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				PRODUCT OVERVI	:W					
	_	_	LTV/0	CLTV CREDIT SCORE	MATRIX			_		
				oc Primary Residence			T			
Purpose			AX LTV Manual (FICO < 600)	Max CLTV	Loan Amo	unt	Minimun	n Credit Score		
Purchase	90.0	0%	DU (FICO < 580) 96.50%	N/A ¹				550 ²		
No Cash-Out (Rate/Term & Simple Ref	inance) 90.0	90.00% Manual (FICO < 600) DU (FICO < 580) 97.75% ³		97.75%	FHA Mortgage	Limite		550 ²		
Cash-Out			35.00%	85.00%	<u>inntwortgage</u>	<u>Elitines</u>		550 ²		
Credit Qualified Stream	90.0	90.00% Manual (FICO < 600) DU (FICO < 580)		N/A				550 ²		
Non-Credit Qualified Stre	amline ⁴		N/A N/A	N/A				580 ²		
	» See S » The c » CLTV 2 See FHA FICO 3 RATE/TERM lin If owned less t	econdary are ombined m may not ex Overlay Mar ited to a m an twelve	and <u>Subordinate</u> Financing se aximum mortgage amount ceed 100.00% when financir trix located at <u>www.remnwh.</u> aximum of 85% LTV for a box (12) months, has not occupie	of the 1st and any subordinate I g provided by an individual or olesale.com orrower who has occupied as the did the property for the entire p	ens cannot exceed the FHA Maximu inancial institution. eir principal residence less than twel	ve (12) months	prior to the case assig			
rogram Overview	➤ REMN WS f	ollows the	FHA Single Family Housin	g Policy Handbook 4000.1 e	ccept as stated in these guideline					
HA Loan Limits	➤ High Baland	e ∠-4 tami	ly permitted with minimus Low Cost Area "Floor"	n 620 credit score. See FHA	FICO Overlay matrix.	High Cost A	rea "Ceiling"			
017 - 2018			2017	2018		g cost A	2017	2018		
	1 Ui		\$275,665	\$294,515	1 Unit		\$636,150	\$679,650		
Case number issued	2 Ui		\$352,950	\$377,075	2 Unit		\$814,500	\$870,225		
calendar year)	3 Ui		\$426,625 \$530,150	\$455,800 \$566,425	2 Unit 4 Unit		\$984,525 \$1,223,475	\$1,051,875 \$1,307,175		
	Loans with	the higher	are effective for new case 2018 FHA Loan Limits CA	numbers issued on or after NNOT close prior to January n existing case number can b	1 st , 2018 and must have a new case cancelled and a new case numb		defined above) be	fore the loan can		
HA Loan Limit				Alaska, Hawaii,	Guam & Virgin Islands 2017			2018		
xceptions 017 - 2018			1 Unit		\$721,050		\$1,019,475			
Case numbers issued in			2 Unit		\$923,050		\$1,	305,325		
alendar year)			3 Unit		\$1,115,800					
at Closing Principal Reduction					\$1,386,650 at higher than allowed by FHA. Foredit Officer for evaluation of pri		t occur at closing a			
Allowable Sections of the Housing Act	> 234C: Cond > 203K: (Standard) > 203H: Disas > XXXX/251: A	o lard & Lim er Victims djustable	,							
ligible Transactions	➤ Per the <u>FHA</u>	Single Far		000.1 except those shown in	eligible in these guidelines.					
neligible Fransactions	Temporary Buydown FHA Secure FHA "Back to Work" program									
	➤ Hope for Homeowners									
		> Proposed Construction								
	 MCC (Mortgage Credit Certificate) » Borrower can complete MCC after closing; however, MCC cannot be used to qualify. 									
	 » Borrower can complete MCC after closing; however, MCC cannot be used to qualify. > See Number of Properties Owned/Financed with REMN WS 									
			(a)(6) transactions							
				g short pay off of subject pro lary/subordinate financing o						
				,	es, as this is not considered as le	gally-derived i	ncome based on Fe	deral law.		
	Loans where	a borrow	er(s) has a Deferred Action	n for Childhood Arrivals (DAC	A) status.	-				
RM's			be qualified at the initial in	nterest rate regardless of LT\	•					
ligible Properties	 1 to 4 unit properties Condominiums (Must be FHA Approved at time of case number assignment; HRAP) Townhomes – PUD's (Attached/Detached) 									
	ManufacturMixed Use	ed Homes	– see <u>Manufactured Hom</u>	•	IWholesale.com for detailed guid	elines/criteria.				
				ailed in FHA Handbook 4000 er the Chief Appraiser or the	.1 Chief Credit Officer to determine	the accentable	lity of the collateral	and neighborhoo		
neligible Properties			condominium projects	a. the effici Appraiser of the	S Crean Sincer to determine	. are acceptabl	, or the conditional	aa neighboriloo		
J	> Cooperativ									
			cts managed or operate	d as hotel/motel, hotel/mo	tel conversions)					
	> Unique pro	•								
	Farms, orci									
		-								
	 Rural property with > 10 acres Commercial property 									

