Correspondent Lending Jumbo Underwriting Guidelines

February 2023

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February 8, 2023

These Correspondent Lending Jumbo Underwriting Guidelines (Exhibit A-2) are dated February 8, 2023. These Underwriting Guidelines may be updated or modified from time to time. AMG believes the information contained in this document relating to state laws and third-party requirements to be accurate as of February 15, 2023. However, this information is provided for informational purposes only and may change at any time without notice. AMG is providing this information without any warranties, express or implied.

Please refer to the AIG Asset Management (U.S.), LLC (AMG) Correspondent Lending Seller's Guide for additional information regarding the relationship between the parties.

AIG Asset Management (U.S.), LLC ("AMG" or the "Adviser") is a registered investment adviser with the U.S. Securities and Exchange Commission. AMG is an indirect subsidiary of Corebridge Financial, Inc., formerly AIG Life & Retirement. AMG provides investment advisory and asset management services to American International Group, Inc. ("AIG"), Corebridge, and their subsidiaries, which are typically insurance companies.

MC-2-A987C-10

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Table of Contents

Jumbo Loan Underwriting Introduction

The purpose of credit and property underwriting is to ensure that each loan meets AIG Asset Management (U.S.), LLC (AMG) quality standards. A loan meets AMG's underwriting quality standards if the borrower's credit and capacity to make payments and the quality of the collateral are consistent with the mortgage loan program under which the loan is sold to AMG. The likelihood of timely repayment is expected to be commensurate with the credit quality of the loan program and the represented value of the subject property is expected to reflect accurately its market value.

These Jumbo Underwriting Guidelines ("Guidelines") set forth the underwriting standards that apply to all jumbo loan programs, for purposes hereof, "jumbo mortgage loan" means that the loan amount exceeds the conforming maximum mortgage loan limits for one unit properties imposed by the Federal Housing Finance Agency (FHFA), as the same may be set from time to time. The maximum loan amount for jumbo mortgage loans eligible for sale to AMG through the AMG program is currently $2,500,000. Generally, underwriting standards that vary from one Loan Program to another are described in Chapter One, General, as modified from time to time. In most cases, differences will not be referenced in these Guidelines. Requirements set forth in these Guidelines are applicable to loans underwritten by Desktop Underwriter® unless otherwise specified.

Regardless of underwriting method, additional information may be requested at the discretion of the underwriter.

These Guidelines are a part of the AMG Correspondent Lending Seller's Guide (the "Seller's Guide"). All capitalized terms not defined in these Guidelines have the respective meanings set forth in the Seller's Guide.

All references to "Agency guidelines" are based on the Fannie Mae guides as they were stated as of the release date of these Guidelines. Sellers should refer to the Fannie Mae Selling Guide for any topic not specifically addressed in these Guidelines.

Chapter One: General

Section 1.01 Matrices

The following product matrix applies to Jumbo Mortgage Loans eligible for sale to AIG Asset Management (U.S.), LLC (AMG):

Jumbo Product Matrix

Product Codes	Product Description
• Jumbo 15-year Fixed (JFX15) • Jumbo 20-year Fixed (JFX20) • Jumbo 30-year Fixed (JFX30)	• Fixed-rate loan products only. • 15, 20, and 30-year fully amortizing terms. • $726,201 minimum loan amount.

Occupancy Type	Transaction Type	Property Type	Maximum LTV/HCLTV	Maximum Loan Amount	Minimum Credit Score	Minimum Reserves	Maximum DTI
Primary Residence	**Purchase and Rate & Term Refinance**	1 Unit SFR, PUD, Condo	80%	$1,000,000	680	6 Mos.	45%
			80%	$2,000,000	680	12 Mos	
			75%	$2,500,000	740	12 Mos	
	Cash-Out Refinance	1 Unit SFR, PUD, Condo	65%	$2,000,000	720	6 Mos	
Primary Residence	**Purchase and Rate & Term Refinance**	2-4 Units	65%	$2,500,000	740	12 Mos.	
Second Home	**Purchase and Rate & Term Refinance**	1 Unit SFR, PUD, Condo	70%	$2,500,000	740	12 Mos.	
Investment Property	**Purchase and Rate & Term Refinance**	1 Unit SFR, PUD, Condo	65%	$2,500,000	740	18 Mos.	
		2-4 Unit	60%	$2,000,000	740	18 Mos.	

See additional criteria in this guide for First Time Homebuyers, Non-Permanent Residents, Construction to Permanent and Loans with gift funds.

First Time Homebuyer

Defined as: Any borrower who has not owned a residential property located within the United States at any time during the prior three years (prior ownership within the previous three years is measured from the Settlement Statement or Closing Disclosure closing date (when property was sold) to the date of the subject mortgage loan application).

Note: First-time home buyer requirements do not apply to loans with more than one borrower when at least one borrower has owned a residential property located within the United States at any time during the prior three years.

- 1 Unit primary residence only.
- Maximum loan amount $2,000,000.
- 40% maximum DTI.
- 740 minimum FICO.
- 12 months' reserves.
- 24 months rental history with no late payments.

Secondary Financing Eligibility

Purchase transactions with simultaneous secondary financing are ineligible.

Refinance transactions:

- Transactions with new simultaneous secondary financing are ineligible.
- Existing subordinate financing may be re-subordinated. The HCLTV may never exceed the maximum allowable HCLTV for the program.

Maximum Interested Party Contribution Requirements		
Maximum IPC is based on lesser of the subject property sales price or appraised value.		
Occupancy	**Loan Amount**	**Interested Party Contribution**
Primary Residence	Up to $2,500,000	3%
Second Home	Up to $2,500,000	3%
Investment	Up to $2,500,000	2%

Asset and Reserve Requirements

- Borrowers with other properties in addition to the subject property are required to have an additional six months of reserves for each additional property. The additional six months of reserves are based on the PITIA of the additional property.
- Properties owned free and clear require six months of taxes, insurance and HOA dues in reserves.
- The closed loan package must contain evidence of liquidation of funds necessary for closing.
- For all Loan Programs, the borrower is required to make a minimum 5% down payment from his or her own assets.
- All down payment funds, cash to close and reserves must be documented and verified.

Gift Fund Eligibility

Occupancy Type	Transaction Type	Property Type	Maximum DTI
Primary Residence and Second Home	Purchase and Rate & Term	1 Unit Properties (SFR, PUD, & Condo)	43% Max. 40% First-time Home Buyer

- Minimum 5% borrower contribution from their own demonstrated savings must be documented in a liquid account.
- Refer to Fannie Mae for eligible donors.
- The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.
- Gift funds must be evidenced by fully executed gift letter, evidence of donor's ability, and evidence borrower has received the funds. Receipt of gift funds can be evidenced on the Closing Disclosure when wired to the closing entity.
- First time home buyer eligible (see first-time-homebuyer restrictions).
- Gifts of equity are ineligible.
- Gift funds are **not** eligible for reserves.
- All other jumbo guidelines apply.

Other Key Underwriting Requirements

Escrow Waivers	Partial escrow waivers are eligible, except as to premiums and fees for flood insurance as mandated by the Flood Disaster Protection Act of 1973, as amended.
Ineligible Geographic Locations	The U.S. Territories including Guam, Puerto Rico, and the Virgin Islands are ineligible.
Limitations on other R.E. Owned	The borrower(s) may own a maximum of four financed, one- to four-unit residential real properties, including the subject property (regardless of occupancy type). Each separate property (other than the subject property) requires an additional six months of PITIA reserves.
Appraisal Requirements	• Full Uniform Residential Appraisal Report (URAR), with interior and exterior inspection required on all files and must be supported by a secondary valuation (details provided in section 4.03). • All eligible appraisal and valuation products must be in the name of the originating lender. No transfers or assignments allowed. • The appraiser must be licensed and in good standing with the current appraiser's license included in the closed loan package. • **Loan to Value (LTV) must be reduced by 5% when the subject property is located in a declining market as determined by the appraiser**.
Ineligible Credit	• "Thin-file" credit. • Documented credit profiles containing less than two valid credit scores. • Foreign credit reports. • Loans involving borrowers with undocumented credit histories ("no credit"). • Non-traditional credit reports and credit reports which are not Tri-merge.
Ineligible Transaction Types and Loan Attributes	• A refinance transaction on a Property Currently Listed for Sale. • A transaction paying off an Installment Land Contract. • Balloons and ARMs. • Blind Trust. • Cash-out transactions on properties listed for sale or purchased in the previous six months (measured from the date of application). • Cash-out transaction on subject properties located in a declining market as determined by appraiser. • Community Land Trusts. • Delayed Financing. • EEM Loans (Energy Efficient Mortgages). • HUD 184 Mortgages. • Loans exceeding 80% LTV/CLTV/HCLTV. • Loans to Principal Owners of Business Lending Client. • Loans which allow Assumptions. • Loans with more than four borrowers. • Loans with non-occupant co-borrowers, guarantors and co-signers. • Loans with Pre-Payment Penalties.

	• Loans with QM Rebuttable Presumption. • Loans with Temporary Buydowns. • Loans without Safe Harbor designation. • New York purchase transactions documented by CEMA. • Principal curtailments that exceed the lesser of $10,000 or 1% of the loan amount. • Property Flips (as defined within these Guidelines). • Refinance of Restructured Loan or Short Refinance Loan. • Renovation or Rehabilitation Mortgages. • Single-Close Construction to Permanent Financing. • Texas Section 50(a)(6), Texas Section 50(a)(3) and Texas Section 50(f)(2) Loans. • Title held as Tenants in Common with unequal ownership. • Transactions consisting of an assignment of sales contract. • Transactions that include the use of privately funded loans for the purpose of securing assets for the transaction. • Waivers for Loan Estimate and Closing Disclosure timing requirements.
Cash-Out and Rate & Term Refinance Transactions	• Maximum cash out $500,000. • Cash-out totals are based on the combination of unseasoned second lien payoff amount and cash back at closing. • Cash-out transactions are ineligible when the appraiser determines the subject property is located in a declining market. • Maximum allowable cash back for rate & term refinance is 1% of the loan amount.
Additional Documentation Requirements	• **Final DU** findings must be provided; however, manual underwriting guidelines must be followed in conjunction with any income, credit, and asset overlays provided in these Jumbo Underwriting Guidelines. See chapters Six through Eight for additional information. • **Non-Arm's Length Verifications-**The verification of assets, credit (including mortgage/rental history), and income may not be verified by a non-arms-length third party without additional supporting documentation. • **QM-Safe Harbor** compliance must be provided in the closed loan package via a standard Compliance Report including all underwriting documentation and evidence of compliance with Regulation Z. The loan must meet the Price Based (revised) General Qualified Mortgage rule of APR versus APOR requirements. Evidence of the most recent rate lock date and pricing documentation is required. Loans with QM Rebuttable Presumption are ineligible for purchase. • **Third-party Fraud Reports** must be included in all files. (see Section 1.02). • **1040 Transcripts** must be provided for each borrower regardless of their income source. • **State Disclosures** for the subject property state must be provided in the closed loan package.

Section 1.02 Borrower and Participant Eligibility

AMG will not purchase mortgage loans if any company or individual who is a material party to the mortgage loan transaction is listed on the Department of Housing and Urban Development (HUD) Limited Denial of Participation List, Office of Foreign Assets Control (OFAC) Specially Designated Nationals and Blocked Persons List, the Freddie Mac Exclusionary List (if the Seller is a Freddie Mac approved Seller/Servicer with access to such list), or the General Services Administration (GSA) Excluded Party List System. All lists must be checked for all parties to the transaction.

All loans purchased must contain a Fraud Report. It is the Seller's responsibility to fully review, identify and address any potential issues or risks discovered on the fraud report. Each Fraud Report must include a minimum list of interested parties to the transaction as verified participants. The participants should include, but are not limited to:

- Borrower
- Appraiser(s)
- Loan Originator
- Seller (if applicable)
- Listing Agent (if applicable)
- Selling Agent (if applicable)

Section 1.03 Loan Application

The Fannie Mae redesigned Uniform Residential Loan Application (URLA) must be used and all applicable sections/addendums must be completed, including without limitation:

- A full two-year history of employment/income, residency and all personal information for each borrower. If a borrower's employment history includes unemployment or insurance benefits, the application must reflect at least two years of previous employment, therefore covering a longer period of time.
- The Declarations Section must be answered for each borrower.
- The method of taking the application including face-to-face, by telephone, by fax or mail, by email or the internet.
- The Loan Originator's information, including name, telephone, and NMLS number must be completed.
- The Borrower's demographic information must be completed.
- The initial application must be signed and dated by the Loan Originator and all Borrowers when a power-of-attorney is being used for any of the applicants.

