions permitted in accordance with the following:

- Up to 3% of value* with LTV/CLTV/HCLTV between 75.01% to 80%;
- Up to 6% of value* with LTV/CLTV/HCLTV less than or equal to 75%;

Amounts in excess of these limits must be deducted from the lower of sales price or appraised value when calculating the LTV/CLTV/HCLTV.

*Value is defined as lesser of purchase price or appraised value.

Borrower Eligibility

Eligible Borrowers (Revised – 02/14/17)

- U.S. Citizens
- **Restricted First Time Home Buyers**
- Permanent Resident Aliens
- Non-Permanent Resident Aliens
- Foreign Nationals
- Inter Vivos Revocable Trust – See LenderLive Correspondent Seller Guide for additional information regarding Trusts
- Non-Occupant Co-Borrowers

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CORRESPONDENT LENDING

- Power of Attorney (POA) allowed in accordance with LenderLive Seller Guide and Fannie Mae standard guidelines. POAs are not allowed on cash-out transactions. See LenderLive Correspondent Seller Guide for additional information regarding POAs
 - POA must be recorded
 - LenderLive requires a certified copy of the Power of Attorney containing the County Recorder's Stamp

Restricted First Time Homebuyer (Added – 02/14/17)

First time homebuyers ("FTHB") are individuals that have not owned a home or had a residential mortgage in the last 3 years. However, only borrowers with no prior mortgage history or homeownership ever are restricted to the following:

- Interest Only not permitted
- 12 Month 0x30 housing history required
- Max LTV/CLTV of 75% for credit scores <700
- 6 months PITI reserves required
- Primary residence only

Permanent Resident Alien

A Permanent Resident Alien is an immigrant who, although not a U.S. Citizen, has been granted the right to live and work permanently in the United States.

Permanent Resident Alien must meet the following requirements:

- 24 months of employment history in the United States
- A legible front and back copy of the Borrower(s) valid Permanent Resident Alien Card (Green Card) with no expiration date, or an expiration date greater than 3 years from origination

Non-Permanent Resident Alien (Revised 02/14/17)

A Non-Permanent Resident Alien is a temporary resident, who, although not a U.S. Citizen has been granted the right to live and/or work in the United States for a specific period of time.

Non-Permanent Resident Aliens must meet the following requirements:

- LenderLive requires proof of lawful residence and 24 months United States employment history
- Must have an unexpired passport from their country of citizenship containing INS form I-94 which must be stamped Employment Authorized

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- An Employment Authorization Card along with a copy of the Petition for Non-Immigrant Worker (form I-140)
- The Borrower(s) must have a minimum of **32** years residency, with the likelihood of employment continuance for at least 2 years
- Primary Residence only
- **Purchase and rate and term refinances only**
- Only H1B, H2B, G-1, L1 and TC Visas are accepted
- Visa must have a minimum remaining duration of 1 year
- Borrowers with diplomatic immunity are ineligible
- 70% LTV/CLTV/HCLTV maximum
- 43% DTI maximum
- One unit dwelling
- An additional 6 months of reserves is necessary above the required minimum

Foreign Nationals (Revised – 02/14/17)

A Foreign National is a person who is not a resident of the U.S. and does not permanently reside in the U.S. Foreign Nationals must meet the following requirements:

- Must be a lawful resident of a country permitted to transact business with U.S. companies (i.e., Australia, Canada, United Kingdom, etc.). Borrower is **ineligible** if he/she is a resident of any country that not permitted to transact business with U.S. companies (as determined by any U.S. government authority)
 - ***To confirm that the borrower is a resident of a country permitted to transact business with U.S. companies; Correspondent may email LenderLive at underwriting@lenderlive.com for verification***
- Eligible for 30 year fixed, or ARM Products
- Interest Only not eligible
- Third party verification of income and employment (Tax returns not required)
 - Self Employed
 - A letter issued on company letterhead from a professional (Accountant/CPA/Officer of Financial Institution/Licensed Financial Advisor) based in borrower's country of residence, verifying (i) the nature of the business (ii) income figures for the last 2 years and (iii) year to date income figure
 - Validation of the existing business of the business (i) Internet web page address, (ii) business/operator license from a governmental official or (iii) business/operator license from a governmental office.
 - Wage Earners

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- A letter (on company letterhead) from an authorized representative the employer stating (i) employment history to include position, title and time on the job, (ii) current monthly salary and year-to-date earnings.
- A valid paystub/pay ledger or financial institution deposit transaction record that supports the employment.
- Must be Second Home only
- Must have a valid Passport and Visa to enter the U.S.
- Must have a copy of their last 4 months bank statements
 - Bank statements must be translated in to English language and must be shown in U.S. currency
- If foreign credit report is not available, the following is required:
 - 2 credit reference letters written in English
 - Can include non-traditional credit sources, i.e. utility company
 - Satisfactory credit reference letters will assume a 660 FICO score for locking and qualifying purposes
 - 1 bank reference letter written in English
- Title vested in borrower(s) name
- 70% LTV/CLTV/HCLTV maximum
- Funds required for down payment, closing costs and reserves must be held in a U.S. bank
- Cash Out **and Debt Consolidation refinances are not permitted**
- ~~See Reserves section for additional reserve requirements~~
 - ~~Second Home—Foreign Nationals require an additional 12 months of reserves above the minimum stated reserves requirements~~
- Escrows for taxes and insurance required for life of loan
- For Rate/Term refinance transactions, the existing loan must be with a United States financial institution
- **Limited Power of Attorney (POA) is acceptable for executing closing documents**
- **Business accounts are eligible for reserves, and reserves can remain at a foreign institution in the borrower's home country**

Non-Occupant Co-Borrower (Revised – 02/14/17)

Non-Occupant Co-Borrowers are credit applicants who do not occupy the subject property as a principal residence.