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	PRODUCT OVERVIEW
Occupancy	➤ Owner Occupied Primary Residence
	➤ Investment – Streamline transactions ONLY
	All No Cash-Out Rate/Term & Simple Refinance Transactions must be owner-occupied properties
Assumption	> Permitted
Prepayment	> Not Permitted
Penalties	
Temporary	> Not Permitted
Buydown	
Escrow	> Required
Impounds	S 5 5 4 4 4 4 4 4 5 6 4 4 5 6 4 4 5 6 4 4 5 6 4 4 5 6 6 6 6
203(K) Loan	➤ See REMN Wholesale 203k Product Description located at <u>www.remnwholesale.com</u>
Handling of	REMN WS must not accept or use documents relating to the employment, income, assets, or credit of Borrowers that have been handled
Documents	by, or transmitted from or through the equipment of unknown parties, or Interested Parties. REMN WS may not accept or use any third
	party verifications that have been handled by, or transmitted from or through any Interested Party, or the Borrower.
	Information Sent to the REMN WS Electronically REMN WS must authenticate all documents received electronically by examining the source identifiers (e.g., the fax banner header
	or the sender's email address) or contacting the source of the document by telephone to verify the document's validity.
	REMN WS must document the name and telephone number of the individual with whom the Mortgagee verified the validity of the
	document.
	Information Obtained via Internet
	REMN WS must authenticate documents obtained from an Internet website and examine portions of printouts downloaded from
	the Internet including the Uniform Resource Locator (URL) address, as well as the date and time the documents were printed.
	» REMN WS must visit the URL or the main website listed in the URL if the page is password protected to verify the website
	exists and print out evidence documenting the Mortgagee's visit to the URL and website.
	> Documentation obtained through the Internet must contain the same information as would be found in an original hard copy of
	the document.
Lava Zone	> Not eligible for properties located in Lava Zones 1 & 2
Properties	No restrictions for properties located in Lava Zone 3 or higher.
Eligibility of FHA-	> Mandatory Rejection of Borrower
Insured Financing	» A borrower is not eligible to participate in FHA-insured mortgages if he/she is suspended, debarred or otherwise excluded
	from participating in the HUD Programs. REMN WS must reject the borrower from participation if the borrower is on:
	HUD Limited Denial or Participation (LDP) list,
	 US General Services Administration (GSA) List of Parties Excluded from Federal Procurement or Non-Procurement
	Programs; and/or, HUD's Credit Alert Interactive Visica Response System (CATVPS), unless an exception exists as noted in Perceyeers
	 HUD's Credit Alert Interactive Voice Response System (CAIVRS), unless an exception exists as noted in <u>Borrowers</u> Delinquent on Federal Non-Tax Debt.
LDP, GSA, CAIVRS	> The following parties must be checked against the LDP & GSA Lists (First, Middle, Last Name)
LDI, GDA, CAIVIG	» Borrower(s) » Loan Officer & Broker Company
	» Seller(s), except when selling principal residence » Appraiser
	» Listing Realtor/Agent » Selling Realtor/Agent
	» 203K Consultant » Underwriter
	» Closing Agent » Loan Processor
	» Title Company
	The HUD LDP List can be found at https://www5.hud.gov/ecpcis/main/ECPCIS List.jsp
	The GSA List can be found at https://www.sam.gov/portal/public/SAM/
	» HUD 92900LT – LDP/GSA box should be marked to indicate whether or not the borrower(s) appear on these list, not that
	the list were actually checked. YES should ONLY be marked if borrower(s) are on the list.
	FHFA's Suspended Counterparty Program List can now be verified within the DataVerify report.
	CAIVRS can be found on FHA Connection at https://entp.hud.gov/caivrs/public/home.html .

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PRODUCT OVERVIEW **Borrowers with** Standard Borrowers with delinquent Federal Tax Debt are ineligible. **Delinquent** Tax liens may remain unpaid if the Borrower has entered into a valid repayment agreement with the federal agency owed **Federal Tax** to make regular payments on the debt and the Borrower has made timely payments for at least three (3) months of **Debt** scheduled payments. The Borrower cannot prepay scheduled payments in order to meet the required minimum of three (3) months of payments. REMN WS must include the payment amount in the agreement in the calculation of the Debt-to-Income (DTI) ratio. Verification REMN WS must check public records and credit information to verify that the Borrower is not presently delinquent on any Federal Debt and does not have a tax lien placed against their Property for a debt owed to the federal government. REMN WS must include documentation from the IRS evidencing the repayment agreement and verification of payments made, if applicable. Standard **Borrowers with** REMN WS is prohibited from processing an application for an FHA-insured Mortgage for Borrowers with delinquent **Delinguent** federal non-tax debt, including deficiency judgments and other debt associated with past FHA-insured Mortgages. **Federal Non-**REMN WS is required to determine whether the Borrowers have delinquent federal non-tax debt. REMN WS may obtain **Tax Debt** information on delinquent Federal Debts from public records, credit reports or equivalent, and must check all Borrowers against the Credit Alert Verification Reporting System (CAIVRS). Verification If a delinquent Federal Debt is reflected in a public record, credit report or equivalent, or CAIVRS or an Equivalent System, REMN WS must verify the validity and delinquency status of the debt by contacting the creditor agency to whom the debt is owed. If the debt was identified through CAIVRS, REMN WS must contact the creditor agency using the contact phone number and debt reference number reflected in the Borrower's CAIVRS report. If the creditor agency confirms that the debt is valid and in delinquent status as defined by the Debt Collection Improvement Act, then the Borrower is ineligible for an FHA-insured Mortgage until the Borrower resolves the debt with the REMN WS may not deny a Mortgage solely on the basis of CAIVRS information that has not been verified by REMN WS. If resolved either by determining that the information in CAIVRS is no longer valid or by resolving the delinquent status as stated above, the Mortgagee may continue to process the mortgage application. In order for a Borrower with verified delinquent Federal Debt to become eligible, the Borrower must resolve their federal non-tax debt in accordance with the Debt Collection Improvement Act. The creditor agency that is owed the debt can verify that the debt has been resolved in accordance with the Debt Collection Improvement Act. Required Documentation REMN WS must include documentation from the creditor agency to support the verification and resolution of the debt. For debt reported through CAIVRS, REMN WS may obtain evidence of resolution by obtaining a clear CAIVRS report. In order for FHA to insure the maximum loan amount, the borrower must make a required investment of at least 3.5% of **Borrower** the lesser of the appraised value or the sales price of the property Required Newly constructed properties existing less than one (1) year **Investment** For purchase transactions; the maximum LTV is 96.50%. Special requirements for maximum financing on newly constructed properties existing less than one (1) year see Proposed/Under Construction/Existing (less than 1 year old) Closing Costs as Required Investment Closing costs (non-recurring closing costs, prepaid expenses and discount points) may not be used to help meet the borrower's minimum required investment). Credit Card Payment for Appraisal/Credit Report The borrower may use a credit card to pay for the appraisal and/or credit report. These costs cannot be considered to help meet the required investment. Tax Exemptions, > There can be no uncertainty about whether the borrower qualifies for the homestead, abatement or other tax exemption or **Abatements** In order for the lower amount to be used for qualifying purposes; the abatement, homestead or exception must remain in place for a minimum of three (3) years after closing, and REMN WS can document the abated amount with the taxing NOTE: If the Underwriter has knowledge that a "Homestead" is considered "Permanent" (example: Florida – OR – Single Family in IL), the time period does not need to be documented and the UW can note the same on the HUD-92900LT FHA Loan Transmittal.