All loan applications must be reviewed by the Seller for reasonableness as part of the underwriting process, including without limitation:

- The feasibility of occupancy claims, and the overall financial picture of the borrowers must be reasonable.
- When conflicting information exists between or within documents, an adequate explanation must be provided, documented, and included in the mortgage loan file.
- All documents in the mortgage loan origination file that are relevant to underwriting must be reviewed by the Seller for signs of alteration or fabrication.

The final application must be signed and dated by all borrowers, and comply with the requirements set forth above, including without limitation:

- The borrower's complete and accurate financial information relied upon by the underwriter.
- All debt incurred during the application process and through loan closing must be disclosed on the final application.

Section 1.04 Identity Verification

The identity of each borrower whose credit is used for loan qualification must be confirmed in accordance with Fannie Mae guidelines unless otherwise stated within this guide.

Section 1.05 Social Security Number Validations

- Evidence of a valid Social Security number is required for all borrowers. Any Social Security number discrepancies that are identified must be resolved.
- Loans to borrowers who have been issued an Individual Tax Identification Number (ITIN) in lieu of a Social Security number are ineligible. .

Section 1.06 Electronically Signed Documentation

All Electronic Signatures must comply with applicable federal and state law regarding enforceability. For all Mortgage Loans, AMG will accept Electronic Signatures on all documentation with the exception of the following:

The following documents/notarizations are ineligible:

- E-Notes
- E-Mortgages
- E-Notarizations
- Remote Notarizations (RIN/RON)

Electronic signatures are ineligible for the following documents:

- Note
- Security Instrument
- Power-of Attorney (unless permitted by state law)
- Allonge
- Notarized documents
- Notice of Right to Cancel

Section 1.07 Miscellaneous Closing and Servicing Procedures

A. Powers of Attorney
The use of a specific POA document is allowed, provided the applicable Fannie Mae guidelines are followed. See additional restrictions in Section 5.07.

B. Non-borrowing Spouse
A Non-Borrowing spouse or domestic partner who has an interest in the subject property must follow all applicable state laws to waive any property rights he/she may have by virtue of being the owner's spouse.

C. Recast Option
Loans that have completed a principal curtailment and recast of principal and interest payment are ineligible for purchase. Additionally, recast options are not offered for loans that have been purchased. If you have questions, please contact our Servicing Department.

D. Principal Curtailment
Principal curtailments may not exceed the lesser of $10,000 or 1% of the loan amount.

E. Escrow for Postponed Improvements

- Escrow for postponed improvements related to new construction which are exterior in nature and occur as a result of any of the following circumstances, may be acceptable provided the guidelines in this Section are met:
  - Weather.
  - Shortage of building materials.
  - Water shortage.
  - Labor shortage, or
  - Third party contract delays.
- The uncompleted work must not prevent an occupancy certificate from being obtained for the subject.
- 120% of the proposed value of the improvements must be escrowed; however, if the contractor or builder offers a guaranteed fixed-price contract for completion of the improvements, the funds escrowed only need to equal the full amount of the contract price.
- The closed loan package must contain a Final Inspection or appraisal report detailing the value of the postponed improvement as well as an escrow agreement signed by all parties.
- Escrows for postponed improvements must be satisfied by the date disclosed on the escrow holdback agreement and may not exceed 180 calendar days from the loan closing date.
- Evidence of funds release and property completion must be provided.

Escrow holdbacks related to the completion of in-ground pool installation are allowed. The criteria below are a minimum standard by which an escrow holdback will be considered for this reason:

- A pool must be common for the area in which the subject is located.
- The work must be completed within 120 calendar days of loan closing. Evidence of funds release and property completion must be provided to AMG
- 120% of the proposed value of the improvements must be escrowed; however, if the contractor or builder offers a guaranteed fixed-price contract for completion of the improvements, the funds escrowed only need to equal the full amount of the contract price.
- Pool installation must be included in the sales contract, an addendum to the sales contract, or in a fully executed separate contract with a licensed contractor.
- The work must be completed by a licensed contractor, pool installation-company, or the subject builder.
- The value of the pool improvements included in the purchase price must be no more than 10% of the total subject property value.

All other Fannie Mae requirements must be met. Loans with escrows for postponed improvements for reasons other than those stated herein will be ineligible for purchaseby AMG.

Section 1.08 Escrows/Impounds

Escrow or impounds are defined as all funds collected by a mortgagee on a mortgage loan for the servicer to cover expenses of the borrower that are required to be paid under the security instrument. The funds may include, but are not limited to, taxes, homeowners association charges, special assessments, ground rents, water, sewer, and other governmental impositions or charges that are or may become liens on the subject property prior to that of the Mortgage Loan, as well as hazard, flood and premiums.

An escrow of funds for the payment of property taxes, hazard insurance, flood insurance, and HO6 is required.

- A renewal policy is required for hazard and flood insurance policies expiring within 50 calendar days from the loan closing.
- Two months of escrow is required on all loans unless escrows have been waived or if otherwise mandated by federal or state law.
- Escrow of the HO6 policy is not required if coverage is for personal contents only.
- On a purchase transaction, if property taxes are due within 30 calendar days of the loan closing, the Settlement Statement or Closing Disclosure(s) should reflect the amount sufficient for the Seller to pay the taxes.
- On a refinance transaction, property taxes which are delinquent 60 days or more may not be paid with funds from the transaction and must be paid-current at time of consummation.
- Escrow of premiums and fees for flood insurance is required for all mortgage loans as mandated by the Flood Disaster Protection Act of 1973, as amended.

Section 1.09 Escrow/Impound Waiver

- Mortgage loans with escrow waivers are eligible for purchase.
- Escrow waivers for homeowner’s insurance or property taxes are eligible, except as to premiums and fees for flood insurance as mandated by the Flood Disaster Protection Act of 1973, as amended.
- Partial escrow waivers for the escrow of homeowner’s insurance or property taxes only, are acceptable provided all other parameters allowing for an escrow waiver are met. Contact our Pricing Desk for additional information.

Section 1.10 Subject Loan Payment History

A payment history is required when 15 days or more have elapsed since the first payment due date. The payment history should include all payments and disbursements from the new subject Mortgage Loan**.**

Chapter Two: Transaction

Section 2.01 Occupancy Type

A. Primary Residence

- A primary residence is a property in which all borrower(s) take title and occupy as his, her, or their primary residence for the majority of the year.
- Borrowers are required to occupy subject property within 60 calendar days of Consummation or as per the terms of the Mortgage/Deed of Trust.
- A Leaseback of the subject property to the property seller is acceptable provided the period in which the lease is available does not exceed 60 calendar days from the note date and the terms are clearly specified on the purchase contract. Builder leasebacks for the continued use of the subject property as a model home are ineligible.
- Gift funds are ineligible for use as reserves.

B. Second Home

- The property must be occupied by the borrower for some portion of the year.
- The property must be suitable for year-round occupancy.
- All borrowers must take title to the property
- Property cannot be subject to any agreements that give a management company control over the property.
- The property must be under the borrower's exclusive control (timeshares and rental agreements ineligible).
- Gift funds are ineligible for use as reserves.
- Borrowers may own more than one second home

C. Investment Property

- An investment property is owned but not occupied by the borrower.
- All borrowers must take title to the property.
- Income from the subject investment property may not be used to qualify the borrower when the subject transaction is a purchase.
- Gift funds are ineligible and may not be used for down payment, closing costs, pre-paid interest, or reserves.

Section 2.02 Loan Purpose

AMG may purchase Mortgage Loans made for the following purposes as defined in this section:

- Purchase Mortgage Loan.
- Refinance Mortgage Loan.
  - Rate & Term Refinance Mortgage Loan.
    - Two Close Construction-to-Permanent Purchase Mortgage Loans
  - Cash-out Refinance Mortgage Loan.

Section 2.03 Purchase Mortgage Loan Transactions

A transaction in which the proceeds received must be used to finance the acquisition of the subject property.

A. Acceptable Attributes for Purchase Mortgage Loan Transactions:

a. Except as otherwise required by applicable laws, closing costs may not be financed as part of a purchase money transaction.

b. Purchase money transactions do not allow cash back to the borrower at closing other than an amount representing:

- A reimbursement for the borrower's overpayment of fees.
- If property taxes are due within 30 calendar days of the purchase loan closing, the Settlement Statement or Closing Disclosure (s) should reflect the amount sufficient for the Seller to pay the taxes.
- Costs paid by the borrower in advance (for example, earnest money deposit, appraisal, and credit report fees).
- A legitimate pro-rated real estate tax credit in locales where real estate taxes are paid in arrears, unless restricted by the Loan Program.

B. Unacceptable Attributes for Purchase Mortgage Loan Transactions:

a. Purchasing in a Redemption Period

Certain state laws provide for a "redemption period" after a foreclosure or tax sale has occurred, during which time the property may be reclaimed by the prior mortgagor or other party upon payment of all amounts owed under the related mortgage loan.

- The length of the redemption period varies by state and does not expire automatically upon sale of the property to a new owner.
- Unexpired redemption periods are deemed to be an unacceptable title impediment, and a mortgage loan with an unexpired redemption period is not eligible for sale to AMG.

b. Purchase transactions that include new subordinate financing

Transactions with new subordinate financing are ineligible for sale to AMG.

c. Property Flips

If the seller has owned the property less than 180 calendar days from the date of the purchase contract and the new sales price is higher than the price paid by the seller to acquire the property, this transaction would be ineligible for purchase.

The following types of re-sale transactions are not considered property flips:

- Property being sold by a spouse who acquired the property through a divorce settlement.
- Property acquired by an employer through a relocation program.
- Property being sold by an administrator or executor of an estate.
- Property being sold by a lender, mortgage investor, or mortgage insurance company acquired through foreclosure or deed-in-lieu of foreclosure.

Section 2.04 Refinance Mortgage Transactions

Refinance Mortgage Transaction are separated into two categories, rate & term refinance and cash-out.

A. Requirements for all Refinance Mortgage Transactions:

- There must be continuity of obligation. (See Section 5.08 for additional guidance).
- If the subject property was purchased in the previous 9 months, the Settlement Statement(s) or Closing Disclosure(s) must be provided in order to determine the subject property value (see Section 2.12 Determining Value).

B. Rate & Term Refinance

a. Acceptable Attributes for a Rate & Term Refinance Mortgage Loan:

- Paying off a mortgage loan secured by the subject property.
  - Closing costs, points, and pre-paid fees may be rolled into the loan amount.
  - Borrowers may receive cash back up to 1 percent of the new refinance loan amount at closing.
- Buying out the equity position of a co-owner as a result of a court ordered agreement.
- Property ownership resulting from a legal documented inheritance.
- Paying off a first lien and purchase money subordinate lien (Seller must document that the entire subordinate lien was used to purchase the property).
- The payoff of a construction loan in a two-close-construction-to-permanent mortgage loan (see below for details).
- Paying off a first lien HELOC used in its entirety to purchase the subject property.
- Paying off a seasoned non-purchase money subordinate lien or first lien HELOC.
- Paying off a seasoned private mortgage lien, for which cancelled checks and/or bank statements supporting an acceptable payment history are provided by the Borrower.