Non-Occupant Co-Borrowers must meet the following requirements:

- Do not occupy the subject property as a principal residence
- Must be an immediate relative – proof of relationship is required

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- Must sign the mortgage agreement, security instrument or deed of trust
- Must not have an interest in the property sales transaction, such as the property seller, builder, or real estate broker
- One unit dwelling
- 70% LTV/CLTV/HCLTV maximum
- 43% DTI maximum (blended DTI of Non-Occupant Co-Borrower[s] and Borrower[s] may not exceed 43%)
- Occupying borrower must have documented **income** equal to 75% of the required PITI
- An additional **6** months of reserves is necessary above the required minimum
- **Fixed rate mortgage only**
- **Cash Out and Debt Consolidation refinance transactions are not permitted**

Ineligible Borrowers

LenderLive only purchases Mortgage Loans made to natural persons and eligible Trusts. The following borrowers are ineligible:

- Blind Trusts – See LenderLive Correspondent Seller Guide for additional information regarding Trusts
- Irrevocable Trusts
- Land Trusts, Including Illinois Land Trusts
- Corporations
- Limited Liability Company (LLC)
- Partnership or other business
- Real Estate Syndications
- Deceased at the time of the Mortgage Loan is purchased by LenderLive

See Vesting of Title section for options to vest title in a company, partnership, corporation, etc.

Occupancy Eligibility

Eligible Occupancy

- Primary Residence
- Second Home

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CORRESPONDENT LENDING

Primary Residence

A primary residence is a property that the Borrower(s) intend to immediately occupy as his or her principal residence.

Characteristics that may indicate that a property is used as a Borrower's primary residence include:

- It is occupied by the Borrower for the major portion of the year
- It is in a location relatively convenient to the Borrower's principal place of employment
- It is the address of record for such activities as federal income tax reporting, voter registration, occupational licensing, and similar functions

Second Home (Revised – 02/14/17)

A property is considered a second home when it meets all of the following requirements:

- Must be located a reasonable distance away from the Borrower(s) principal residence
- Must be occupied by the Borrower(s) for some portion of the year
- Must be suitable for year-round occupancy
- The Borrower(s) must have exclusive control over the property

A Second Home must meet the following requirements:

- One unit dwelling
- 680 minimum credit score
- No new secondary financing. Existing secondary financing may be subordinated
- Must not be a rental property or timeshare arrangement
- Cannot be subject to any agreements that give a management firm control over the occupancy of the property
- Borrowers with greater than 2 financed properties require an additional **3 (three)** months reserves; **above the required minimum or otherwise stated higher reserves**; for each additional financed property
 - The additional 3 (three) months reserves must be based on the PITI plus HOA fees of the other financed properties
- ~~An additional 12 months reserves; above the required minimum; are required for Foreign Nationals~~
- Cash Out **and Debt Consolidation** transactions are not permitted



CORRESPONDENT LENDING

Investment Property

Occupancy designation when a Borrower does not occupy the subject property; also known as Non-Owner Occupied property. An Investment Property is **not** eligible for financing

Transaction Eligibility

Eligible Loan Purposes

- Purchase
- Rate/Term Refinance
- Cash Out Refinance

Loan Purposes

Purchase

The following requirements apply:

- No property flipping; prior owners must have owned the property greater than 6 months
 - Bank owned REO are eligible and not considered a flip transaction
- Interested party contributions permitted in accordance with the following:
 - Up to 3% of value* with LTV/CLTV/HCLTV between 75.01% to 80%;
 - Up to 6% of value* with LTV/CLTV/HCLTV less than or equal to 75%;

Amounts in excess of these limits must be deducted from the lower of sales price or appraised value when calculating the LTV/CLTV/HCLTV.

*Value is defined as lesser of purchase price or appraised value.

- Non-Arm's Length transactions are not permitted
- Gifts from family members (as defined by FNMA) are allowed, subject to the following requirements:
 - Proof of relationship is required
 - The Borrower(s) must have a minimum of 5% of own funds in the transaction
 - Gift funds **cannot** be added towards reserves
 - Gift funds permitted on Purchase transactions only



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Rate/Term Refinance or Limited Cash-Out (Revised – 02/14/17)

A Rate/Term Refinance (or Limited Cash-Out Refinance) is a transaction in which the new Mortgage Loan amount is limited to the pay off the present first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepays.

A seasoned non-first lien mortgage is a purchase money mortgage or a closed end or HELOC mortgage that has been in place for more than 12 months.

The following requirements apply:

- Proceeds can be used to pay off seasoned junior lien (non-first lien) mortgage that has been in place for more than 12 months from date of application
 - If a HELOC, then it must have no cumulative draws greater than \$2,000 within the last 12 months; from date of application
 - Proof of no cumulative draws greater than \$2,000 within the last 12 months is required
 - Transaction history may be sufficient to document no draws exceeding limits
- Limited cash to the Borrower must not exceed 1% of the principal amount of the new mortgage to be considered a Rate/Term refinance
- If the property is owned less than 6 months, the LTV/CLTV/HCLTV will be based on the lesser of the original purchase price plus improvements or current appraised value. The prior HUD-1/CD will be required for proof of purchase price. Proof of improvements is required
- Properties that have been listed for sale within the past 6 months from the loan application date are not eligible for a Rate/Term refinance transaction. Listing must have expired or withdrawn 6 months prior to the loan application date
- Inherited properties may not be refinanced prior to 12 months of ownership
- Rate/Term refinance to pay off interim construction loans are eligible with the following conditions:
 - If the lot was acquired 12 or more months before applying for the construction financing, the LTV/CLTV/HCLTV is based on the current appraised value of the property
 - If the lot was acquired less than 12 months before applying for the construction financing, the LTV/CLTV/HCLTV is based on the lesser of i) the current appraised value of the property and ii) the total acquisition costs (sum of construction costs and the lower of the sales price or current appraised value of the lot)
- Must meet Continuity of Obligation requirement. ~~Continuity of obligation occurs on a refinance when at least one of the borrower(s) on the existing loan is also a borrower on the new refinance transaction. Continuity of Obligation requirements do not apply when there is no existing mortgage on the subject property as a result of the borrower either having purchased~~

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the property with cash or when any prior mortgage for which the borrower was an obligor was also paid in full.

Cash Out Refinance (Revised – 02/14/17)

A Cash Out Refinance transaction allows the Borrower to pay off the existing mortgage by obtaining new financing secured by the same property or allows the property owner obtain a mortgage on a property that is currently owned free and clear. The Borrower can receive funds at closing as long as they do not exceed the Mortgage Loan Program requirements.