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PRODUCT OVERVIEW 203(h) Disaster Section 203(h) of the National Housing Act authorizes FHA to insure Mortgages to victims of a Presidentially-Declared Major **Victims** Disaster Area (PDMDA) for the purchase or reconstruction of a Single Family property. Mortgages to be insured under Section 203(h) must be processed and underwritten in accordance with the regulations and requirements applicable to the 203(b) program. Where 203(b) program guidance conflicts with the specific requirements on Section 203(h) Mortgages (see below), the below requirements will apply: **Borrower Eligibility** Eligibility Application Deadline 203(h) Requirements The FHA case number must be assigned within one (1) year of the date the PDMDA is declared, unless an additional period of eligibility is provided. The mortgaged property must be the borrower's principal residence. Credit Score Existing REMN credit score requirements & overlays apply – see Credit Score Overlays chart **Property Eligibility** The previous residence (owned or rented) must have been located in a PDMDA and destroyed or damaged to such an extent that reconstruction or replacement is necessary. A list of affected counties and cities and corresponding disaster declarations are provided by the Federal Emergency Management Agency (FEMA). The purchased or reconstructed property must be a Single Family Property or a unit in an FHAapproved Condominium project. Minimum Required Investment/Maximum Loan-to-Value The borrower is not required to make the Minimum Required Investment (MRI). The maximum Loan-to-Value (LTV) ratio limit is 100% of the Adjusted Value. If a 203(k) is used in conjunction with a 203(h), the 203(k) LTV ratio applies. <u>Underwriting</u> REMN WS is required to make every effort to obtain traditional documentation regarding employment, assets and credit, and must document their attempts. documentation is unavailable, then alternative documentation may be used (as outlined below). If specific requirements are not provided below, REMN WS may use alternative documentation that is reasonable and prudent to rely upon in underwriting a Mortgage Credit - For borrowers with derogatory credit, REMN WS may consider the Borrower a satisfactory credit risk if the credit report indicates satisfactory credit prior to a disaster, and any derogatory credit subsequent to the date of the disaster is related to the effects of the disaster. Income - If prior employment cannot be verified because records were destroyed by the disaster, and the borrower is in the same/similar field, then FHA will accept W-2's and tax returns from the Internal Revenue Service (IRS) to confirm prior employment and income. REMN WS may also include short-term employment obtained following the disaster in the calculation of Effective Income Liabilities - when a borrower is purchasing a new home, REMN WS may exclude the mortgage payment on the destroyed residence located in the PDMDA from the borrower's liabilities. To exclude the mortgage payment from the liabilities, REMN WS must; Obtain information that the borrower is working with the servicer to appropriately address their mortgage obligation: and Apply any property insurance proceeds to the mortgage of the damaged house. Assets - If traditional asset documentation is not available, REMN WS may use statements downloaded from the borrower's financial institution website to confirm the borrower has sufficient assets to close the Mortgage. Housing Payment History – 0x30 (i.e. no mortgage lates) payment history prior to the disaster **Note**: This applies only in cases where the mortgage history is known from the credit report and/or when a housing history is obtained based on underwriting criteria (e.g. lower FICO buckets, manual underwrites, etc.). REMN WS must document and verify that the Borrower's previous residence was in the disaster area, and 203(h) **Eligibility** was destroyed or damaged to such an extent that reconstruction or replacement is necessary. **Documentation** Documentation attesting to the damage of the previous house must accompany the mortgage application. Requirements If purchasing a new house, the house need not be located in the area where the previous house was Refinancing is permitted in conjunction with rehabilitation. 203(h) Refinancing **Policy** Damaged residences located in a PDMDA are eligible for Section 203(k) mortgage insurance, regardless of Using Section the age of the property. The residence only needs to have been completed and ready for occupancy for 203(k) with 203(h) eligibility under Section 203(k). All other Section 203(k) policies must be followed. for Rehabilitation