Note: A seasoned lien is defined as one in place for a minimum of 12 months from the Note date of the subordinate or private lien to the application date of the subject Mortgage Loan. Additionally, a seasoned equity line of credit is defined as not having cumulative draws greater than $2,000 in the past 12 months, with withdrawal activity documented by providing a transaction history for the Line of Credit provided by the Note holder.

b. Unacceptable Attributes for a Rate and Term Refinance Mortgage Loan:

- Loans with new subordinate financing.
- Paying off a purchase-money HELOC which has had subsequent non-purchase money draws exceeding $2000 cumulatively in the previous twelve months (see Cash-out Refinance Mortgage Loans below).
- Loans which include the payoff of delinquent real estate taxes, which are past due 60 calendar days or more (see Fannie Mae guidance related to this topic).
- Properties currently listed for sale.
- The payoff of a private mortgage lien for which cancelled checks and/or bank statements cannot be provided to support an acceptable payment history.
- The payoff of an unseasoned private mortgage.
- The payoff of a reverse mortgage.

c. Two Close Construction-to-Permanent Mortgage Loans:

All of the following parameters must be met:

- Primary Residence only.
- Rate & Term Refinance only.
- 1-unit SFR or PUD.
- Max LTV/HCLTV 80%.
- Maximum Loan Amount $2,000,000.
- First Time Homebuyers are eligible--see overlays in Section 2.06.

i. Determining Value:

- Lots owned 12 months or more at time of application will have the LTV/HCLTV based on the current appraised value.
- Lots owned less than 12 months at time of application will have the LTV/HCLTV based on the lesser of the appraised value or acquisition cost (cost of the documented construction and the documented purchase price of the lot).
- Lots owned less than 12 months from application date must have been purchased by the borrower and documented with a Settlement Statement or Closing Disclosure.
- Gifted lots titled to the borrower for less than 12 months are ineligible for purchase.
- Maximum cash back at time of closing may not exceed 1% of the final loan amount.

ii. Documentation Requirements:

- File must contain an acceptable DU submission in accordance with these Jumbo Underwriting Guidelines.
- All properties must be fully complete with a final Certificate of Occupancy included in file.
- Appraisal reports completed for the construction loan may be used to determine value if (i) the Seller was the construction loan lender, (ii) all other Jumbo Underwriting Guidelines are followed including but not limited to secondary valuations, final inspections, and appraisal age standards.
- Construction contract and construction loan Note, CD and draw history are required.
- Construction loan payment history for the previous 12 months is required. When the construction phase is less than 12 months, provide full payment history.

iii. Additional Requirements:

- All construction work, including any work that could entitle a party to file a mechanics' or materialman's lien, must be completed and paid in full, with the exception of any weather related work that cannot be completed in accordance with these Jumbo Underwriting Guidelines.
- All mechanic's liens, materialman's liens, and any other liens and claims that could become liens relating to the construction must be

satisfied before the mortgage loan is delivered to AMG, and title must certify no future mechanic's liens or materialman's liens possible.

- All construction contracts must include a general contractor. No self-builds allowed.
- All borrower(s) from the construction loan must be on the final financing; however, adding additional borrowers is not prohibited.
- Please refer to Fannie Mae's selling guide for any additional requirements. .

C. Cash-Out Refinance Mortgage Loans

a. Acceptable Attributes for a Cash-Out Refinance Mortgage Loan:

- Property must be a primary residence.
- The funds received by the borrower are not limited to a specific purpose.
- The maximum amount of cash-out in any transaction, including the payoff of an unseasoned second lien, is $500,000.

The following are some examples of acceptable Cash-Out Refinance Mortgage Loan scenarios:

- Paying off a non-seasoned (financed for less than twelve months) non-purchase money subordinate lien.
- Paying off a purchase-money HELOC which has had subsequent non-purchase money draws exceeding $2,000 cumulatively in the previous twelve months.
- The payoff of a first lien HELOC which has had non-purchase money draws exceeding $2,000 cumulatively in the previous twelve months.
- The payoff of a private mortgage in a subordinate position for which:
  - i. the note requires no payment and therefore no payment history is available; or,
  - ii. the lien is not seasoned for a 12-month period.
  - iii. To determine the maximum cash-out, Sellers must include the subordinate lien payoff in the calculation.

b. Unacceptable Attributes for Cash-Out Refinance Mortgage Loans:

- Properties currently listed for sale or listed for sale in the previous six months (measured from application date).
- Second homes.
- Investment properties.
- Owner-occupied properties located in Texas (see specific section for additional details).
- Properties owned fewer than six months.
- Declining market as determined by the appraiser.

c. Properties Located in Texas:

- The Refinance of an existing Texas Section 50(a)(6), Texas Section 50(f)(2) and Texas Section 50(a)(3) Loans are considered ineligible for purchase.
- A copy of the current mortgage or mortgage note is required to determine that the existing loan is not subject to Texas Section 50(a)(6), 50(f)(2) or 50(a)(3).
- If the first mortgage loan is not a Texas Section 50(a)(6) 50(f)(2) or 50(a)(3) loan and the second mortgage is a Texas Section 50(a)(6), 50(f)(2) or 50(a)(3), the second lien may be subordinated, and the new mortgage loan is considered to be a rate and term refinance. The second lien must be subordinate to the lien of the Mortgage Loan purchased by AMG.

D. PACE / HERO Loans

- Paying off a PACE loan seasoned 12 months or more may be treated as a rate & term refinance.
- Paying off a PACE loan seasoned less than 12 months is considered a cash-out refinance.
- If the PACE loan is structured as subordinate financing, it may remain in the subordinate position provided all LTV/HCLTV product requirements are met. (The terms of the program may not provide for lien priority over the first mortgage lien in order to be eligible for purchase. Sellers must monitor State and local law to determine which jurisdictions offer PACE loans that may provide for lien priority).
- For PACE loans originated prior to July 6, 2010, the loan must be paid off.

Section 2.05 Homes Recently Acquired or Listed for Sale

- If the subject was acquired in the previous 9 months, the file must contain the Settlement Statement or Closing Disclosure from the previous transaction, and the LTV calculation would be based on the lesser of the purchase price or the current appraised value (see Section 2.12).
- If the subject was acquired in the previous 6 months as a result of an inheritance or the dissolution of a marriage or domestic partnership, then the file must be documented accordingly.
- Refinancing a home currently listed for sale is ineligible. Any home currently listed must be taken off the market prior to the new loan application date.
- Cash-out Refinance Mortgage Loans are ineligible when the property has been listed for sale or purchased in the previous six months as of the application date of the new loan.

Section 2.06 First-Time Home Buyer

Any borrower who has not owned a residential property located within the United States at any time during the prior three years (prior ownership within the previous three years is measured from the Settlement Statement or Closing Disclosure closing date [when the property was sold] to the date of the subject mortgage loan application).

First-time home buyer requirements do not apply to loans with multiple borrowers, when at least one borrower has owned a residential property located within the United States at any time during the prior three years. The following requirements apply to first-time home buyer transactions:

- 1 unit primary residence only.
- Maximum loan amount $2,000,000
- 40% maximum DTI.
- 740 minimum FICO.
- 12 months' reserves.
- 24 months' rental history with no late payments (see Documenting Housing and Rental Payment History in Chapter 7 for more details).

The following documentation may be necessary when attempting to show proof of previous/current residential property ownership:

- Evidence borrower(s) was responsible for the PITIA (if additional non-borrowing parties are or were on title to the property with the borrower).

- Evidence borrower(s) was the purchaser on the original Settlement Statement or Closing Disclosure for the purchase of the previous or current residential property, or;
- Evidence borrower has been on title to the property for the previous 12 months.

Section 2.07 Third Party Originations (TPO)

A loan for which the loan origination (taking the loan application) is performed by an entity other than the Seller is considered a third-party origination. Mortgage service providers are not considered third-party originators if they do not take the loan application and are paid on an arm's-length fee basis for services performed, with payment of fees not being contingent on mortgage approval or closing.

See Correspondent Lending Seller's Guide for eligibility requirements.

Section 2.08 Subordinate Financing

A. New Subordinate Financing
Transactions with new subordinate financing are ineligible for purchase.

B. Existing Subordinate Financing
Existing subordinate financing may be eligible, provided such financing is re-subordinated to the first lien of the Mortgage Loan. The HCLTV may never exceed the maximum LTV/HCLTV permitted with respect to the transaction type.

- Settlement Statement(s) or Closing Disclosure are required with respect to any transaction involving the property within the past 6 months.
- The terms of any existing subordinate financing must be fully disclosed, documented with a copy of the note, and compliant with the requirements as set forth by these guidelines.
- Regardless of the type of subordinate lien, the DTI must include all additional lien(s) monthly payment(s), and the LTV/HCLTV must include all subordinate financing loan limit(s).

C. Re-subordination Requirements for Refinance Transactions

- If subordinate financing remains in place in connection with a first mortgage loan refinance transaction, execution and recordation of a subordination agreement is required.
- If state law permits subordinate financing to remain in the same subordinate lien position established with the prior first mortgage loan being refinanced, re-subordination is not required. Seller is responsible for determining that the subordinate lien satisfies any specified criteria of applicable law.
- Insurance against a former junior lien not being properly subordinated to the refinance Mortgage Loan does not release Seller from its obligation to comply with these re-subordination requirements, or from the requirement that the subject property be free and clear of all encumbrances and liens having priority over the lien of the Mortgage Loan.
- When an existing HELOC credit line limit is reduced, it will be necessary to evidence the newly recorded second lien amount on title and provide a copy of the modified Note.

D. Ineligible Subordinate Financing

- Employer assistance secured by a subordinate lien against the subject property.
- Individual Development Accounts (IDAs) used for down payment and/or closing costs that require a subordinate lien against the subject property.
- Disaster Relief Grants or loans that require a subordinate lien against the subject property.
- Subordination of an existing PACE loan obtained prior to 7/6/10.
- Any other subordinate financing ineligible for sale to Fannie Mae.
- The terms of the subordinate financing may not provide for lien priority over first mortgage liens.
- Sellers must monitor State and local law to determine which jurisdictions offer PACE loans that may provide for lien priority.

Section 2.09 Ineligible Transaction Types and Loan Attributes

The following loan attributes and transaction types are **not eligible** for purchase:

A. **A Refinance Transaction on a Property Currently Listed for Sale.**
B. **A transaction paying off an Installment Land Contracts.**
C. **Balloons and ARMs.**
D. **Blind Trust.**
E. **Cash-out transactions on properties listed for sale or purchased in the previous six months** (measured from the date of application)**.**
F. **Cash out transaction on subject properties located in a declining market as determined by the appraiser.**
G. **Community Land Trusts.**
H. **Delayed Financing.**
I. **EEM Loans (Energy Efficient Mortgages).**
J. **HUD-184 Mortgages.**
K. **Ineligible Property Flips** (see Property Flip Section of these guides for additional information)**.**
L. **Loans exceeding 80% LTV/CLTV/HCLTV.**
M. **Loans to Principal Owners of Business Lending Client**—Mortgage Loans made to principal owners or majority shareholders (25 percent or greater ownership) of a Seller.
N. **Loans which allow Assumptions.**
O. **Loans with more than four borrowers.**
P. **Loans with non-occupant co-borrowers, guarantors and co-signers.**
Q. **Loans with Pre-Payment Penalties.**
R. **Loans with QM Rebuttable Presumption.**
S. **Loans with Temporary Buydowns.**
T. **Loans without Safe Harbor designation.**
U. **New York purchase transactions documented by CEMA.**
V. **Principal curtailments that exceed the lesser of $10,000 or 1% of the loan amount.**
W. **Refinance of a Restructured Loan or Short Refinance Loan.**

X. Renovation or Rehabilitation Mortgages.
Y. Single Close Construction-to-Permanent Mortgage—A single-close transaction that modifies the Mortgage Note and the 1st payment date.
Z. Texas Section 50(a)(6) Loans, Texas Section 50(a)(3) and Texas Section 50(f)(2).
AA. Title held as Tenants in Common with unequal ownership.
BB. Transactions consisting of an Assignment of Sales Contract.
CC. Transactions that include the use of privately funded loans for the purpose of securing assets for the transaction.
DD. Waivers for Loan Estimate and Closing Disclosure timing requirements.

Section 2.10 Maximum Loan to Value / High Loan to Value (LTV/HCLTV)

Jumbo mortgage loans with an LTV/HCLTV of up to 80% are eligible for purchase, subject to satisfaction of the other applicable requirements for such jumbo mortgage loans (see product matrix).

Section 2.11 Determining Amount to be Financed

For any Mortgage Loan, the amount eligible for financing is determined by factors specific to that Mortgage Loan, including, but not limited to, the type of financing, LTV/HCLTV, loan amount, property type, income, credit, and asset determination.

Section 2.12 Determining Value

A. Purchase Transactions
The LTV will be based on the lesser of the purchase price or appraised value.

B. Refinance Transactions
When the subject property has been purchased in the past 9 months, the lesser of the current appraised value or the purchase price will be used to calculate the LTV/HCLTV. Ownership date is measured from the date of acquisition (Settlement Statement or Closing Disclosure closing date) to the closing date of the subject mortgage.