- To be eligible for a Cash Out Refinance, the Borrower must have owned the property for a minimum of 6 months prior to the application date.
- If the property is owned less than 12 months but greater than 6 months, the LTV/CLTV/HCLTV will be based on the lesser of the original purchase price plus improvements or current appraised value
 - The prior HUD-1 is required for proof of purchase price
 - Proof of improvements is required
- Properties listed for sale within the last 12 months are ineligible for Cash Out
 - Listings must have expired or withdrawn 12 months prior to the application date of the new loan
- 43% DTI maximum
- 70% maximum LTV/CLTV/HCLTV
- Cash Out cannot exceed 40% 50% of loan amount balance, unlimited cash out if property is owned free and clear
- Must meet Continuity of Obligation requirement. ~~Continuity of obligation occurs on a refinance when at least one of the borrower(s) on the existing loan is also a borrower on the new refinance transaction. Continuity of Obligation requirements do not apply when there is no existing mortgage on the subject property as a result of the borrower either having purchased the property with cash or when any prior mortgage for which the borrower was an obligor was also paid in full.~~

Debt Consolidation (Added - 02/14/17)

- A debt consolidation refinance transaction involves the repayment of an existing lien and other borrower debt from the proceeds of a new mortgage. A debt consolidation refinance may include the payoff of:
 - First mortgage secured by the subject property
 - Junior liens secured by the subject property
 - Credit Cards, installment loans, past due taxes, etc.

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- Direct evidence of debt payment at closing is required
- Borrower must own property for a minimum of 12 months
- Loan must produce a net tangible benefit to the borrower resulting in an increase in residual income and a reduction of borrowers total debt obligation payments
- Existing resubordination not permitted
- Cash to borrower at closing may not exceed 2% of the loan amount

Continuity of Obligation

Continuity of obligation occurs on a refinance transaction when at least one of the borrower(s) on the existing mortgage is also a borrower on the new refinance transaction secured by the subject property. When an existing mortgage will be satisfied as a result of a refinance transaction, the following requirements must be met:

- At least one borrower on the refinance mortgage held title to property for the most recent 6 month period and the mortgage file contains documentation evidencing that the borrower, either:
 - Has been making timely mortgage payments, including the payment for any secondary financing, for the most recent 6 month period: OR
 - Is a Related Person to a borrower on the mortgage being refinanced
- At least one borrower on the refinance mortgage inherited or was legally awarded the Mortgage Premises by a court in the case of divorce, separation or dissolution of domestic partnership.

Credit Eligibility

Credit Report Requirements

- Residential Mortgage Credit Report (or Tri-Merge) from all three repositories is required
- Credit Report is valid for 90 days from application
- A written explanation for all inquiries within 90 days of application is required
- Gap Credit Report must be obtained within 10 days of closing date
 - All material discrepancies from the prior credit report must be explained
- Not required for Foreign National borrowers
 - DTI must be recalculated based on **any** new debt. New Inquiries and/or public records must be addressed
 - Borrower(s) must disclose all liabilities for accurate qualification and their ability to pay their current and future obligations

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Housing History

- Mortgage or Rental history must be 0x30 over prior 24 months
- Rental history evidenced by Institutional VOR or 24 months proof of payment

Credit Scores

The representative credit score is the lowest middle of the three scores for each Borrower. If two scores are returned for a Borrower, the lesser of two will be used.

Minimum of two credit scores required for each Borrower.

If there are multiple Borrowers, determine the applicable credit score for each individual Borrower and select the lowest applicable score from the group as the representative credit score for the mortgage.

Satisfactory credit reference letters for Foreign National borrower will assume a 660 credit score for locking and qualifying purposes.

Determining the Representative Credit Score

Follow these 3 steps to calculate the representative credit score for a mortgage:

Step	Description
1	LenderLive requires least two credit scores for each Borrower.
2	Select a single applicable score for underwriting each Borrower. <ul style="list-style-type: none">• When two credit scores are obtained, choose the lower score.• When three credit scores are obtained, choose the middle score. (If two of the three scores are the same, choose the middle of the three scores. For example: 720, 700, 700 = 700; or 720, 720, 700 = 720)
3	If there is only one Borrower, the single applicable score used to underwrite that Borrower is the representative credit score for the mortgage. If there are multiple Borrowers, determine the applicable credit score for each individual Borrower and select the lowest applicable score from the group as the representative credit score for the mortgage.

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General Requirements (Revised – 02/14/17)

- Each Borrower's credit profile must include a minimum of 3 open tradelines that have a 24 month history;
 - Any Borrower not employed, or employed but not using their income to qualify, does not need to meet the minimum tradeline requirements
 - Current housing not reported on credit report can be considered an open trade if supported by bank records (cancelled checks/debits)
- No authorized user accounts will be used to satisfy minimum trade line or credit score requirements

Derogatory Credit

- All tradelines with delinquency history in the past 12 months requires a written explanation
- Any derogatory history must be fully explained
- No prior bankruptcies of any type allowed within 7 years of application
- No prior foreclosure, short-sale, deed-in-lieu or modifications due to the Borrower's inability to pay or continue to satisfy their monthly payment in its entirety are allowed within 7 years of application
- All judgments or liens affecting title must be paid
- Non-title charge-offs and collections **within 3 years exceeding \$3,000 ~~\$1,000~~** (either individually or in aggregate) must be paid
- All past due accounts must be brought current prior to closing
- Borrowers with a history of collection accounts are required to pay off derogatory accounts
- Disputed accounts require a letter of explanation (LOE). An updated credit report is not required

Debt-to-Income (DTI) Ratios, Employment and Income

DTI Ratios

DTI ratio is calculated by dividing the total of current monthly liabilities plus any planned or future liabilities based on credit inquiries or otherwise disclosed by the Borrower, by the qualifying monthly income.

For maximum DTI ratios, refer to Non-Agency – Expanded 5/1 ARM and Interest Only Product Profile; located under [Seller Guides and Product Profiles](#) tab of [Correspondent Lending](#) website; for details.

Restrictions apply depending on Borrower and/or transaction attributes.

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All loan files must contain Appendix Q/ATR underwriter worksheets which detail the income and obligations considered in the evaluation.