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		PRODUCT OVERVIEW						
Texas Home Equity	> Article XVI, Section 50 (a)(6)	of the Texas Constitution allows first or second mortgages secured by a homestead property for the						
50(a)(6)	purpose of taking out equity. A mortgage originated under this Section is referred to as a "Texas Equity Loan" or "Texas Section 50(a)(6) Loan".							
	There are two (2) scenarios that legally classify a mortgage as a Texas Home Equity (a)(6) loan;							
	A new loan is originated for the purpose of taking equity (cash-out); or,							
	_	e Equity (a)(6) loan; regardless of whether the borrower receives any cash at closing.						
	_	ne (1) Texas Home Equity (a)(6) loan on a property at any one (1) time.						
		ity 50(a)(6) loan may be closed in any 12 month period.						
	1	re not eligible under FHA financing.						
Power of Attorney	The <i>initial</i> mortgage applica	tion <u>may not</u> be executed by using a power of attorney, except in circumstances as indicated in the						
	table below.							
	Permissible Use of a POA for	Policy Description						
	Loan Application							
	Military Personnel	For military personnel, a power of attorney may only be used for one of the applications (initial						
		or final), but not both:						
		» When the service member is on overseas duty or on an unaccompanied tour;						
		» When REMN WS is unable to obtain the absent Borrower's signature on the application						
		by mail or via fax; and						
		» Where the attorney-in-fact has specific authority to encumber the property and to						
		obligate the Borrower. Acceptable evidence includes a durable POA specifically						
	To a constitute of Domestic constitution	designed to survive incapacity and avoid the need for court proceedings.						
	Incapacitated Borrowers	For incapacitated Borrowers, a power of attorney may be used where:						
		» A Borrower is incapacitated and unable to sign the mortgage application;						
		» The incapacitated individual will occupy the Property to be insured; and						
		» Where the attorney-in-fact has specific authority to encumber the property and to						
		obligate the Borrower. Acceptable evidence includes a durable POA specifically						
	A Downson many designate a	designed to survive incapacity and avoid the need for court proceedings.						
		A Borrower may designate an attorney-in-fact to use a Power of Attorney (POA) to sign documents on their behalf at closing,						
	including page 4 of the final HUD-92900-A, HUD/VA Addendum to Uniform Residential Loan Application and the final Fannie Mae							
	Form1003/Freddie Mac Form 65, Uniform Residential Loan Application (URLA).							
		e state law, or as stated in the Exception below, or they are the Borrower's Family Member, none of the						
	following persons connected to the transaction may sign the security instrument or Note as the attorney-in-fact under a POA: » Mortgagee, or any employee or Affiliate;							
		proyer or employee, by providing the title insurance policy, the title agent closing the Mortgage, or any of their Affiliates; or						
		or any person affiliated with such real estate agent.						
		rence the complete REMN WS <u>POA Policy & Procedure Checklist</u> .						
Case Numbers		(6) months must be canceled and a new case number obtained when there has been no activity during						
>6 Months	the six (6) months.	of months must be canceled and a new case number obtained when there has been no activity during						
- O MONUIS	` '	HA Connection to verify your case number is active.						
Case Number		FHA guidelines concerning Case Numbers.						
Request								
request	 Request case numbers only when there is an active loan for the subject borrower and property. Certify at the time of requesting a case number that there is an active loan application for the subject borrower and 							
	» Certify at the time of requesting a case number that there is an active loan application for the subject borrower and property; and,							
		ct borrower(s) name and social security number for all new construction (proposed construction and						
	,	on less than one (1) year old).						
		lender's "test cases" that were submitted to HUD and conditionally approved (or rejected), the transfer						
	of the file should not be acce							
		would reflect "Direct Endorsement Preclosing Review (ADP Code 703)" in these instances.						
Automatic Case		an uninsured case number where there has been no activity for six (6) months since the last action						
Number	taken, except for;							
Cancellations	» An appraisal update; or	r.						
	» Transmission of the UF							
	Last action taken includes;							
	» Case number assignme	ent						
	» Appraisal information e							
	» Insurance application re	» Insurance application received and subsequent updates; and,						
	1	·						
	» Notice of Return (NOR)	·						