Section 2.13 CLTV / HCLTV

- CLTV is the combination of the outstanding first lien and the outstanding balance of all additional liens or line amounts from home equity lines of credit.
- HCLTV is the combination of the outstanding first lien with all outstanding additional liens or available credit limits from a home equity line of credit.
- The HCLTV is calculated by dividing the sum of the first mortgage amount and any additional lien balances (whether disbursed or not) by the value, as defined in Section 2.12.

Section 2.14 Treatment of Auctioneer Fees for LTV and HCLTV Purposes

In most cases (but not all), it is common and customary for the buyer to pay the auctioneer fee (buyer's premium). The table below outlines the most common to least common events and the required treatment of auctioneer fees (buyer's premium) in relation to total sales price, LTV, and interested party contributions:

Customary Payer of Auctioneer Fee (Buyer's Premium)	Actual Payer	Add Premium to Auction Price	Include Premium in LTV	Considered an IPC/Sales Concession
Buyer	Buyer	Yes*	Yes	NA
Seller	Buyer	Yes*	Yes	NA
Buyer	Seller**	No	No	Yes
Seller	Seller**	No	No	No

* The value in the "Purchase Price" of the Details of Transaction of the application should be the total of the winning bid plus the auctioneer fee. If the borrower has pre-paid the auctioneer fee, it should be documented in the same manner as an earnest money deposit and the fee should be identified in the "other credits" section of the Details of Transaction.

** Highly unlikely the seller will ever pay buyer's premium at auction.

Section 2.15 Non-Arm's-Length Transactions

Follow applicable Fannie Mae guidelines requirements for non-arms-length transactions.

Chapter Three: Property

This chapter outlines the property types and project standards that apply to all Loan Programs. For additional property requirements see Chapter Four: The Appraisal, for specific requirements.

Section 3.01 Eligible Property Types

- Single-family residences.
- Two-four unit properties.
- Condominiums
  - Attached Condominiums (borrower does not own the land or the exterior walls of their unit).
  - Site Condominiums (borrower owns the land on which the structure is located. These properties do not require condominium documentation; however, in some instances they may be considered a PUD.)
  - Detached Condominiums (borrower does not own the land or the exterior walls of the structure. Property would be considered a detached condo and must meet standard condominium documentation requirements shown below).
- Planned Unit Development (PUD).

Section 3.02 Condominiums

- Sellers must follow the eligibility guidelines of AIG Asset Management (U.S.), LLC (AMG) and Fannie Mae with respect to condominium and condominium projects.
- Seller must not be aware of any circumstances that would make the project ineligible for approval by Fannie Mae or AMG.
- The condominium project must meet all applicable Fannie Mae requirements related to insurance.
- Provide in the closed loan file the name and contact information of the subject condominium HOA/Management Company. amount and frequency of the HOA dues (if not provided on appraisal report) and evidence of current status of HOA dues (current, past due, etc.(if applicable)).

Seller must approve the condominium project's eligibility through one of the eligible condominium project review types and provide applicable warranty documentation in the closed loan package.

Eligible Condominium Project Review Types

- Standard Fannie Mae Full Project Review.
- Fannie Mae Project Eligibility Review Service (PERS): New and existing condo project approvals are acceptable. Evidence of the PERS final project approval must be current through the Note date and included in the Mortgage Loan file.
- Condominium Project Manager (CPM): The project must have a valid, unexpired CPM Seller Certification as of the date of the Note and a copy must be in the Mortgage Loan file. The CPM status designation must reflect a designation that is eligible for sale to Fannie Mae. In addition, the Seller must not be aware of any changes in circumstances since the project information was submitted to CPM that would result in the project's not satisfying Fannie Mae's or AMG eligibility criteria.

Warranty Documentation Requirements

- The warranty documentation must identify the warranty type of the project and be included in the Mortgage Loan file for purchase. (AMG does not provide a warranty form).
- Sellers must retain all project documentation that supports its warranty that the project meets the applicable Fannie Mae eligibility criteria and these Guidelines. This documentation must be retained from the time the Seller first originates mortgages secured by units in the project until all such mortgages that were purchased by AMG have been liquidated. The project documentation must be available upon request for review by AMG.
- A project warranty is valid for three months preceding the date of the Note.

Note: After the three-month expiration date, all appropriate documentation must be updated to verify that there have been no changes that would adversely affect the project.

Ineligible Project Types

- Cooperatives.
- Live/Work Projects.
- Projects which include manufactured housing.
- Non-warrantable Condominium/PUD projects.
- A condominium project with no master insurance policy for the project.
- Condominiums with significant deferred maintenance and unsafe conditions.
- Conversion condominium projects that have not been fully converted or do not meet these Jumbo Underwriting Guidelines or Fannie Mae guideline requirements.
- A condominium project which contains more than 35 percent of its total space dedicated to non-residential or commercial use.
- Projects in which a single entity owns more than the limits established below:
  - Projects with 21 units or more with 20 percent or more of the units owned by one entity.
  - Projects with 5–20 units with more than 2 units owned by one entity.

Ineligible Project Review Types

- Loans requiring exceptions from any of the following: Fannie Mae Credit Variance Administration System, Fannie Mae Project Eligibility Waiver (PEW).
- Limited Review.
- Fannie Mae Condo Project Manager (CPM)-Projects labeled as Unavailable.

Section 3.03 Ineligible Property Types

The following property types containing any of the following characteristics are ineligible:

- 2 Units with an Accessory Dwelling Unit (ADU).
- Bed and Breakfast properties.
- Boarding Houses.
- Group homes.
- Lava Zones 1 & 2.
- Leasehold estate.
- Life estate.
- Log homes.
- Manufactured housing.
- Manufactured Accessory Dwelling Units (ADU).
- Mixed use properties.
- Modular, prefabricated, panelized homes and sectional housing.
- Mortgage Loans secured by a property identified by Fannie Mae as Ineligible.
- Properties comprising more than 15 acres of land.
- Properties deemed unique or consisting of unique characteristics (e.g. dome homes, berm homes, and geodesic).
- Properties not available for year round occupancy.
- Properties not readily accessible by roads that meet local standards.
- Properties not secured by real estate (timeshares, houseboats etc.).
- Properties requiring hauled water and those lacking satisfactory utilities.
- Properties with deed restrictions with the exception of properties that meet Fannie Mae age-related deed restriction requirements and properties with deed restrictions specific to developer land-use or building code requirements for a subject development.
- Vacant Land.
- Working farms.

Section 3.04 Environmental Hazard Assessment

If the Seller has identified environmental problems and an environmental assessment is required, then the loan is ineligible for purchase.

Section 3.05 Hazard and Flood Insurance Requirements

- Seller should follow Fannie Mae guidelines as they relate to Hazard and Flood Insurance requirements, unless otherwise specified in these Jumbo Underwriting Guidelines and/or Seller's Guide. Site condominiums may be treated as a single family residence for purposes of hazard and flood insurance requirements.
- Documentation should be in the form of a declaration page or policy. Binders are not considered acceptable evidence of insurance.
- Maximum allowable deductible securing a first mortgage loan is 5 percent of the face value of the policy.
- Such flood insurance policy for each Mortgage Loan is in an amount representing coverage not less than the least of (A) the outstanding principal balance of the Mortgage Loan (plus any additional amount required to prevent the Mortgagor from being deemed a co-insurer), (B) the full insurable value of the related Mortgaged Property, and (C) the maximum amount of insurance which was available under the Flood Disaster Protection Act of 1973, as amended.
- A renewal policy is required for hazard and flood insurance policies expiring within 50 calendar days from the loan closing. Loans must have hazard and flood insurance policies in force at the time of purchase.

Chapter Four: Appraisal

This section outlines the appraisal documentation and evaluation requirements that apply to all Loan Programs. Seller should follow the applicable Fannie Mae guidelines as they relate to Appraisal Documentation, Requirements, and Property Evaluation, unless otherwise specified in these Jumbo Underwriting Guidelines. Generally, requirements that vary from one Loan Program to another are described in Chapter One, and in most cases, program-specific differences are not referenced in this section.

Section 4.01 General Appraisal Requirements

- The appraisal report forms require the appraiser to certify that the appraiser did not base, either partially or completely, the analysis and/or opinion of value in the appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.
- A full Uniform Residential Appraisal Report (URAR), with interior and exterior inspections, is required on the subject property. All other valuation methods are ineligible.
- The appraisal report must be Uniform Appraisal Dataset (UAD) compliant.
- The appraisal should fully analyze the neighborhood, site, physical characteristics, and condition of the property.
- Regardless of underwriting method, additional information may be requested at the discretion of the underwriter.

Note: Loan to Value (LTV) must be reduced by 5% when the subject property is located in a declining market as determined by the appraiser.

Section 4.02 Appraiser Requirements

The appraiser must remain free of any outside influence in the valuation process. Appraisers must provide complete and accurate reports. The estimate of market value must represent the appraiser's professional conclusion, based on market data, logical analysis, and judgment.

The appraiser must comply with the independent appraiser requirements specified by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC, and the Office of Thrift Supervision, as well as Fannie Mae and Freddie Mac Appraiser Independence Requirements.

- The appraiser must comply with real estate appraisal regulations adopted in accordance with Title XI of the Financial Institutions Reform or Recovery and Enforcement Act of 1989 (regardless of whether Seller is subject to those regulations).
- The appraiser must be experienced in the appraisal of properties similar to the type being appraised.
- The appraiser must be actively engaged in appraisal work, licensed and in good standing.
- The appraiser may not be an interested party in the subject transaction.
- The appraiser must subscribe to a code of ethics that is at least as strict as the code of the American Institute of Real Estate Appraisers or the American Society of Appraisers.

Section 4.03 Appraisal Report Requirements

Full Appraisal:
All files must contain a full appraisal report regardless of the loan amount or AUS finding's documentation requirements.

Secondary Valuation Products:
All files must contain a secondary valuation product. Select from either secondary valuation product below.

Desk Reviews— if the initial appraisal's value will be supported by a Desk Review; the following Desk Review products are acceptable to satisfy this requirement:

- Clear Capital © Collateral Desktop Analysis (CDA®).
- Pro Teck Valuation Services © Appraisal Risk Review (ARR).

Field Reviews— if the appraised value will be supported by a Field Review, the Field Review may not be prepared by the same appraisal company as the initial appraisal; however, the appraisal can be ordered through the same AMC.

- If the secondary valuation report is greater than the appraised value, the LTV/HCLTV would be based on the initial appraised value.
- If the secondary valuation report is lower than the appraised value but within a 10% tolerance, the LTV/HCLTV would be based on the initial appraised value.
- If the secondary valuation report is lower than the appraised value by more than a 10% tolerance, a third valuation report must be provided.

Additional Valuation (if applicable):
All files must contain an additional product if and when the secondary valuation product is lower than the appraised value by more than a 10% tolerance.

Field Review— If a Desk Review was the secondary valuation product and was not within the allowable tolerance; a Field Review should be obtained and the original appraised value supported within the 10% tolerance. The LTV/HCLTV would be based on the original appraisal value.

Second Appraisal— If a second full appraisal is obtained as the supporting valuation product, the original appraised value must be supported within the 10% tolerance and the LTV/HCLTV would be based on the lower of the two appraisal reports.

If the second full appraisal is more than 10% below the initial appraised value, the second full appraisal would then replace the initial appraisal and must be supported by a new secondary valuation product.

The maximum number of supporting valuation products for any appraisal is two products.

Section 4.04 Documentation Age and Standards

All appraisals must be performed in strict accordance with and comply with all applicable local, state, and federal laws, regulations, and orders and must conform to the current Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation.

Review each appraisal in detail for completeness, accuracy, and assessment of the current fair market value.

All appraisal reports must be prepared for the current transaction and in the name of the originating lender. No transfers or assignments allowed.

All versions of the subject valuation reports (full appraisal, desk review, or field review) must be included in the closed loan package and provided to the borrower no later than three business days prior to the consummation.