Payment Shock (Added – 02/14/17)

Payment shock applies to the percentage of increase of the proposed housing payment in relation to the existing housing payment. Payment shock must be considered as part of the risk evaluation on all primary residence transactions. Payment shock for a primary residence is limited to 175%.

Example of payment shock calculation: Borrower currently rents for \$1,400 per month. Proposed PITI on purchase transaction is \$3,500. The payment shock is 150% ($\$3,500 - \$1,400 = \$2,100$ divided by $\$1,400 = 150.0\%$)

Borrowers with a higher payment shock up to 250% may be eligible on an exception bases when one of the following factors is present:

- the debt to income ratio is 35% or less; or
- the borrower's representative credit score is 680 or greater.

See exception request section of this document for additional information.

For borrowers who do not have a current housing payment or own a home free and clear, payment shock is not considered.

Residual Income

If qualifying ratios exceed 43%, Borrowers must have a minimum monthly residual income that is 2X (times) the requirement of the Veteran's Administration (VA).

General Appendix Q Requirements - Standards for Determining Monthly Debt and Income

Correspondents must comply with the income documentation requirements outlined in the Consumer Financial Protection Bureau's (CFPB) [Appendix Q to Part 1026 – Standards for Determining Monthly Debt and Income](#), unless otherwise specified. When Appendix Q does not resolve how a situation is to be handled, follow Fannie Mae guidelines.

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Full Income Documentation Requirements

Wage Earners (**Revised 02/14/17**)

Wage Earners require all of the following documentation:

- Most Recent Paystub including year-to-date earnings (covering minimum of 30 days). Paystubs must:
 - Clearly identify the Borrower as the employee
 - Include all year-to-date earnings
 - Include sufficient information to appropriately calculate income; otherwise, additional documentation must be obtained
 - Be computer-generated or typed by the Borrower's employer(s), although paystubs that the Borrower downloads from the Internet are also acceptable
 - Be from a third party original source of information, such as the Borrower's human resources department, personnel office, payroll department, company's payroll vendor, or supervisor
- Two years of W2s
- Written Verification of Employment (if needed for the analysis of overtime, bonus or commission)
- Verbal Verification of Employment required for all Borrowers and must be completed within 10 calendar days prior to the closing date
 - VVOE must include name of contact at place of employment, phone number and title along with company name, address and Borrower's job description and title
- IRS Form 4506T **W2** is required to be executed and all transcript documentation obtained for the most recent two years must be provided
 - In the case where taxes have been filed and the tax transcripts are not available from the IRS for the current year, the IRS response to the request must reflect "No Record Found" and be present in the loan file
 - Evidence of any IRS filing extensions must also be present in the loan file

Commission or Bonus Income

Commission or Bonus Income of less than **two** (2) years will be considered if due to documented change in pay from salary to commission/bonus.

Self-Employed Borrowers (**Revised 02/14/17**)

Self-Employed Borrower income will be considered from a business that has been in existence for more than three (3) years from application date.



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~~LenderLive allows two (2) options for evidencing self-employment income. Lenders may choose either Option A—Evidencing Self-Employment, and Option B—Evidencing Self-See Option A, and B sections below.~~

~~Option A—Evidencing Self-Employment~~

~~If Option A is selected to evidence income, Self-Employed Borrowers require all of the following documentation:~~

- Two (2) years personal returns (along with all schedules, including K-1's)
 - In the case where taxes have been filed and the tax transcripts are not available from the IRS for the current year, the IRS response to the request must reflect “No Record Found” and be present in the loan file
 - Evidence of any IRS filing extensions must also be present in the loan file, if applicable
- Two (2) years business tax returns from any businesses being used for qualification in which the Borrower has 25% or more ownership interest
 - In the case where taxes have been filed and the tax transcripts are not available from the IRS for the current year, the IRS response to the request must reflect “No Record Found” and be present in the loan file
 - Evidence of any IRS filing extensions must also be present in the loan file, if applicable
- Profit and Loss (P&L) Statement and Balance Sheet are required from any business being used for qualification in which the Borrower has 25% or more ownership interest. The documentation:
 - Must be the most recent available monthly/quarterly statement, which must be dated and reflect information, within 90 days of the note date can be:
 - audited
 - reviewed
 - compiled, or
 - internally prepared
 - Must include a full year P&L and Balance Sheet for any full year period where tax returns have not yet been filed
 - P&L and Balance Sheet must be dated, and reflect information, within 90 days of the note date
- Verbal Verification of Employment through a third party; such as a CPA; required for all Borrowers and must be completed within 10 calendar days prior to the closing date
 - If contact is made verbally, the loan file must be documented to identify both the source of the information obtained and the name & title of the person who obtained the information
- Verification of Employment must include phone listing and address for the Borrower's business

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- Borrowers must provide a letter from a CPA or tax preparer; or evidence from regulatory agency or applicable licensing bureau; stating the business has been in existence for two (2) years
- IRS Form 4506T is required to be executed and all transcript documentation obtained for the most recent **two** (2) years must be provided
 - Required for both personal returns and business returns in which Borrower has 25% or more ownership of a business
 - In the case where taxes have been filed and the tax transcripts are not available from the IRS for the current year, the IRS response to the request must reflect “No Record Found” and be present in the loan file
 - Evidence of any IRS filing extensions must also be present in the loan file, if applicable
- Loans designated as QM must include tax returns for all businesses, not just those being used for qualification. All tax returns must be signed and dated by the borrower.