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		PRODUCT OVERVIEW
Transactions	>	Certain types of loan transactions affect the amount of financing available to a borrower and how the maximum mortgage
		amount is calculated. These transactions include;
Affecting		» Identity-of-Interest,
Maximum		» Non-Occupying Co-Borrowers,
Mortgage		» 3-4 Unit Properties,
		 Build on Own Land – Properties where a house will be constructed by a borrower,
		 Build off Own Land – Properties where a nouse will be constructed by a boffower, On his/her own land; and/or
		As a licensed General Contractor
		» Paying Off Land Contracts; and,
		» New Construction
		 Under Construction; or,
		Less than one (1) year old
		» Refinance transactions for properties owned and occupied less than twelve (12) months.
Paying Off Land	>	When the purpose of the new mortgage is to pay off an outstanding recorded land contract, the unpaid principal balance
Contracts		shall be deemed to be the outstanding balance of the recorded land contract.
	>	Properties to be acquired through an unrecorded land contract must be treated as a purchase.
3-4 Unit	>	The maximum mortgage amount for 3-4 unit properties is limited so that the ratio of the monthly mortgage payment,
Properties		divided by the monthly net rental income does not exceed 100%
	>	Form HUD 92561 Borrowers Contract with Respect to Hotel and Transient Use of Property is required at application for all
		multi-unit properties.
	>	Net Rental Income Calculation
		» Net rental income is used to determine the maximum loan amount for 3-4 unit properties.
	>	Net Rental Income is calculated by;
		» Using the appraiser's estimate of fair market rents from all units; including the unit the borrower chooses to occupy,
		and,
		» Subtracting the greater of the appraiser's estimate for vacancies; or,
		» Vacancy factor of 25%. HOC no longer determines vacancy factor.
	>	The borrower must still qualify for the mortgage based on;
		Seriotic must still qualify for the mortgage based on, Credit, income, cash to close and projected rents received from the remaining units.
	>	Projected rent may only be considered gross income for qualifying purposes. It cannot be used to offset the monthly
	>	mortgage payment.
	1	Reserves The horrower must have personal recones equivalent to three (2) months BITI navements after closing
		» The borrower must have personal reserves equivalent to three (3) months PITI payments after closing.
D 11 1 0	_	» Incidental cash back or borrowed funds cannot be used to meet reserve requirements.
Build on Own	>	A borrower is eligible for financing if he/she;
Land		» Owns the subject property for a minimum of six (6) months from date of new case assignment
		» Has contracted with a builder to construct the improvements. The builder must be a licensed general contractor. The
		Borrower may act as the general contractor, only if the Borrower is also a licensed general contractor.
		» Receives no cash from the settlement.
	>	LTV Limits
		» When building on a borrower's own property, appropriate LTV limits are applied to the lesser of the;
		 Appraised value of the proposed home and land; or,
		 Documented cost of the property.
		» Documented cost of the property includes;
		 Builder's price or sum of all subcontractor bids and materials; if the land is purchased from the builder, the
		cost must be included in the builder's price to build.
		 Value of the land as shown in the site value of the appraisal; and
		 Interest and other costs association with any construction loan obtained by the borrower to fund the
		construction of the property.
	»	Required Documentation
		» REMN WS must document the cash investment was from an acceptable source of funds in accordance with TOTAL or
		Manual underwriting requirements as applicable
		» REMN WS must document the cost and date of purchase of the land, if already owned, by obtaining the Settlement
		Statement or similar legal document
M.	>	The Appraiser must be provided with a fully executed form HUD-92541, signed and dated no more than 30 days prior to
New		the date the appraisal was ordered.
New	4	Properties 90% completed or less, a copy of the floor plan, plot plan, and any other exhibits necessary to allow the
Construction -	>	
Construction – Documents to	>	
Construction -		Appraiser to determine the size and level of finish of the house they are appraising must be provided.
Construction – Documents to	A	

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New Construction – Proposed, Under Construction, Existing (<1 year old)

PRODUCT OVERVIEW

- Properties that are proposed, under construction, or were completed within one (1) year as defined below:
 - » Proposed Construction refers to a Property where no concrete or permanent material has been placed. Digging of footing and placement of rebar is not considered permanent. These are not eligible for financing with REMN WS.
 - » Under Construction refers to the period from the first placement of permanent material to 100% completion with no Certificate of Occupancy (CO) or equivalent.
 - » Existing for Less than One Year refers to a property that is 100% complete and have been completed less than one (1) year from the date of the issuance of the CO or equivalent. The property must have never been occupied.
- > Pre-Approval refers to properties that are less than one (1) year old and meet one of the following requirements:
 - » The Property was appraised and the Mortgagee issued form HUD-92800.5B, Conditional Commitment Direct Endorsement Statement of Appraised Value, before construction started;
 - » A building permit or its equivalent has been issued by a local jurisdiction (not applicable to Manufactured Housing); or
 - » The Mortgagee issued an Early Start Letter.
- > Inspections or Warranties for Maximum Financing:
 - » Proposed Construction These are not eligible for financing with REMN WS.
 - » Under Construction REMN WS must obtain:
 - Copies of the building permit and CO (or equivalent); or
 - A 10-year warranty and final inspection issued by the local authority with jurisdiction over the Property or an FHA Roster Inspector
 - » Existing for Less Than One Year (100% Complete) REMN WS must obtain:
 - Copies of the building permit and CO (or equivalent); or
 - A 10-year warranty and final inspection issued by the local authority with jurisdiction over the Property or an FHA Roster Inspector; or
 - An appraisal evidencing the Property is 100% complete.

New Construction – Required Documentation for Maximum Financing

REMN WS must obtain and include the following documents in the case binder:

- Form HUD-92541, Builder's Certification of Plans, Specifications, and Site;
- Form HUD 92544, Warranty of Completion of Construction;
- Evidence that the Property was pre-approved for the 10-year warranty plan:
 - » Evidence of pre-approval is the Early Start Letter or copy of the building permit issued by the local authority prior to start of construction
 - » For a 10-year warranty plan, evidence of acceptance or enrollment in the plan is required; the application alone is not acceptable
- Required inspections;
- Wood Infestation Report, unless the property is located in an area of no-to-slight infestation as indicated in HUD's <u>Termite Treatment Exception Areas</u> list;
 - » Form HUD-NPMA-99-A, Subterranean Termite Protection Builder's Guarantee, is required for all New Construction. If the building is constructed with steel, masonry or concrete building components with only minor interior wood trim and roof sheathing, no treatment is needed. REMN WS must ensure that the builder notes on the form that the construction is masonry, steel, or concrete.
 - » Form HUD-NPMA-99-B, *New Construction Subterranean Termite Service Record*, is required when the proposed Property is treated with a soil chemical termiticide. REMN WS must reject the use of post construction soil treatment when the termiticide is applied only around the perimeter of the foundation
- > Local Health Authority well water analysis and/or septic report, where required by the local jurisdictional authority.