A. Age of Appraisal

If the date of the appraisal report is more than 120 calendar days but less than 365 calendar days from the date of the Mortgage Note, the original appraiser must provide an update to the appraisal based on his or her knowledge of current market conditions. The appraiser must acknowledge that the value of the subject property has not declined since the date of the original appraisal. The update must be completed on Fannie Mae Form 1004D/Freddie Mac Form 442 and must be dated within 120 calendar days of the date of the Mortgage Note. A new appraisal is required when the appraiser indicates in an Appraisal Update that the property value has declined.

Loans purchased more than 90 calendar days after closing (Mortgage Note date to purchase date) require an Appraisal Update (Fannie Mae Form 1004D/Freddie Mac Form 442) or a new appraisal (Fannie Mae Form 1004/Freddie Mac Form 70) supporting the original appraised value. If an Appraisal Update indicates that the value has declined, a new appraisal (Fannie Mae Form 1004/Freddie Mac Form 70) must be obtained and must support the original appraised value. The Appraisal Update or New Appraisal must be dated within 60 calendar days of the date of purchase.

The use of a substitute appraiser to perform the appraisal update is acceptable. The substitute appraiser must review the original appraisal and express an opinion about whether the original appraiser's opinion of market value was reasonable on the date of the original appraisal report. In addition, the loan file must contain a note explaining why the original appraiser was not used.

The appraisal date may not be more than 12 months prior to the date of the Mortgage Note.

B. Acceptable Appraisal Forms

The appraisal form must be prepared and signed by an approved appraiser. The appraisal report must be on the current version of the appropriate appraisal form listed below.

1. **Uniform Residential Appraisal Report (Fannie Mae Form 1004/Freddie Mac Form 70)—URAR**
   Used for appraisals of one-unit properties and units in PUDs, (including a one-unit property with an accessory apartment) based on interior and exterior property inspections. The URAR may also be used for units in a detached condominium project if the appraiser includes an adequate description of the project and information about the homeowner association fees and the quality of project maintenance.
2. **Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073 and Freddie Mac Form 465)**
   This report must be used for appraisals of one-unit properties in condominium projects.
3. **Small Residential Income Property Appraisal Report (Fannie Mae Form 1025 and Freddie Mac Form 72)**
   This report must be used for appraisals of two-to four-unit properties.
4. **Appraisal Update and/or Completion Report (Fannie Mae Form 1004D/Freddie Mac Form 442)**

   Appraisal Update-When performing an appraisal update, the appraiser is expected to research, verify, and analyze current market data, and to perform at least an exterior-only inspection of the subject property.

   Completion Report-The type of inspection required depends on the nature of the appraisal conditions or changes to the subject property.

   a. If the appraisal is completed "as is," an interior inspection is not required unless there are any known changes to the subject property that would have an adverse effect on condition or marketability.
   b. If the appraisal is subject to completion per plans and specifications, interior and exterior inspections are required. Exterior and interior photographs are required.
   c. If the appraisal is subject to repairs that affect safety, soundness, or habitability, interior and exterior inspections are required if repairs are required for the interior of the dwelling. Exterior and interior photographs are required. Otherwise, an exterior-only inspection with exterior photographs is required.
5. **Market Conditions Addendum (Fannie Mae Form 1004MC)**
   This is required for all mortgage loans with appraisals of 1–4-unit properties. It is intended to provide the Seller with a clear and accurate understanding of the market trends and conditions prevalent in the subject neighborhood.
6. **Field Review**
   An analysis comparing the original appraisal and the review appraisal must be performed. The original appraiser must address any significant differences or discrepancies. The following forms must be present when a field review appraisal is required by the Loan Program or at the discretion of the underwriter: Field Reviews may not be provided by the same appraisal company performing the full appraisal review.

   a. One-Unit Property
      I. A One-Unit Residential Appraisal Field Review Report (Fannie Mae Form 2000 or Freddie Mac Form 1032).
      II. Original front and street photos of the subject property.
      III. Photos that show the front of each comparable sale included in the appraisal report under review and any additional comparable sales described in the field review.
      IV. Street map that shows the location of the subject property and of all comparables included in the appraisal report under review and any additional comparable sales provided by the review appraiser.

   b. Two- to Four-Unit Property
      I. Two- to four-unit Residential Appraisal Field Review Report (Fannie Mae Form 2000A or Freddie Mac Form 1072).
      II. Original front and street photos of the subject property.
      III. Photos that show the front of each comparable sale included in the appraisal report under review and any additional comparable sales described in the field review.
      IV. Street Map that shows the location of the subject property and of all comparables included in the appraisal report under review and any additional comparable sales provided by the review appraiser.

Section 4.05 Property Quality and Condition

A. Condition Rating

The appraisal should indicate that the property is in average or better condition. If the property condition is rated fair or poor, the appraisal should be made subject to repairs that will bring the property to an average or better condition. Additionally, when provided, the following Condition rating codes, as defined by the FHFA Uniform Appraisal Dataset used by Fannie Mae, must be considered as follows:

- Property condition ratings of C1, C2, C3, or C4 are acceptable in an "as is" condition.
- Property condition ratings C5 and C6 carry additional risk, and therefore any appraisals with a C5 or C6 rating must include, but may not be limited to the following to be eligible for purchase:
  - An account of the condition items causing the C5 or C6 rating.
  - The initial appraisal must be "subject to completion of repairs."
  - Evidence of completion of repairs.
  - An updated minimum condition rating of C4.

B. Quality Rating

The appraisal should indicate that the property is in average or better condition. If the property condition is rated fair or poor, the appraisal should be made subject to repairs that will bring the property to an average or better condition. Additionally, when provided, the following Quality of Construction rating codes, as defined by the FHFA Uniform Appraisal Dataset used by Fannie Mae, must be considered as follows:

- Quality of Construction ratings of Q1, Q2, Q3, Q4, or Q5 is acceptable.
- Any appraisal report containing a Quality of Construction rating Q6 is ineligible for purchase as a result of an increased risk associated with this quality rating.
- When the appraisal is made subject to completion, repairs, or inspection, the lender must ensure that the construction is completed, the repairs are made, or the inspection is completed. If the inspection shows that additional repairs are required, those repairs must be completed prior to closing in order for the transaction to be eligible for purchase.

Section 4.06 Disaster Policy

When natural disasters, such as hurricanes, tropical storms, and tornadoes, occur prior to the purchase of a loan by AMG, the Seller must take steps to ensure that the subject property secured by the loan is protected.

- Once the federal government has declared a disaster with individual assistance (assistance to individuals and households), a FEMA Disaster Notification is issued at http://www.fema.gov/.
- A disaster declared with public assistance (assistance to State and local governments and certain private nonprofit organizations for emergency work and the repair or replacement of disaster-damaged facilities) does not require a re-inspection.
- Unless otherwise specified, Seller should follow Fannie Mae guidelines as it relates to properties involved in a disaster.
- Loan fundings may be delayed as a result of properties located in a disaster area.

Chapter Five: The Borrower

Section 5.01 Borrower Types

The loan originator must have conducted all origination and underwriting procedures without regard to the borrower's race, color, religion, national origin, age, sex, marital status, handicap, income derived from a public assistance program, or status in any other class of persons protected under any applicable federal, state or local law.

- Any person signing an application for a loan is a borrower. All borrowers must sign the Mortgage Note.
- A borrower must be an individual. Non-individual legal entities, including but not limited to corporations, general partnerships, limited partnerships, real estate syndications, blind trusts and investment trusts, are not eligible.
- Borrowers must meet credit and program eligibility requirements of these guidelines and Fannie Mae guidelines.
- Inter Vivos and Land Trust requirements must meet the eligibility and documentation requirements as determined Fannie Mae guidelines.

Section 5.02 Non-Occupant Co-Borrower, Guarantor, and Co-Signer

Loans with non-occupant co-borrowers, guarantors, and co-signers are ineligible for purchase.

Section 5.03 Citizenship Requirements

A. U.S. Citizens and Nationals
U.S. citizens and nationals (citizens of a U.S. possession or territory) are eligible.

B. Non-U.S. Citizens

a. Permanent Resident
A permanent resident is a non-U.S. citizen who is legally eligible to maintain permanent residency in the U.S. and holds a Permanent Resident card. Permanent residents are eligible provided that legal residency is documented according to Fannie Mae requirements. Please see www.uscis.gov for more information.

b. Non-Permanent Residents
Non-Permanent residents are eligible provided the legal residency is documented and all the following criteria are met:

1. H1B and L1 Visas (only).
2. Maximum 75% LTV/HCLTV.
3. Maximum 43% DTI.
4. 1 unit primary residence only.
5. Social Security Number required.
6. Two full uninterrupted years of residence and employment in the United States are required for all borrowers whose income is being considered in qualifying (See Chapter Eight for Foreign Assets).

c. Other Residency Statuses
Individuals classified under Diplomatic Immunity, Foreign Nationals with no residency status, Temporary Protected Status, Deferred Enforced Departure, or Humanitarian Parole are considered ineligible for purchase.

Section 5.04 Loans to Trust

A. Inter Vivos Revocable Trust

- An Inter Vivos revocable trust (a "living trust") is a trust created by an individual during his/her lifetime and becomes effective during the creator's lifetime. An Inter Vivos revocable trust can be changed or cancelled by its creator at any time and for any reason during the creator's lifetime.
- The Inter Vivos revocable trust must meet the eligibility and documentation requirements as determined by Fannie Mae guidelines.
- The subject property must be a 1–2 unit primary residence.
- An attorney's opinion letter or a lender's legal attestation (signed by an officer of the company or Legal Counsel) stating the trust meets Secondary Marketing requirements as set forth by Fannie Mae and any applicable state requirements must be provided.

B. Land Trust (Illinois Land Trust)
A land trust is an arrangement by which title to real estate is transferred to a trustee, but the full management and control of the property is retained by the beneficiaries of the trust. The trustee is named as owner of the property in the security instrument and is the "borrower" of record on the loan, even though the trustee is not personally liable for repayment of the loan.

Land trust loans are eligible subject to the following conditions:

- The subject property must be located in Illinois.
- The beneficiary of the trust must be an individual.
- At least one of the borrowers must be one of the beneficiaries of the trust.
- The land trustee must be a financial institution customarily engaged in the business of acting as trustee under Illinois state law.
- The land trust beneficiary must execute the Mortgage Note and guarantee the payment of the Mortgage Loan.
- The trustee must execute the Mortgage Note solely in his or her capacity as trustee of the land trust. The trustee must not be personally liable on the Mortgage Note.

Section 5.05 Ownership Interest

Title to the subject property must be in the borrower's name at the time of application for a refinance transaction (see exceptions below for title held by an LLC or an Inter Vivos Revocable trust at time of application) The following requirements must be met:

- Meet continuity of obligation guidelines provided in this chapter.
- Title to the property must be held as fee simple estate.
- All individuals signing the loan application are considered borrowers, and all borrowers must sign the mortgage Note.
- Additional individuals on the Settlement Statement or Closing Disclosure are not required to sign the Mortgage Note (must meet all applicable state laws).

In addition to the applicable requirements above, title to the subject property when held in an LLC or Inter Vivos Revocable Trust must meet the requirements below:

- Title held by a LLC, that is majority owned by the borrower, must meet continuity of obligation requirements.
- At the time of application an Inter Vivos Revocable Trust may hold the title when the borrower is the primary beneficiary and Trustor (or Settler) of the trust. (see Section 5.04).

For all transactions, title must be in the borrower's name or the name of an acceptable inter vivos revocable trust at the time of the closing.

Section 5.06 Non-Borrowing Spouse

The non-borrowing/purchasing spouse or domestic partner who has an interest in the subject property must follow all applicable state laws to waive any property rights he/she may have by virtue of being the owner's spouse.

Section 5.07 Power of Attorney

The use of a Power of Attorney (POA) is acceptable. The POA must be specific to the transaction and meet all Fannie Mae and state requirements. POA documents will not be reviewed prior to closing. A Power of Attorney is acceptable on transactions with an individual borrower.

The use of a Power of Attorney is <u>prohibited</u> when the transaction type is a cash-out refinance.

Section 5.08 Continuity of Obligation

- At least one borrower on the new loan must also be obligated on the current Note; or
- Borrower has been on title to the subject property for the previous 12 months; occupied the subject property for the previous 12 months; and can demonstrate having made the payments in the previous 12 months.

Section 5.09 Exceptions to Continuity of Obligation

The borrower acquired the subject property through an inheritance or was legally awarded the property through a court ordered agreement. This scenario requires no minimum waiting period for continuity of obligation.