~~Option B – Evidencing Self Employment~~

~~If Option B is selected to evidence income, Self-Employed Borrowers require all of the following documentation:~~

- ~~• One (1) year personal returns (along with all schedules, including K-1's)
 - In the case where taxes have been filed and the tax transcripts are not available from the IRS for the current year, the IRS response to the request must reflect “No Record Found” and be present in the loan file
 - Evidence of any IRS filing extensions must also be present in the loan file, if applicable~~
- ~~• One (1) year business tax returns from any businesses being used for qualification in which the Borrower has 25% or more ownership interest
 - In the case where taxes have been filed and the tax transcripts are not available from the IRS for the current year, the IRS response to the request must reflect “No Record Found” and be present in the loan file
 - Evidence of any IRS filing extensions must also be present in the loan file, if applicable~~
- ~~• YTD Profit and Loss (P&L) Statement and Balance Sheet (both of which can be Borrower Prepared) are required from any business being used for qualification in which the Borrower has 25% or more ownership interest
 - Provide **either** of the most recent
 - 6 months personal bank statements (deposits must be no less than 90% of P&L net income), or
 - 6 months business bank statements (deposits must be no less than 90% of P&L gross income)~~

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- ~~Borrower will be qualified on the average of the tax return and P&L~~
 - ~~P&L monthly income limited to + 10% of the monthly tax return income)~~
- ~~Verbal Verification of Employment through a third party; such as a CPA; required for all Borrowers and must be completed within 10 calendar days prior to the closing date~~
 - ~~If contact is made verbally, the loan file must be documented to identify both the source of the information obtained and the name & title of the person who obtained the information~~
- ~~Verification of Employment must include phone listing and address for the Borrower's business~~
- ~~Borrowers must provide a letter from a CPA or tax preparer; or evidence from regulatory agency or applicable licensing bureau; stating the business has been in existence for 3 years~~
- ~~IRS Form 4506T is required to be executed and all transcript documentation obtained for the most recent year must be provided~~
 - ~~Required for both personal returns and business returns in which Borrower has 25% or more ownership of a business~~
 - ~~In the case where taxes have been filed and the tax transcripts are not available from the IRS for the current year, the IRS response to the request must reflect "No Record Found" and be present in the loan file~~
 - ~~Evidence of any IRS filing extensions must also be present in the loan file, if applicable~~

~~Refer to Non-Qualified Mortgages section of this document for additional information.~~

Exception for Licensed Professionals in Business Less than Two (2) Years

On an exception basis, Self-Employed Borrower income in a licensed profession (i.e., medical, legal, accounting, etc.) will be considered from a business that has been in existence for less than two (2) years, but greater than one (1) year if the individual has at least two (2) years of documented previous experience in the same profession, or evidence of formal education in a related field.

Refer to Exception Request section of this guide for details about submitting an exception request.

Tax Transcripts (Revised - 02/14/17)

~~The following applies to all borrowers utilizing Documentation Options (A) or (B)~~

- ~~For Option A, The most recent two (2) years tax transcripts are required for all Borrowers, regardless if income is used to qualify. Generally, when the documentation used to verify income is from the same calendar period as the tax transcript, the information must match exactly. However, if the income documentation is from the current calendar year and the transcript is from a prior year, there can be acceptable variances. If this variance exceeds~~



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20%, document the rationale for using current income. W2 transcripts do not satisfy this requirement

- If the transcripts reflect any losses, then:
 - The loss must be considered in qualifying income, and
 - Tax returns (including Profit & Loss and Balance Sheet as applicable) must be provided and analyzed according to the requirements in the Tax Returns section below
- ~~For Option B, the most recent one (1) year tax transcripts are required for all Borrowers, regardless if income is used to qualify. Generally, when the documentation used to verify income is from the same calendar period as the tax transcript, the information must match exactly. However, if the income documentation is from the current calendar year and the transcript is from a prior year, there can be acceptable variances. If this variance exceeds 20%, document the rationale for using current income. W2 transcripts do not satisfy this requirement~~
 - ~~If the transcripts reflect any losses, then:~~
 - ~~The loss must be considered in qualifying income, and~~
 - ~~Tax returns (including Profit & Loss and Balance Sheet as applicable) must be provided and analyzed according to the requirements in the Tax Returns section below~~
- If tax transcripts are not available (due to a recent filing for the current year), a copy of the IRS notice showing “No Record Found” is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and the previous one year’s tax transcripts
 - Evidence of any IRS filing extensions must also be present in the loan file, if applicable
- Self Employed Borrowers – Refer to applicable section ~~of this document~~, above, for details:
 - ~~Option A – Evidencing Self Employment~~
 - ~~Option B – Evidencing Self Employment~~
- A 4506-T, signed at closing, is required for all transactions
- Borrowers that are a victim of identity theft, where lenders are unable to provide tax transcripts, will be reviewed on a case-by-case basis, but will not require an exception. In general, some, but not necessarily all of the following documentation can be included in the file to support the validity of the income:
 - Police Report
 - IRS confirmation of identity theft
 - Prior year’s tax transcripts
 - An institutional written VOE
 - Bank statements supporting payroll deposits
 - Evidence of tax payment made or refund received for that year



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- Other documentation deemed supportive, based upon the specific situation

Asset Utilization (Revised – 02/14/17)

The utilization of assets will be considered as Borrower income to qualify for their monthly payments. The following requirements apply:

- The unrestricted liquid assets can be comprised of stocks/bonds/mutual funds, vested amount of retirement accounts and bank accounts
- If the assets or a portion of the assets are being used for down payment or costs to close, those assets must be excluded from the balance before analyzing a portfolio for income qualification
 - The monthly income calculation is as follows: Net documented assets (70% of the remaining value of stocks/bonds, 60% for all retirement assets) and utilization draw schedule of **10 15** years
- Cash Out **and Debt Consolidation** not permitted
- Borrowers must have a minimum of the lesser of (i) 1.5 times the loan balance or (ii) \$1,000,000 in qualified assets, **both of which must be** net of down payment, loan costs and reserve requirements to qualify
 - Six (6) months asset seasoning required
- Minimum FICO score of 700 for 80% LTV, 680 for 75% LTV

Assets - Reserves and Funds to Close

General Requirements (Revised – 02/14/17)

~~The following general requirements apply:~~

- Full asset documentation is required for both funds to close and reserves. For most asset types, this would include Verification of Deposit, all pages of the most recent two months statements, or the most recent quarterly statement; as follows:
- A Verification of Deposit may be provided. The information must be requested directly from the depository institution, and the complete, signed, and dated document must be sent directly to the lender from the depository institution.
- All pages of the most recent two consecutive months' statements or the most recent quarterly statement may be provided. Statements must:
 - Clearly identify the Borrower as the account holder;
 - Include the account number;
 - Include the time period covered by the statement;
 - Include all deposits and withdrawal transactions (for depository accounts);