New Construction – Financing LTV Limit

- Properties that are Under Construction or Existing for Less than One Year are limited to a 90 percent LTV unless they meet the Pre-Approval requirements or are covered with a HUD-accepted insured ten-year protection plan, and they meet the Required Documentation for Maximum Financing.
- For Mortgage with an LTV of 90% or less, REMN WS must obtain:
 - » Form HUD-92541, Builder's Certification of Plans, Specifications, and Site;
 - » Final inspection or appraisal, if the Property is 100 percent complete;
 - » Wood Infestation Report, unless the property is located in an area of no-to-slight infestation as indicated in HUD's "Termite Treatment Exception Areas" list;
 - Form HUD-NPMA-99-A, Subterranean Termite Protection Builder's Guarantee, is required for all New Construction. If the building is constructed with steel, masonry or concrete building components with only minor interior wood trim and roof sheathing, no treatment is needed. REMN WS must ensure that the builder notes that the construction is masonry, steel, or concrete.
 - Form HUD-NPMA-99-B, New Construction Subterranean Termite Service Record, is required when the proposed Property is treated with a soil chemical termiticide. REMN WS must reject the use of post construction soil treatment when the termiticide is applied only around the perimeter of the foundation.
 - Local Health Authority well water analysis and/or septic report, where required by the local jurisdictional authority.

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PRODUCT OVERVIEW **HUD REO Insured HUD REO Property Purchase Programs** Section 203(b) With Repair Escrow - The HUD REO Property does not meet HUD's MPR in its as-is condition, but if repairs of no more than \$10,000 are completed, the HUD REO Property would meet HUD's MPR. An escrow account to complete the repairs necessary to meet MPR after closing is required. Section 203(k) - The HUD REO Property does not qualify for Section 203(b) or Section 203(b) with Repair Escrow, and is eligible for FHA-insured financing only under Section 203(k). \$100 Down - The \$100 Down sales incentive permits a Borrower to purchase a HUD REO Property with FHA-insured financing with a minimum down payment of \$100. \$100 Down purchases may be processed as Section 203(b), Section 203(b) with Repair Escrow, or Section 203(k). **Contract Sales Terms** Line 4 of the sales contract will specify the Insured HUD REO Property Purchase Program under which the Borrower is applying, the down payment, and the mortgage amount. Regardless of the Insured HUD REO Property Purchase Program entered on Line 4 of form HUD-9548, REMN WS must determine the eligibility of the Property, the eligibility of the Borrower, and the specific Insured HUD REO Property Purchase Program that must be used to finance the purchase. \$100 Down Where the Borrower has been approved for the \$100 Down sales incentive, the amount of the cash down payment specified on Line 4 will be \$100. Closing Costs and Sales Commissions Paid by HUD The amount on Line 5 specifies the amount of closing costs that HUD will pay on behalf of the Borrower. The amounts on Line 6a and 6b represent the sales commissions HUD will pay to the selling and listing broker. Contributions by HUD toward the Borrower's closing costs are not defined as Interested Party Contributions (TOTAL or Manual) or Inducements to Purchase Section 203(b) and Section 203(b) With Repair Escrow REMN WS must select "Real Estate Owned w/Appraisal" for Processing Type and enter the case number of the HUD REO Property in the Prior Case Number field. The HUD REO Property case number can be found on the top right-hand corner of form HUD-9548. REMN WS must select "Real Estate Owned w/Appraisal" for Processing Type and enter the case number of the HUD REO Property in the Prior Case Number field. The HUD REO Property case number can be found on the top right-hand corner of form HUD-9548. **Maximum Mortgage Amounts** REMN WS must calculate the maximum mortgage amount in accordance with the requirements of calculating maximum mortgage amounts for purchasing with a maximum LTV of 96.50%. Section 203(b) with Repair Escrow - The maximum mortgage amount is initially calculated in accordance with the requirements for a purchase transaction, then we must add the amount resulting from the calculation of the amount of an escrow account for the completion of the repairs after closing. The maximum escrow amount must be based on the sum of the repairs required to meet the intent of HUD's MPR, plus a ten (10%) percent contingency, must not exceed \$11,000.00 In all cases other than those listed below, the borrower is not eligible to acquire another FHA insured mortgage until he/she has More than one FHA either Loan Paid off the FHA-insured mortgage on the previous residence; or, Terminated ownership of that residence. Relocation A borrower may be eligible to obtain another FHA-insured mortgage without being required to sell an existing property covered by an FHA-insured mortgage, if the borrower is; Relocating or has relocated due to an employment-related reason, and Establishing or has established a new principal residence in an area outside of 100 miles from his/her current principal residence. If the borrower subsequently returns to the area where he/she owns a property with an FHA-insured mortgage, his/she is not required to re-establish primary residence in that property in order to be eligible for another FHA-insured mortgage on a new principal residence provided the criteria in the two bullet-points above have been met. A borrower may be eligible for another home with an FHA-insured mortgage if the number of his/her legal Increase in **Family Size** dependents increases to the point the present house no longer meets the family's needs. The borrower must provide satisfactory evidence of; The increase in dependents and the property's failure to meet family needs; and, That the LTV ratio equals 75% or less, based on the outstanding mortgage balance and a current appraisal. If not, the borrower must pay the loan down to 75% or less. NOTE: A current residential appraisal must be used to determine LTV compliance. Tax assessments and market analysis by real estate brokers are not acceptable proof of LTV compliance. Vacating a A borrower may be eligible for another FHA-insured mortgage if he/she is vacating a residence (with no intent **Jointly Owned** to return) that will remain occupied by an existing co-borrower. Example: A couple is divorcing and the vacating ex-spouse will purchase another home. **Property Non-Occupying** A Non-Occupying Co-Borrower on an existing FHA-insured mortgage may qualify for an FHA-insured mortgage on a new property to be their own principal residence. Co-Borrowei