Chapter Six: Employment & Income

Chapter Six outlines the documentation requirements to Confirm and Verify which applies to Income Assessment as reflected in Sections B3-3.1-01 through B3-3.4-04 of Fannie Mae Selling Guide Manual Underwriting, in Compliance with the revised Qualified Mortgage Requirements.

The stable and reliable flow of income is a key consideration in mortgage loan underwriting. If the income source has a defined expiration date or other limited benefit, the lender must document the likelihood of continued receipt of the income for minimum three years from the Note date.

File must contain written documentation in the form of an income calculation worksheet (or similar) as to the borrower's ability to repay the mortgage debt.

As a result of inconsistencies or legibility concerns or at the discretion of the underwriter, additional information may be requested.

Refer to Fannie Mae Selling Guide Manual Underwriting

Section 6.01 Follow Fannie Mae

For the topics listed below, follow Sections B3-3.1-01 through B3-3.4-04 of Fannie Mae Selling Guide Manual Underwriting.

A. Acceptable Income Sources	Age of Documents -See additional requirements for Tax Returns/Extensions in Section 6.02 (D)
	Alimony, Child Support, and Maintenance Payments
	Automobile Allowances
	Bonus or Overtime Income
	Capital Gains and Losses
	Commission Income
	Disability Income (Long-Term)
	Employer Differential Payments
	Farm Income or Loss (from Non-Subject property)
	Foster Care Income
	Foreign Income
	Home Ownership Subsidies
	Housing or Parsonage Allowances
	Interest and Dividend Income
	IRA and 401k Retirement Distribution Income
	Military Income
	Mortgage Credit Certificates
	Non-taxable Income
	Note Receivable Income
	Part-Time Employment Income
	Primary Employment Less than 40 Hour Work Week
	Public Assistance
	Retirement, Annuity, Pension Income
	Royalty Payment Income
	Schedule K-1 Income (Less than 25% Ownership/Guaranteed Payment to Partners)
	Seasonal Income
	Secondary Employment Income
	Seasonal Unemployment Benefit-must be appropriately documented and clearly associated with seasonal layoffs and expected to recur. Otherwise, unemployment compensation cannot be used to qualify the borrower.
	Social Security Income
	State and Federally Sponsored Caregiver Benefits
	State and Local Tax Refunds
	Temporary Leave and Short-term Disability Income
	Tip and Gratuity Income
	Trust Income or Loss
	Unemployment Benefits Income
	Union Member Employment Income
	VA Benefits
	Variable Income Types (i.e. bonus, overtime, part-time, variable hours/shifts)
	Working for a Family Business
B. Rental Income See Overlays Section 6.02 for additional guidance.	Rental Income calculations unless otherwise noted in Section 6.02 (B)
	Short Term/Variable Rentals
	Subject and Other REO (Real Estate Owned)
C. Self-Employment Income See Overlays Section 6.02 for additional guidance.	Use Fannie Mae form 1084 or equivalent to analyze Personal and/or Business Returns for Income Calculations for a Self-Employed Borrower unless otherwise noted in these Jumbo Underwriting Guidelines.
	Business Tax Return (when applicable).

AIG Asset Management (U.S.), LLC (AMG) Overlays

AMG is providing the following overlays to Fannie Mae Selling Guide Manual Underwriting requirements related to income assessment. For anything not specifically addressed in this section, or elsewhere in these Jumbo Underwriting Guidelines, defer to the applicable manual underwriting sections in the Fannie Mae Single Family Selling Guide as noted above.

Section 6.02 Overlays to Fannie Mae

A. Non-Self-Employed Borrower Documentation	**1040 Transcripts**	The most recent 2 years 1040 Transcripts are required for all borrowers. **Note:** Borrowers filing tax extensions for personal tax returns must provide the filed IRS Application for Extension of Time to File, the request for the tax transcript verifying "no record of return filed" and the prior two years of tax transcripts.
	Schedule K-1	K-1's must be obtained regardless of the percentage of ownership when the income is used for qualifying. If there are losses documented on 1040 transcripts, the K-1 must be provided and the losses must be considered in the qualifying income calculation.
	Verbal Verifications of Employment/Third Party Verification of Employment	Must be completed within ten business days of the Note date.
	Verbal Verifications of Prior Employment	Must be completed prior to loan purchase.
	Non-Arms-Length Verbal Verifications of Employment	Ineligible
	Written VOEs	Are not acceptable for a borrower employed by family or self-employed.
	Fannie Mae DU Validation Service (DVS)	Acceptable for Verbal and Written Verification of Employment, in conjunction with any additional documentation required in these Guidelines. Must meet all Fannie Mae requirements.

B. Rental Income	**Recurring Obligations-REO Split Ownership**	The monthly housing obligation (PITIA) may not be reduced based on the percentage of ownership when ownership is split with non-borrowing individuals. Rental income will be based on the borrower's Schedule E income.
Conversion of Departing Residence	**Leases Requirements**	• The current 12 mo lease must be to an unrelated arm's-length third party and must be effective as of the first payment due date of the subject mortgage loan.
	Additional Required Documentation/Notes	• If the borrower is retaining their current departing principal residence and converting it to a second home or investment property, reserve requirements of 6 months PITIA for the departing residence must be met. • Must provide evidence the security deposit and/or first month's rent has been received and deposited. • Full Appraisal to evidence equity in vacated property is 25% or more (Single-Family Residences Only). Appraisal must be ordered by a mortgage lender (aged no more than six months). • Comparing the unpaid principal balance to the original sales price of the property is not permitted. **Note:** The appraisal, in addition to using forms Fannie Mae 1004/Freddie Mac 70, may be an exterior-only appraisal using form Fannie Mae/Freddie Mac 2055, and for condominium units, form Fannie Mae 1073/Freddie Mac 465. • If a borrower has sold but not closed on the sale of their departing residence, the debt must be included in the qualifying ratios.
	Income Calculation	• Reduce the gross rental amount by 25% for vacancies and maintenance; • Subtract PITIA; and • Apply the resulting amount to income (if positive) or recurring debts (if negative).

C. Self-Employment Income	A self-employed borrower is an individual who has a 25% or greater ownership interest in a business or receives 1099s to document income. The length of self-employment, type of business and business structure will be evaluated to assess stability and continuance of self-employment income.	
Minimum Length of Self-Employment	Between one and two years	For the borrower's income to be stable and effective, the borrower must have at least two years of documented previous successful employment in the line of work in which the individual is self-employed, or in a related occupation.
	Less than one year	Ineligible
Establishing a Self-Employed Borrower's Earning Trend	• When determining qualifying income, the Seller must establish the borrower's earnings trend from the previous two years using the borrower's tax returns. • The Seller must consider the business's financial strength by examining annual earnings. Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable.	

	• If the borrower's earnings trend for the previous two years is **downward** and the most recent tax return or P&L is less than the prior year's tax return, the borrower's most recent year's tax return or P&L must be used to calculate his/her income.
Self-Employed Borrower Documentation Requirements	• Documentation as noted below is required for all Self-Employed borrowers when the income is being considered in qualifying. However, all business losses must be documented as required below and business tax returns must be provided. All business losses must be considered in qualifying. • Most recent two years signed 1040 Personal returns with all applicable tax schedules. • Most recent two years 1040 transcripts. Business Tax Transcripts are optional. • Most recent 2 years K-1 (if applicable). • Most recent 2 years W2 (if applicable). • Year-to-date profit and loss (P&L) statements and Balance Sheets are required for all businesses when a 1040 Extension of Time to File has been filed for the prior tax year. Additionally, a P&L and Balance Sheet for the tax year on extension are required. Stable or increasing income trend reflected on a Profit and Loss may not be considered in the income calculation. Profit and Loss Statements and Balance Sheets are not required to be signed or audited. • Balance Sheets are not required for Schedule C (Sole Proprietors).
	• Third-party verification of self-employment for all businesses whose income is considered in qualifying must be completed within ten business days of Note date and include the name and phone number of the employee verifying the information. Examples of acceptable verification include CPA letters, Regulatory Agency verification, verification from the applicable licensing bureau, and website documentation.
	• 4506C must be completed at closing for each borrower and business included in the loan review. The most current version of the IRS Form 4506-C must be completed and provided in the closed loan package.

D. Allowable Age of Federal Income Tax Returns	• Extension of Time to File- Borrowers filing tax extensions for personal tax returns must provide the filed IRS Application for Extension of Time to File, the request for the tax transcript verifying "no record of return filed" and the prior two years of tax transcripts. Document any amount due has been remitted to the IRS and sourced in the file. Significant variances in the tax liability from previous years compared to the estimated current year must be fully explained. Additional documentation may be required. • Transactions Originated and/or Closed from January through mid-April-of any given year, AMG will consider using the most current year's tax returns for a self-employed borrower for which tax transcripts are not yet available. A copy of the returns as well as confirmation of receipt from the IRS is required—either in the form of an e-file acceptance or stamp from the IRS and verification that any amount due has been remitted to the IRS and sourced in the file. Any significant increase or decrease in income from the prior year's returns must be satisfactorily explained and documented. • Transactions Closed on or after October 15-of any given year (where the borrower had filed an extension for their previous year's return), a copy of the returns as well as confirmation of receipt from the IRS is required—either in the form of an e-file acceptance or stamp from the IRS and verification that any amount due has been remitted to the IRS, and sourced in the file. Any significant increase or decrease in income from the prior year's return must be satisfactorily explained and documented.

E. Employment Gaps and New Employment	• Borrowers with an absence or gap in employment which exceeds 120 days must provide evidence of return to their current job for a minimum 30 days. • Borrower's new employment must be documented with a paystub(s) covering the 30 day period or Written Verification of Employment. • Verbal verification of employment dated within ten business days of the Note date. • The borrower must document a 2- year work history prior to the absence or gap from employment. • It is acceptable to measure the length of employment from the date a borrower began or returned to work to the date of closing or loan consummation.

F. Employment Offers or Contracts	• Projected income is acceptable for qualifying purposes for a borrower scheduled to start a new job within 60 calendar days of loan consummation or prior to loan purchase whichever is less. • File must contain the following: o An executed copy of the borrower's offer or employment contract for future employment and anticipated income. o A paystub from the borrower that includes sufficient information to support the income used to qualify the borrower based on the offer or employment contract. Must be provided prior to loan purchase. o The creditor must verify that the borrower will have sufficient income or cash reserves to support the mortgage payment and any other obligations between loan closing and the start of employment. Examples of this type of scenario are teachers whose contracts begin with the new school year, or a physician beginning a residency after the loan closes.

G. Tax Transcripts and IRS Rejection Code	If a request for tax transcripts has been rejected by the IRS by means of a rejection code, the applicable Fannie Mae guidelines should be followed. In addition, the Seller should obtain documentation which includes but is not limited to the following: • IRS rejection documentation. • Letter of explanation from the borrower. • Transcripts obtained directly from the borrower. • Form 14039 (IRS Identity Theft Affidavit) if applicable.

H. Unacceptable Income Sources	**a.** Asset Depletion Income. **b.** Boarder Income. **c.** Deferred Compensation Plans. **d.** Farm Income from the Subject Property. **e.** Future Income. **f.** Gambling Income. **g.** Home Ownership Subsidies from any source other than the Public Housing Agency. **h.** Income Derived from the Subject Property with Land Being Leased to Another Party. **i.** Income Derived from the Sale or Distribution of Marijuana. **j.** Income Determined to be Temporary or One-Time in Nature. **k.** Lump Sum Payments such as Inheritances or Lawsuit Settlements. **l.** Lump Sum Payments of Lottery Earnings that are not ongoing. **m.** Non-Incidental Income Received from Farming or Agricultural Use of a Property. **n.** Non-Occupant Borrower Income **o.** Rental Income Received from the Borrower's Single-Family Primary Residence or Second Home. **p.** Rental Income from the Subject Investment Property on a purchase transaction. **q.** Rental Income from an Accessory Unit Associated with the Subject Property. **r.** Restricted Stock Units. **s.** Retained Earnings in a Company. **t.** Stock Options. **u.** Taxable Forms of Income not declared on Personal Tax Returns. **v.** Trailing Co-Borrower Income. **w.** Unverifiable Income. **x.** VA Education Benefits.