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- Include all purchase and sale transactions (for financial portfolio accounts); and
 - Include the beginning and ending account balances
- All assets from the Borrower(s) must be disclosed and verified
- All asset documentation must be dated within 90 days of the note date
- All funds must be owned by the Borrowers, except allowable gift funds
- Business accounts may be used to meet reserves and funds to close requirements when:
 - Borrower is 100% owner of the business
 - Two months business bank statements are provided, and
 - A letter from the businesses accountant (or equivalent) is obtained to confirm that the withdrawal will not negatively impact the business
- Assets being used for **interest/dividend income or for** Asset Utilization income calculations may not be used to meet reserve requirements
- If needed to close, verification that funds have been liquidated (if applicable) is required
- Interested party contributions permitted in accordance with the following:
 - Up to 3% of value* with LTV/CLTV/HCLTV between 75.01% to 80%;
 - Up to 6% of value* with LTV/CLTV/HCLTV less than or equal to 75%;

Amounts in excess of these limits must be deducted from the lower of sales price or appraised value when calculating the LTV/CLTV/HCLTV.

*Value is defined as lesser of purchase price or appraised value

Large Deposit Policy

When bank statements (typically covering the most recent two months) are used, the lender must evaluate large deposits, which are defined as a single deposit that exceeds 50% of the total monthly qualifying income for the loan. Requirements for evaluating large deposits vary based on the transaction type, as discussed below.

Refinance Transactions

Documentation or explanation for large deposits is not required; however, the lender remains responsible for ensuring that any borrowed funds, including any related liability, are considered.

Purchase Transactions

- If funds from a large deposit are needed to complete the purchase transaction (that is, are used for the down payment, closing costs, or financial reserves), the Mortgage Loan File must document that those funds are from an acceptable source
- Occasionally, a Borrower may not have all of the documentation required to confirm the source of a deposit. In those instances, the Correspondent must use reasonable judgment based on

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the available documentation as well as the Borrower's debt-to-income ratio and overall income and credit profile

- Verified funds must be reduced by the amount (or portion) of the undocumented large deposit (as defined above), and the Correspondent must confirm that the remaining funds are sufficient for the down payment, closing costs, and financial reserves
- When the Correspondent uses a reduced asset amount, net of the unsourced amount of a large deposit, that reduced amount must be used for underwriting purposes
- When a deposit has both sourced and unsourced portions, only the unsourced portion should be used to calculate whether or not it must be considered a large deposit
- Documentation or LOE, from borrower(s) explaining large deposits may be required

Eligible Sources of Assets

- Depository accounts:
 - Checking or savings accounts
 - Provide two months consecutive bank statements
 - Large deposits must be sourced. See Large Deposit Policy section above for more information regarding large deposits
- **Earnest Money Deposit (EMD):**
 - Receipt of the deposit must be verified by either a copy of the Borrower's canceled check or a written statement from the holder of the deposit
 - Provide bank statements covering the month the EMD cleared the Borrower's account and the statement prior to the month the EMD cleared
 - Large deposits noted on the statements must be addressed in accordance with the Large Deposit Policy section
- **Funds that a Borrower recently deposited in a U.S. depository institution** are an acceptable source of funds provided all of the following requirements are met:
 - There is documented evidence of funds transfer from the country from which the Borrower immigrated;
 - It can be established, with the prior two months bank statements, that the funds belonged to the Borrower before the date of the transfer;
 - The sources of all funds used for closing can be verified just as they would for a Borrower who is a U.S. Citizen; and
 - All documentation and funds must be translated to English and U.S. Dollars
- **Gift funds** from family members (as defined by Fannie Mae) are allowed after the Borrower contributes 5% from his/her own funds. The Mortgage Loan File must document that the gift was transferred to the Borrower prior to close or transferred directly to escrow from the donor.
 - Donor must be:

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- 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, fiancée, or domestic partner
- An executed gift letter with the gift amount, donor's name, address, telephone number donor's relationship, and confirmation no repayment is expected must be provided
- Gift funds are not eligible for reserves
- Gift funds may be used for Purchase transactions only
- **Vested Retirement Accounts** – 60% may be considered for reserves (certain eligible plans can use 70% if Borrower is over 59 ½ years old; i.e. 401k). Mortgage Loan File must document:
 - The ownership of the accounts; and
 - The Borrower's actual receipt of the funds realized from the liquidation of the assets if needed to complete the transaction
 - For use as reserves, obtain a letter from the account manager detailing the terms and conditions under which the funds can be accessed
- **Sale of Currently Owned Real Estate.** Mortgage Loan File must document:
 - The source of funds by obtaining a copy of the final HUD-1 Settlement Statement on the currently owned home before, or simultaneously with, the settlement of the current loan transaction
- **Stocks, Bonds and Mutual Funds (must be publically traded liquid accounts)** – 70% may be used for reserves. Mortgage Loan File must document:
 - The Borrower's ownership of the account or asset;
 - The value of the asset at the time of sale or liquidation; and
 - The Borrower's actual receipt of funds realized from the sale or liquidation of the assets if the stocks, bonds, and mutual funds will be used for the down payment or closing costs
 - The value of government bonds must be based on their purchase price unless the redemption value can be documented
 - The value of stocks and mutual funds may be determined by obtaining the most recent two months or quarterly statement from the depository or investment firm
- **Trust Account Funds.** Mortgage Loan File must document:
 - That the Borrower has immediate access to the trust funds; and
 - Obtain written documentation of the value of the trust account from either the trust manager or the trustee; and
 - The conditions under which the Borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the Borrower for the mortgage
- **Cash value of life insurance:**



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- The lender must assess repayment or additional obligation considerations to determine the impact on borrower qualification or reserves.
- If the funds are needed for down payment or closing costs document the borrower’s receipt of funds from the insurance company. Lenders must obtain either a copy of the check from the insurer or copy of the payout statement issued by the insurer
- If the cash value is being used for reserves, the cash value must be documented but does not need to be liquidated
- **Corporate Relocation Plan:**
 - Must meet Fannie Mae guidelines
 - When the borrower’s employer assumes responsibility for paying off the existing mortgage in connection with a corporate relocation plan, the lender must obtain a copy of the executed buyout agreement to document the source of funds. A photocopy of a sales contract or a listing agreement is not considered an acceptable source of verification of proceeds from the sale
 - No ongoing subsidies beyond relocation bonus or payment permitted