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	PRODUCT OVERVIEW
Purchase	Mortgage Amount Limited to: 96.50% LTV of the lesser of sales price or appraised value.
	> If the subject property is purchased at auction, the buyer's premium may be included in the calculation of the final sales
	price, so long as the amount of the buyer's premium is reasonable and customary (i.e. amount that is consistent with a
	typical auction transaction in the area).
No Cash-Out	A No Cash-Out refinance is a refinance of any mortgage in which the mortgage proceeds are limited to the purpose of
Refinance	extinguishing the existing debt and costs associated with the transaction.
	Three (3) types of No Cash-Out Refinance – Rate/Term, Simple and Streamline
D	REMN WS to REMN WS rate/term refinance; there are no credit overlays, follow straight agency guides.
Rate/Term	Permitted on owner-occupied principal residences only. > REMN WS must review the Borrower's employment documentation or obtain utilities bills to evidence the Borrower
Refinance	currently occupies the property and determine the length of time the borrower has occupied the subject property as their
	Principal Residence.
	Manually Underwritten Mortgages:
	Less than six (6) months of mortgage payment history, the Borrower must have made all payments within the month due.
	For Greater than six (6) months of mortgage payment history, the Borrower must have made all mortgage payments within the
	month due for six (6) months prior to case number assignment and have no more than one (1) 30-day late payment for the
	previous six (6) months for all mortgages.
	> The Borrower must have made the payments for all mortgages secured by the subject property for the month prior to
	REMN WS disbursement.
	> If the mortgage on the subject property is not reported in the Borrower's credit report, REMN WS must obtain a verification
	of mortgage to evidence payment history for the previous twelve (12) months.
	Mortgage Amount limited to the following:
	> 97.75% LTV/CLTV if property has been owned and occupied as a primary residence for twelve (12) months at time of new
	case number assignment > 85% LTV/CLTV if subject property has been occupied as a primary residence for less than 12mos from date of new case
	number assignment; or if owned less than 12mos, it has not been occupied for that entire ownership period.
	> 85% for all HUD-approved Secondary Residences
	Maximum Mortgage Amount for Rate/Term Refinance:
	> The Lesser of:
	» The FHA Loan Limits;
	» The maximum LTV based on the LTV ratio above; or
	» The sum of existing debt and costs associated with the transaction as follows;
	» Existing debt includes:
	The unpaid principal balance of the first mortgage as of the month prior to REMN WS disbursement;
	The unpaid principal balance of any purchase monthly junior mortgages as of the month prior to REMN
	WS disbursement;
	o Payoff of a Property Assessed Clean Energy (PACE) or HERO loan cannot be included in a rate-term
	refinance; payoff of these loans must be considered a cash-out refinance. • The unpaid principal balance of any junior liens over twelve (12) months old as of the date of REMN WS
	disbursement. If the balance or any portion of an equity line of credit in excess of \$1,000 was advanced
	within the past twelve (12) months and was for purposes other than repairs and rehabilitation of the
	property, the portion above and beyond \$1,000 of the line of credit is not eligible for inclusion in the new
	mortgage;
	Ex-spouse or Co-Borrower equity; as described in <u>Refinancing to Buy out Title-Holder Equity</u> ;
	Interest due on the existing mortgage(s);
	Mortgage Insurance Premium (MIP) on the existing mortgage;
	Any prepayment penalties assessed;
	Late charges; and
	Escrow shortages.
	» Allowed costs include all Borrower paid costs associated with the new mortgage; and
	» Any Borrower – paid repairs required by the appraisal.
	 Less any refund of the Upfront Mortgage Insurance Premium (UFMIP), if financed in the original mortgage. HELOC must use the maximum accessible credit limit of the subordinate lien to calculate the CLTV ratio.
	 HELOC must use the maximum accessible credit limit of the subordinate lien to calculate the CLTV ratio. Cash back to the borrower cannot exceed \$500; additional restrictions apply in the state of Texas.
Simple	 Cash back to the borrower cannot exceed \$500, additional restrictions apply in the state of Texas. Simple Refinance refers to a no cash-out refinance of an existing FHA-insured mortgage in which all proceeds are used to
Refinance	pay the existing FHA-insured mortgage lien on the subject property and costs associated with that transaction.
Kerinance	Mortgage Amount limited to 97.75% LTV/CLTV
	» The sum of unpaid principal balance of the FHA-insured first mortgage, closing costs, pre-paid items
	» Cash back to the borrower cannot exceed \$500; additional restrictions apply in the state of Texas.