Chapter Seven: Credit & Liabilities

Chapter Seven outlines the documentation requirements to Confirm & Verify which applies to Credit & Liabilities Assessment as reflected in Sections B3-5 through B3-6-07 of Fannie Mae Selling Guide Manual Underwriting, in Compliance with the revised Qualified Mortgage Requirements.

A borrower's credit profile may be established by submitting the loan through Desktop Underwriter, but may not be relied on solely for the credit review. Additional information may be requested at the discretion of the underwriter.

Refer to Fannie Mae Selling Guide Manual Underwriting

Section 7.01 Follow Fannie Mae

For the topics listed below, follow Sections B3-5 through B3-6-07 of Fannie Mae Selling Guide Manual Underwriting.

A. Acceptable Credit and Liabilities	Age of Documentation
	Alimony/Child Support and Separate Maintenance Payments
	Authorized User Accounts
	Borrowed funds secured by an asset
	Business Debt in Borrower's Name
	Court Ordered Assignment of Debt
	Credit Utilization
	Debts paid by Others
	Deferred Installment Debt
	Federal Income Tax Installment Agreements
	Garnishments
	Home Equity Lines of Credit
	Inquiries
	Installment Debts
	Lease Payments
	Loans Secured by Financial Assets (see additional restrictions in Chapter Eight: Assets)
	Monthly Housing Expense for the Subject Property
	Monthly Obligations Not Included in Liabilities
	Mortgage Assumption
	Non-Applicant Accounts
	Open 30-Day Charge Accounts
	Payoff or Paydown of Debt for Qualification
	Revolving Charges/Unsecured Lines of Credit
	Student Loans

AIG Asset Management (U.S.), LLC (AMG) Overlays

AMG is providing the following overlays to Fannie Mae Selling Guide Manual Underwriting requirements related to credit and liabilities assessment. For anything not specifically addressed in this section, or elsewhere in these Jumbo Underwriting Guidelines, defer to the applicable manual underwriting sections in the Fannie Mae Single Family Selling Guide as noted above.

Section 7.02 Overlays to Fannie Mae

A. Credit Report/Credit Score Requirements	• All accounts, revolving and installment, reported by the borrower on the application must be verified on the credit report or directly by a credit reference and must include a payment history for the most recent 12 months. • A minimum of two valid credit scores per borrower is required. • The lowest mid-score(s) will be the qualifying credit score. Should a borrower have only two credit scores, the lower of the two will be considered the borrower's qualifying credit score. Refer to the product matrix in Chapter One to determine the minimum credit score for a particular loan program, loan amount, and/or property type. • All borrowers are required to have a valid Social Security number. Loans to borrowers who have been issued an ITIN in lieu of a Social Security number are ineligible. • Credit reports with partially displayed Social Security numbers are not considered eligible documentation due to the increased opportunity for fraud. • Late payments unrelated to a mortgage, which occurred in the previous 12 months require a letter of explanation from the borrower. • Credit report used in underwriting must be referenced on the final DU findings.
B. Minimum Trade Line Requirement	**All loans require a credit score based on the following minimum credit history and trade line requirements:** • The score for each borrower must be generated from a minimum of three traditional trade lines evaluated for at least 12 months. The three trade lines must reflect an acceptable payment history. • Trade lines for closed accounts may be used to meet this requirement provided the payment history is acceptable.

	• Authorized user accounts may not be used to satisfy this requirement unless the borrower can provide written documentation (such as canceled checks or payment receipts) proving that he or she has been the actual and sole payer of the monthly payment on the account for at least 12 months preceding the date of the application. • A trade line for which a payment has never been made may not be used to satisfy this requirement (for example, a deferred student loan). • Borrowers who do not meet the above requirements would be viewed as having a "thin file" credit history and would be ineligible.
C. Frozen Credit	Frozen credit is only acceptable when one credit score is impacted. Each borrower must have a minimum of two current active credit scores.

D. Significant Adverse or Derogatory Credit	To conclude that the borrower's credit profile is acceptable despite previous financial mismanagement, the rationale supporting the determination that the financial mismanagement is unlikely to recur, and the borrower's credit profile is acceptable must be explained. The following guidelines apply to individuals who have a significant adverse or derogatory credit incident such as a bankruptcy or foreclosure reporting in their credit history, or if it's determined that a borrower was personally obligated on a mortgage debt which was not reported.
Documentation Requirements	• Evidence that the borrower has re-established an acceptable credit profile. The borrower will be considered as having acceptable re-established credit if the credit report is free of late payments in the previous 24 months, and the borrower has at least three traditional credit references with activity during the most recent 24-month period. • Evidence on the credit report and other credit documentation of the length of time since completion of the significant derogatory event to the date of the loan closing, and of completion of the recovery time period requirements as identified below.
Reestablished Credit Requirements	After a bankruptcy, foreclosure, deed-in-lieu of foreclosure or short sale, or other significant derogatory credit, the borrower's credit will be considered reestablished if all of the following are met: • The waiting period and related additional requirements are met. • The minimum credit score requirements based on the loan parameters and established eligibility requirements are met. • The borrower has traditional credit. Non-traditional credit is not acceptable. The borrower will be considered as having acceptable reestablished credit if the credit report is free of late payments in the previous 24 months, and the borrower has at least three traditional credit references with activity during the most recent 24 months period. AUS approval based on credit profile.
Recovery Time Periods	**Recovery time requirements are based on the discharge, dismissal, or completion date to the date of the loan closing.** **a. Bankruptcy Filing** For all bankruptcies discharged or dismissed: • A 7-year waiting period from the date of discharge or dismissal to the date of closing is required to be eligible for purchase. • Mortgages discharged in bankruptcy require seven-year waiting period from the date of discharge to the date of closing. • Borrowers with multiple bankruptcy filings are ineligible. **b. Foreclosures/Deeds-in-Lieu of Foreclosure/Pre-Foreclosure Notice of Default (NOD)/Short Sales/Real Property Settled Debts** Any of the above credit events require seven years' seasoning after the completion date or from the date of notification in the case of a Notice of Default, and satisfactory re-established credit must be verified. • Regardless of the borrower's credit score and/or payment history, the seven-year seasoning requirement applies for any reference to one of the above-mentioned events, whether via the credit report or other loan file documentation. • Manufactured housing/mobile home loans indicated as repossessions, collections, or charge-offs are considered foreclosures. • Borrowers with multiple foreclosures are ineligible regardless of age. **c. Deed for Lease** Borrowers may have the opportunity to lease a property for which they have given a deed-in-lieu of foreclosure. When the borrower's loan file references a deed for lease, the underwriter must determine the completion date of the deed-in-lieu of foreclosure to ensure all requirements are met. **d. Forbearance-No Mortgage Loan for which the borrower is obligated may be in forbearance, including co-signed mortgage loans.** For borrowers who have exited forbearance on a mortgage the following requirements must be met: **1.** Documentation confirming the borrower has exited forbearance. **2.** The mortgage must not be in a repayment plan or loss mitigation program. Borrowers with missed payments during forbearance must have resolved the missed payment through a reinstatement. (All payments must be current under the terms of the original note). An eligible source of funds must be documented in the closed loan file when the reinstatement occurred within 90 days of or any time after the date of the loan application. **e. Restructured Mortgage Loan** A borrower who has had a loan restructured, in which the original transaction has been changed, resulting in absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan that results in any of the following is ineligible within seven years of the credit event: • Forgiveness of a portion of principal and/or interest on either the first or second mortgage; • Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness; • Conversion of any portion of the original mortgage debt to a "soft" subordinate mortgage; or

	• Conversion of any portion of the original mortgage debt from secured to unsecured. • Short Refinance Mortgage Loan. • A new transaction that includes any of the above is ineligible.

E. Disputed Accounts	The Seller must follow the automated underwriting requirements to determine how to treat the disputed account. The disputed trade line must be considered in the overall DU risk assessment.
F. Past-Due Accounts	Past-due open accounts must be brought current prior to the loan closing and will be factored into the overall credit profile.
G. Collections/ Charge-offs/Liens/ Judgments/ Settled Debts	• Liens impacting title must be satisfied prior to closing. • All collections and charge-offs must be paid if an individual collection or charge-off is equal to or greater than $250.00 or if the cumulative total of collections and charge-offs is greater than $1000.00.
H. Derogatory Housing Payment History	• Borrowers with late mortgage or rent payments in the previous 12 months from the date of the mortgage application are ineligible. Additionally, late mortgage or rent payments in the previous 24 months must be fully explained and carefully considered in the total credit analysis. • First-time home buyers with late rental payments in the previous 24 months are ineligible for purchase.

I. Documenting Housing and Rental Payment History	• An acceptable VOR or cancelled checks and/or supporting bank statements for the most recent 12 or 24 months (based on program requirements) must be provided. • For homes owned free and clear, provide evidence of taxes, property insurance, and association dues. Past due amounts indicated on any of the documentation provided, must be satisfied. • Borrowers renting from a private landlord must provide cancelled checks and/or bank statements for rental verification. • For qualifying purposes, a first-time homebuyer's rental documentation requires at least one borrower has a 24-month rental history. • Peer to peer payment methods can be considered if properly documented with monthly statements or detailed pay histories. • A satisfactory payment history for privately financed mortgages must be documented with the most recent 12 months cancelled checks and/or bank statements. • Borrowers living rent-free must meet the following requirements: ○ The rent-free period must be the months directly preceding or during the loan purchase application process. ○ The rent-free period is consecutive and does not exceed 12 months, ○ The lender obtains an acceptable 12 or 24 months rental history (based on specific program requirements) for the time-frame immediately prior to the rent-free period, and; ○ The file contains an acceptable letter of explanation from the borrower.

J. Qualifying with an Interest Only Mortgage	Borrowers who currently have any of the following, and will be retaining the property associated with this mortgage, must be qualified with the fully amortizing payment and not the interest only optional payment: • Interest only first mortgage; • Option ARM Mortgage (negatively amortizing).

K. Bridge or Swing Loans	The payment must be included in the DTI.
L. Property Settlement Buyout	When a property settlement buyout does not release a borrower from the liability, that are not released from liability, the debt must be included in the DTI.
M. Current Principal Residence Pending Sale	If a borrower has sold but not closed on the sale of their departing residence, the debt must be included in the qualifying ratios.
N. Recurring Obligations-REO Split Ownership	The monthly housing obligation (PITIA) may not be reduced based on the percentage of ownership when ownership is split with non-borrowing individuals. Rental income will be based on the borrower's Schedule E income.

O. Other Real Estate Owned/Multiple Financed Properties	• The borrower may own a maximum of four financed, one- to four-unit residential real properties, including the subject property (regardless of occupancy type). ○ Borrowers on title to a property and not included on the property Mortgage Note as evidenced in the loan file would not be required to include said property in the maximum property count (see Asset Chapter for additional reserve requirements for such scenarios). ○ Co-signed Mortgage Notes must be included in the maximum property count. • Borrowers must have six months PITIA in reserves for each additional property owned by the borrower; this is in addition to the reserves required for the subject property as outlined in Matrices and Asset Sections of these Guidelines. If additional properties are owned free and clear, the six months of insurance, taxes, and association dues (when applicable) must be documented. • Properties in the name of a borrower's business, commercial or residential, typically do not need to be included in this count, when the associated mortgage debt is not the borrower's personal obligation and not reported on the borrower's personal credit report or tax returns.

	• Financed commercial properties that are the borrower's personal obligation must be included in the count of maximum financed properties owned by a borrower. When a commercial property is reported on the personal 1040 tax returns, the property is deemed a personal property unless sufficient evidence is provided to support otherwise. • Vacant land is not typically considered in the count of maximum financed properties.
P. Retaining and Converting Departing Residence (Single Family Only)	When a borrower vacates a current principal residence in favor of another principal residence, the rental income, reduced by the appropriate vacancy factor, may be considered in the underwriting analysis (see chapter 6 Rental Income for all restrictions and requirements). If the borrower is retaining their current departing principal residence and converting it to a second home or investment property, reserve requirements of six months PITIA for the departing residence must be met.

Q. Unacceptable Credit Reports/ Characteristics	**a.** Foreign Credit Reports **b.** Less than 2 Valid Credit Scores per Borrower **c.** Non-Traditional Credit **d.** Thin file Credit **e.** Unresolved Credit Report Red Flags

Chapter Eight: Assets

Chapter Eight outlines the documentation requirements for Confirm and Verify which applies to Assets Assessment as reflected in Sections B3-4.1 through B3-4.3-20 of Fannie Mae Selling Guide Manual Underwriting, and in Compliance with new Qualified Mortgage requirements.