Reserves Requirements

The minimum reserve requirements are as follows:

Primary Residence (Revised – 02/14/17)

Occupancy	Loan Purpose	Property Type	Maximum Loan Amount	Reserves
Primary Residence	Purchase, Rate/ Term Refinance, Cash Out & Debt Consolidation Refinances	SFR, Condo, Townhouse, PUD, 2 Unit	\$250,000 \$500,000	3 6 Months
			\$500,000	6 Months
			\$750,000 \$1,000,000	9 Months
			\$1,500,000	12 Months

The following requirements apply:

- Interest Only loans require a minimum of ~~12~~ ~~18~~ months reserves
- Borrowers with greater than 2 financed properties require 9 (nine) ~~12 (twelve)~~ months of reserves or otherwise stated higher reserves amount above and an **additional 3** (three) months reserves for each additional property financed; **above the required minimum or**

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otherwise stated higher reserves. The 3 (three) months additional reserves are based on PITI and HOA fees for the other financed properties

- **DTI >43% require 12 months of reserves**
- Non-Permanent Resident Aliens require **an additional 6** -months of reserves; above the required minimum
- Non-Occupant Co-Borrowers require an **additional 6-4 months of reserves**; above the required minimum

Second Home (Revised - 2/14/17)

Occupancy	Loan Purpose	Property Type	Maximum Loan Amount	Reserves
Second Home	Purchase, Rate/ Term Refinance	SFR, Condo, Townhouse, PUD	\$1,500,000	12 Months
			\$1,000,000	
			\$1,500,000	18 Months

The following requirements apply:

- Interest Only loans require a minimum of **12 ~~18~~** months reserves
- Borrowers with greater than 2 financed properties require **an additional 3** (three) months of reserves for each additional financed property; **above the required minimum or otherwise stated higher reserves.** The 3 (three) months additional reserves are based on PITI and HOA fees for the other financed properties
- ~~Foreign Nationals require an additional 12 months of reserves above the minimum stated reserves requirements~~

Ineligible Source of Funds to Close and/or Reserves

The following sources of funds to close and/or reserves are ineligible:

- Assets being used for income may not be used to meet reserve requirements
- Gift funds may not be added towards reserves. Gift funds are permitted for funds to close, subject to the requirements under Eligible Sources of Assets section
- Grant funds and Pooled funds
- Builder profits
- Employer assistance assets
- 529 plans

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- Cash-on-hand
- Credit card financing
- Donations
- Personal unsecured loans
- Real estate commissions earned from the subject transaction
- Rent credit from Rent-to-Own transactions
- Sweat Equity
- Gift of equity

Appraisal

General Appraisal Requirements

General appraisal requirements are as follows:

- All appraisals must comply with and conform to FIRREA/USPAP and the Appraisal Independence Requirements
- The appraiser must not have a direct or indirect interest, financial or otherwise, in the property or in the transaction. Selection criteria should ensure that the appraiser is independent of the transaction and is capable of rendering an unbiased opinion.
- An appraisal prepared by an individual who was selected or engaged by a Borrower, property seller, real estate agent or other interested party is not acceptable. Appraisal reports that are altered by the appraiser to replace any references to the original client with the lender's name are not acceptable. Additionally, the Borrower, property seller, real estate agent or other interested party is not allowed to select an appraiser from an approved appraiser list
- Appraisal must be dated within 120 days of note date. An appraisal update on Fannie Mae Form 1004D completed by the original licensed appraiser is permitted up to 180 days. A new appraisal is required after 180 days
- Interior photos of all rooms are required
- All appraisals must contain 3 (three) sold comps and 2 listing comps. All comps used must be sold within 12 months of the appraisal date
- For Condominiums, at least 1 comp must be from within the subject project
- New construction and or single builder developments require 2 sold comps within the subjects development and 3 comps outside of the development that are not built by the same builder
- Legal nonconforming zoned properties must indicate that the subject property can be rebuilt if it is severely damaged or destroyed
- For 2 unit properties, a FNMA 1025 Small Residential Income Property Appraisal Report is required

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- A market conditions report (1004MC) is required for all loans
- Appraisal 1st generation PDF or MISMO.xml file required

Purchase Transactions – Appraisal Requirements

- The appraiser must review the sales contract, and all subsequent addenda

Soft or Declining Markets

LTV/CLTV/HCLTV must be reduced by 5% when the appraisal indicates in either the Neighborhood Section Housing Trends or 1004MC Median Comparable Sale Price that property values are declining.

Third Party Appraisal Review

LenderLive will obtain a third party appraisal review to substantially validate the origination appraisal(s).

Correspondent Sellers that have been granted specific approval to underwrite this program, on a delegated basis, must submit appraisals to LenderLive for third party appraisal review. See Third Party Appraisal Review for Delegated Correspondents section of this document for requirements.

Unpermitted Additions

Unpermitted additions are not allowed

Property Eligibility

Eligible Property Types

- One unit Single Family Residences (Attached and Detached) and PUDs (Attached and Detached)
- Modular Homes - Must meet Fannie Mae specifications and all of the following criteria:
 - Modular homes are built in sections at a factory
 - Modular homes are built to conform to all state, local or regional building codes at their destinations
 - Sections are transported to the building site on truck beds, then joined together by local contractors
 - Local building inspectors check to make sure a modular home's structure meets requirements and that all finish work is done properly
 - These structures are not titled until installed onsite and become part of the real property
 - Taxed as real estate (not taxed as personal property)

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- Assembled on a permanent foundation
- Condominiums (**See Project Eligibility section for requirements**)
 - High Rise
 - Low Rise < 4 stories
 - Warrantable
- Townhouses
- 2-Unit Properties (within Product Profile – Eligibility Matrix parameters)
- 20 Acres maximum

Ineligible Property Types

In addition to ineligible property types listed in Fannie Mae Selling Guide and LenderLive Correspondent Lending Seller Guide, the following are ineligible:

- Agriculturally Zoned
- Assisted Living or Board Care Facilities
- Bed and Breakfast
- Boarding Houses
- Builder Bailout
- Commercial Enterprises
- Condition rating of C5 or higher and/or a quality rating of Q6
- Condotels
- Cooperative properties
- Non Warrantable Condominiums including Fannie Mae Unwarrantable Condominiums
- Geodesic Homes
- Hawaii properties in lava zones 1 and 2
- Hobby Farms
- Hotel Condominiums
- Houseboats
- Land Trusts, including Illinois Land Trusts
- Leasehold Estates
- Log Homes
- Manufactured Homes
- Mixed use properties
- Mobile Homes (including double and single-wide)
- Multi-Unit (3-4 units)
- Property currently in litigation

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- Properties on Indian (Native American) tribal or Indian Trust Land or Restricted Land or where Borrower has a leasehold interest in same
- Properties with Environmental Hazards
- Properties > 20 acres
- Timeshares
- Unimproved Land
- Unique Properties
- Working and/or Income producing Farms, Orchards or Ranches

Recently Listed Properties

Rate/Term Refinance

Properties that have been listed for sale within the past 6 months from the loan application date are not eligible for a Rate/Term Refinance. Listing must have expired or withdrawn 6 months prior to the loan application date.

Cash Out Refinance

Properties listed for sale within the last 12 months are ineligible for Cash Out Refinance. Listings must have expired or withdrawn 12 months prior to the application date of the new loan.

Condominium Project Eligibility

Only projects eligible for Limited Review are acceptable. LenderLive does not conduct Full Reviews at this time.

- Condominium Projects must meet Fannie Mae requirements for Limited Review
- Condo Questionnaire is required

High Cost and High Priced Mortgage Loans

High Cost Mortgage Loans

High Cost Mortgage Loans are ineligible.

Higher Priced Mortgage Loans

Higher Priced Mortgage Loans (HPML) are ineligible.

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Maximum Financed Properties

Maximum Loans to any One Borrower **(Revised – 02/14/17)**

The maximum number of financed properties to any one Borrower is limited to **six (6)** ~~ten (10)~~. Additional reserves are required for Borrowers with greater than 2 financed properties. See Reserves section for requirements.

Maximum Loans Serviced by LenderLive

Borrowers can have up to four (4) LenderLive serviced properties (including the subject transaction), regardless of occupancy. LenderLive reserves the right to limit the number and/or aggregate dollar amount of serviced transactions.

Escrow/Impound Accounts

Escrow or impound accounts are optional except for Foreign Nationals. Loans to Foreign Nationals require escrows/impounds for taxes and insurance for life of loan.

If escrow/impound account is selected, refer to Correspondent Lending Seller Guide; located under [Seller Guides and Product Profiles](#) tab of [Correspondent Lending](#) website; for details

Escrow Holdbacks

LenderLive will **not** purchase loans with open escrow holdbacks. All holdbacks must be cleared at delivery (of closed loan) and a copy of the escrow holdback disbursement is required with the loan file. If the holdback was due to appraiser required repairs, a copy of an Appraisal Update and/or Completion Report (Form 1004D) is required.

Note and Rider Forms

LenderLive requires use of the following Note and Rider Forms.

Fully amortizing forms:

- MULTISTATE FIXED/ADJUSTABLE RATE NOTE form 3528
- MULTISTATE FIXED/ADJUSTABLE RATE RIDER form 3187

Interest Only forms:

- MULTISTATE INTEREST-ONLY PERIOD ADJUSTABLE-RATE NOTE (One-year LIBOR Index, 10-year Interest Only Period) form 3535

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- MULTISTATE FIXED/ADJUSTABLE RATE RIDER—WSJ One-Year LIBOR— Ten-Year Interest Only Period form 3153

Refer to Fannie Mae for additional Rider requirements such as Condominium Rider, PUD Rider, Second Home Rider, 1-4 Family Rider, etc.

Assignment of Mortgages - MERS

Upon closing, all loans must be registered with MERS at time of delivery to LenderLive and a MERS transfer of beneficial rights and transfer of servicing rights must be initiated by the Correspondent, to LenderLive (MERS ORG ID #1010320), within 24-hours of purchase by LenderLive.

Disaster Policy

Refer to Disaster Policy section of Correspondent Lending Seller Guide; located under [Seller Guides and Product Profiles](#) tab of [Correspondent Lending](#) website; for requirements.

Regulatory Compliance

Refer to Correspondent Lending Seller Guide; located under [Seller Guides and Product Profiles](#) tab of [Correspondent Lending](#) website; for requirements.

Mortgage Loan Document Requirements

Refer to Correspondent Lending Seller Guide; located under [Seller Guides and Product Profiles](#) tab of [Correspondent Lending](#) website; for requirements.

Closing Requirements

Refer to Correspondent Lending Seller Guide; located under [Seller Guides and Product Profiles](#) tab of [Correspondent Lending](#) website; for requirements.

Collateral Package Requirements

Refer to Correspondent Lending Seller Guide; located under [Seller Guides and Product Profiles](#) tab of [Correspondent Lending](#) website; for requirements.



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Insurance Requirements

Refer to Correspondent Lending Seller Guide; located under [Seller Guides and Product Profiles](#) tab of [Correspondent Lending](#) website; for details pertaining to insurance requirements for Hazard, Flood, Earthquake, Mine, Rent Loss, Uninsurable Hazards, etc.

Flood Hazard Determination Certification

Flood Hazard Determination Certification must be no more than 180 days old on the date the note is signed.

Refer to Correspondent Lending Seller Guide; located under [Seller Guides and Product Profiles](#) tab of [Correspondent Lending](#) website; for additional requirements.

Title Insurance Requirements

Refer to Correspondent Lending Seller Guide; located under [Seller Guides and Product Profiles](#) tab of [Correspondent Lending](#) website; for details.

Vesting of Title in Business Name

Borrowers may vest title in the name of a business, such as a Limited Partnership, General Partnership, Corporation, etc.

If this option is selected, Borrower must qualify as an individual guarantor.

Other General and Specific Requirements

Refer to Correspondent Lending Seller Guide; located under [Seller Guides and Product Profiles](#) tab of [Correspondent Lending](#) website; for information.

Program Matrix

Refer to **Non-Agency – Expanded Fixed, ARM and Interest Only Product Profile** ; located under [Seller Guides and Product Profiles](#) tab of [Correspondent Lending](#) website; for details.