As a result of inconsistencies or legibility concerns or at the discretion of the underwriter, additional information may be requested.

Refer to Fannie Mae Selling Guide Manual Underwriting

Section 8.01 Follow Fannie Mae

For the topics listed below, follow Sections B3-4.1 through B3-4.3-20 of Fannie Mae Selling Guide Manual Underwriting.

A. Acceptable Assets	Age of Documents
	1031 Exchange/ Like-Kind Exchanges
	Anticipated Sales Proceeds
	Bank Accounts/Funds on Deposit in Financial Institutions
	Borrowed Funds secured by an Asset (e.g. Artwork, Collectibles, Autos)
	Cash Value of Life Insurance
	Credit Card Financing
	Earnest Money Deposit (EMD)
	Employee/Employer Relocation Funds
	Evaluating Large Deposits
	Funds Drawn Prior to Consummation from an Existing HELOC
	HOA Payment Abatements
	Lender Contributions/Credits
	Proceeds From Sale of Borrower's Own Real Estate or Personal Assets
	Rent Credit with Option to Purchase
	Repairs noted on Purchase Contract
	US Savings Bonds

AIG Asset Management (U.S.), LLC (AMG) Overlays

AMG is providing the following overlays to Fannie Mae Selling Guide Manual Underwriting requirements related to Asset Assessment. For anything not specifically addressed in this section, or elsewhere in these Jumbo Underwriting Guidelines, defer to the applicable manual underwriting sections in the Fannie Mae Single Family Selling Guide as noted above.

Section 8.02 Overlays to Fannie Mae

A. General Requirements	• All down payment funds, cash to close and reserves must be documented and verified. • Evidence of liquidation of funds necessary for closing must be provided in the closed loan package. • For all Loan Programs, the borrower is required to make a minimum 5% down payment from his or her own assets. • Fannie Mae DU Validation Service (DVS) documentation is acceptable and must meet Fannie Mae requirements, in conjunction with any additional documentation required in these Guidelines.

B. Asset Eligibility Table	Minimum Contribution	Down Payment	Closing Costs	Reserves
Borrowed Funds Secured by Borrower's Own Financial Assets (net of any margin loans)	X	X	X	X
Borrower Earned Real Estate Commission from Subject Transaction (limited to primary residence transactions)	X	X	X	
Bridge Loan-The borrower must qualify with the bridge loan payment. Cross Collateralization is ineligible.	X	X	X	X
Business Assets-See (D) below for additional guidance.	X	X	X	
College Savings Plans/529 Accounts for which borrower(s) is/are not the Intended Recipient-*May only be used as reserves when account has been liquidated.	X	X	X	X (*)
Disaster Relief Grant-Provided the funds are not considered loan funds and there is no subordinate lien to be recorded against the subject property.	X	X		
Employer Assistance Programs-Primary Residence only (may not result in a lien against the property)			X	
Gift Funds -See Section below for full list of requirements.		X	X	
Individual Development Account-Provided the account does not require a subordinate lien to be recorded against the subject property.	X	X	X	X
Interested Party Contributions (IPCs)			X	

B. Asset Eligibility Table	Minimum Contribution	Down Payment	Closing Costs	Reserves
Lot Value (when purchased or inherited by the borrower)	X	X		
Margin Accounts	X	X	X	
Retirement Accounts (401K and IRA)-See (F) below for additional guidance.	X	X	X	X
Stocks/Bonds/Mutual Funds-70 percent of current market value (net of any margin loans). If funds are needed for closing, evidence of liquidation is required	X	X	X	X
Vested Stock Options/Restricted Stock Units—file must contain evidence of liquidation of funds.	X	X	X	X

C. Gift Funds Eligibility	**Occupancy Type**	Primary Residence and Second Home
	Transaction	Purchase and Rate & Term
	Property Type	1 Unit SFR, PUD, & Condo
	Maximum DTI	43% Maximum. 40% First-time Home Buyer
Minimum Contribution	• Gift funds are eligible for down payment and closing costs when a borrower has met a minimum 5% contribution from their own funds.	
Eligible Donors	• Refer to Fannie Mae for eligible donors. • A donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.	
Documentation	• Gifts must be supported with a fully executed gift letter; proof of donor's ability to provide the gift, and evidence the borrower has received the gift funds.	
Other Restrictions	• Gift funds for the purpose of paying off or reducing debt prior to or during the loan transaction would be considered eligible gift funds, provided all gift fund criteria are met. • Gift funds are **not** eligible for reserves. • Gifts of equity are ineligible • All other jumbo guidelines apply.	

D. Business Assets	Business assets are eligible for the borrower's down payment and closing costs. The percentage of business assets withdrawn from an account (for use in the transaction) should be equal to or less than the borrower's percentage of ownership in said business. Business assets are not eligible as reserves. Evidence of the following must be included in the file: • Evidence supporting the borrower has full access to their percentage of the funds. • A cash-flow analysis confirming the withdrawal of said funds will not negatively impact the business.
E. Foreign Assets	• All assets considered in the transaction must be located in US bank accounts. Funds in financial institutions located outside of the US will not be eligible for reserves. • The borrower's source of funds for the down payment and/or closing costs must comply with the Office of Foreign Assets Control (OFAC) Sanctions Programs for funds originating from countries with OFAC sanctions. • Funds originally sourced from foreign accounts must be seasoned in US Bank accounts for a minimum 90 days from application date to be considered in subject transaction.
F. Retirement Accounts/Assets	• Retirement accounts are an eligible source of funds for closing, down payment and reserves. When accessing retirement funds for assets to close, evidence of liquidation and reduction of any applicable penalties must be fully documented. • The portion of self-directed IRA accounts invested in real estate or other non-liquid assets are ineligible as reserves. • If using funds from a retirement account for reserves, a discounted value of 70 percent of the vested balance must be used for qualifying based on market volatility. • Any existing loans secured by a retirement asset must be deducted from the discounted value of the vested balance. • Terms of withdrawal from the account program administrator should be provided when using the account for reserves. • Terms of withdrawal are not required when the 401(k) funds are associated with a previous employer; however, a discounted value of 70 percent of the vested balance must be used for qualifying. • Terms of withdrawal from IRA accounts are not required. • Retirement contributions to 401(k) accounts (including repayment of debt secured by these funds) do not have to be considered in DTI calculation.

G. Interested Party Contributions (IPCs)	IPCs are not permitted to make the borrower's down payment, meet financial reserve requirements, subsidize a temporary interest rate buydown or meet minimum borrower contribution requirements. Interested parties include, but are not limited to builders, realtors, brokers, and sellers.
Maximum Interested Party Contributions	• Primary Residence or Second Home: Cannot be greater than 3 percent of the lesser of the mortgaged property's sales price or its appraised value. • Investment Properties: Cannot be greater than 2 percent of the lesser of the mortgaged property's sales rice or its appraised value.
Auctioneer Fees	See Section 2.14 for treatment of auctioneer fees as interested party contributions.

Builders and Interested Parties Affiliated with Mortgage Lender	If an affiliation exists due to common ownership or control by a Seller (originating lender) over an interested party, or when there is common ownership by a third party over a Seller (originating lender) and interested party; then all sales and financing concessions from these parties are considered in the total allowable interested party contributions.

H. Reserves for Subject Loan	**Occupancy**	**Cash Reserve Requirement**
	Primary residence (1 unit) up to $1,000,000	6 months
	Primary 1 unit Cash-out Refinance	6 months
	Primary residence (1-4 unit) $1,000,001 to $2,500,000	12 months
	Second Home	12 months
	First-time home buyer	12 months
	Investor	18 months
I. Reserves for Other REO	• Borrowers with other properties in addition to the subject property are required to have an additional six months of reserves for each additional property, based on the individual properties PITIA. Evidence of six months taxes, insurance, and association dues are required for properties owned free and clear, as well as for properties which the borrower(s) are on title but not included on the Mortgage Note. • Borrowers who do not currently own a primary residence are required to have six months of rent payments in reserves when financing a second home or investment property. • Reserve calculations for an existing rental property are based on the actual PITIA calculation for that property, rather than the negative cash flow from the property.	
J. Reserves for Retaining/ Converting a Departing Residence	• Borrowers retaining their current departing principal residence and converting it to a second home or investment property must have an additional six months of reserves for the departing residence over and above the required reserves for subject transaction. • If a borrower has sold but not closed on the sale of their departing residence, the debt must be included in the qualifying ratios.	

K. Unacceptable Asset Sources	**a.** Anticipated Savings **b.** Virtual Currency—including currency that has been liquidated within 90 days of application date or borrowed funds secured by virtual currency. **c.** Buydowns **d.** Cash-on-Hand **e.** Cash-out from Subject Transaction **f.** Community Savings Plans and Lending Clubs (Pooled Savings) **g.** Donations and Grants other than Disaster Relief Grants **h.** Down Payment Assistance Programs **i.** Gifts of Equity **j.** Individual Development Account Matching Funds **k.** Irrevocable Custodial Accounts (UGMA/UTMA) **l.** Lot Value (when received as a gift) **m.** New Simultaneous Financing on Subject Property **n.** Non-Vested Restricted Stock Units/Stock Options **o.** Payment Abatements **p.** Pension Funds **q.** Private Funds (from a secured or unsecured loan) **r.** Sales Concessions **s.** Sweat Equity **t.** Trade Equity **u.** Undisclosed IPCs

Chapter Nine: AUS Requirements

Correspondent Lending requires the use of Fannie Mae's Desktop Underwriter® (DU®) for underwriting decisions on all loans. Fannie Mae's Desktop Originator (DO®) findings may not be considered a substitute for DU approval.

Regardless of underwriting method, a full manual underwrite will be required and additional information may be requested at the discretion of the underwriter.

Section 9.01 Documentation Requirements

- Loans underwritten by Desktop Underwriter® (DU®) may not follow the DU Findings Reports, including but not limited to Streamline Refinance requirements.
- Documentation requirements for manual underwriting for Fannie Mae Selling Guide must be provided unless otherwise stated in these Jumbo Underwriting Guidelines or in the Matrices in Chapter One.

Section 9.02 Accuracy and Resubmission Requirements

Data and Accuracy

- The data submitted to DU must reflect the loan as it was closed and as the verification documents support, including occupancy type, product type, amortization, loan term, property type, loan purpose, sales price, and appraised value.

Resubmission of a loan to DU is required if:

- The final DU decision does not reflect the proper risk-class and/or documentation.
- The findings are no longer valid due to an expired submission.
- Information on the previous submission was not true, complete, or accurate.
- The terms of the closed loan does not match the terms of the final loan case-file submission. DU allows specific data tolerances for DTI ratios, assets, reserves, etc.; however, the use of these tolerances is not allowed by AMG. If the loan data changes, resubmission may be required, and the Seller must ensure that the loan continues to meet all requirements of these Jumbo Underwriting Guidelines. Post-closing submission of a loan to DU is acceptable when necessary to correct loan data on the report.

Note: Fannie Mae continuously updates DU with new versions of the system; therefore, when a loan is initially run though a specific version of Desktop Underwriter, any underwriting updates for that same loan must be run through the same version of Desktop Underwriter. Any updated Desktop Underwriter versions will not apply to previously submitted loans.

Section 9.03 AUS Determinations

<table>
<tr><th>Eligible Decisions</th><th>Ineligible Decisions</th></tr>
<tr><td>DU Approve/Ineligible decision for any of the following reasons: loan amount, LTV, cash out amounts (if permissible in these jumbo underwriting guidelines), and cash-out amounts resulting from non-purchase money second lien payoffs as a rate and term refinance.</td><td rowspan="2">Loans submitted to DU that receive the below recommendations (including but not limited to the following) are ineligible:
• Refer with Caution
• Out of Scope</td></tr>
<tr><td>DU Approve/Eligible are acceptable for Fannie Mae eligible High-Balance or Super Conforming loans ($726,201--$1,089,300) when submitted and locked under the jumbo loan program. These files must be manually underwritten and must meet all applicable Correspondent Lending Jumbo Underwriting Guidelines.</td></tr>
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