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PRODUCT OVERVIEW Cash-Out A cash-out refinance is a refinance of any mortgage or a withdrawal of equity where no mortgage currently exists, in which the mortgage proceeds are not limited to specific purposes. Refinance Mortgage Amount Limited to: 85% LTV/CLTV Cash-out refinance transactions are only permitted on owner-occupied principal residences. The property securing the cash-out refinance must have been owned and occupied by all Borrowers as their principal residence for the 12 months prior to the date of case number assignment. Inheritance exception – The borrower is not required to occupy the property for a minimum period of time before applying for a cash-out refinance, provided the Borrower has not treated the subject property as an investment property at any point since inheritance of the property. If the borrower rents the property following inheritance, the Borrower is not eligible for a cashout refinance until the Borrower has occupied the property as a principal residence for at least 12 months. REMN WS must review the Borrower's employment documentation or obtain utilities bills to evidence the borrower has occupied the subject property as their principal residence for the 12 months prior to case number assignment. REMN WS must document that the borrower has made all payments for all their mortgages within the month due for the previous 12 months or since the borrower obtained the mortgages, whichever is less. Additionally, the payments for all mortgages secured by the subject property must have been paid within the month due for the month prior to REMN WS mortgage disbursement. The mortgage must be manually downgraded to a Refer and manually underwritten if any mortgage trade line, including mortgage line of credit payments reflects: A current delinquency; or Any delinquency within 12 months of the case number assignment date. A mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments. See Manual Downgrade mortgage history requirements. Properties with mortgage must have a minimum of six (6) months of mortgage payments. Properties owned free and clear may be refinanced as cash-out transactions. Pay the current unpaid principal balance of the existing first mortgage, closing costs, points, pre-paid items, subordinate liens and additional cash to the borrower. Subordinate liens – No seasoning requirement. Borrower(s) currently delinquent are not eligible. Borrower(s) who have had a mortgage delinquency within the most recent 12 months must be downgraded to a manual underwrite, and will only be eligible if the delinquency occurred due to an acceptable extenuating circumstance. A minimum six (6) months payment history on the existing mortgage is required. A minimum of 210 (calendar) days must have passed between the 1st payment date of the new refinance (subject property) and the 1st payment date of the loan being refinanced. FHA does not have a 210 (calendar) day requirement, however, in order to securitize loans, this GNMA guidance must be followed. Co-borrowers or co-signers added to the Note or currently on the Note must occupy the property securing the new FHA-insured mortgage. Non-occupant co-borrowers or co-signers may not be added to the Note to meet credit underwriting guidelines. A borrower may request a non-occupant co-borrower be added to the loan; however, no income, assets or credit are being used to qualify the borrower occupying the property. Value determination if the property is based on the current appraised value. When the purpose of the new mortgage is to refinance an existing mortgage to buy out an existing title-holder's equity, the Refinancing to specified equity to be paid is considered property-related indebtedness and eligible to be included in the new mortgage calculation. **Buy Out Title-**REMN WS must obtain the divorce decree, settlement agreement or other legally enforceable equity agreement to document the **Holder Equity** equity awarded to the title-holder. REMN WS Overlays do not apply on rate/term REMN to REMN refinances; they do apply on cash out REMN to REMN refinances. **REMN WS to** Note: If, for a rate/term refinance, the credit report reflects the servicer as REMN WS, yet the loan has been subsequently sold and **REMN WS** REMN WS is no longer the servicer, the underwriter may underwrite the loan without using REMN WS credit overlays. For all other Refinance purposes (Encompass entry, netting of escrows, etc.), the loan should not be considered a REMN to REMN refinance as REMN WS is **Transactions** not the existing servicer. For complete information on Internal Refinances/REMN to REMN, see REMN WS Bulletin 2015-07. Non-Credit Qualifying Streamline – Credit report is not required; therefore options are: Mortgage Only Credit Report - OR -If serviced by REMN, satisfactory payment history and loan information from REMN; if serviced by Cenlar, satisfactory payment history and loan information from Cenlar. **Subordinate** The combined mortgage amount of the first mortgage and any subordinate liens cannot exceed the FHA Mortgage Limits. Rate/Term Refinance – maximum CLTV ratio for a Rate/Term refinance is 97.75%. **Financing** HELOC - Use the maximum accessible credit limit to calculate the CLTV ratio. Streamline - existing subordinate financing, in place at the time of case number assignment, must be re-subordinated to the Streamline Refinance New subordinate financing is permitted only where the proceeds of the subordinate financing are used to: Reduce the principal amount of the existing FHA-insured mortgage; or Finance the origination fees, other closing costs or discount points associated with the refinance. There is no maximum CLTV for a Streamline Refinance. See Secondary Financing for additional information.

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			PRODUCT OVERVIEV	V					
Credit	> There is no restriction or prohibition for converting a Credit Qualifying streamline loan to a Non-Credit Qualifying loan, so								
Qualifying to	long as the loan file meets Non-Credit Qualifying eligibility criteria.								
Non-Credit									
Qualifying									
Conversion									
Streamline	Credit Qualifyi	Credit Qualifying							
Borrower									
Eligibility	Non-Credit Qualifying								
,	> Individuals may be added to the title and mortgage on Non-Credit Qualifying Streamline Refinances without a								
		creditworthiness review. > A Borrower is eligible for a Streamline Refinance without credit qualification if all Borrowers on the existing mortgage							
			e new mortgage.	t credit qualification if all Borro	owers on the existing mortgage				
			assumed are eligible provided the	he previous Borrower was releas	ed from liability.				
				· ·	and new mortgage in cases of				
	divo	rce, legal separa	tion or death when:						
	•			nent awarded the property and	responsibility for payment to the				
	_		rower, if applicable; and	ed - Louis de de constant					
	-		g borrower can demonstrate tha or to case number assignment.	t they have made the mortgage	e payments for a minimum of six				
Streamline Net	> A net tang		reduced Combined Rate, a Redu	ced Term and/or a change from	and ARM to a Fixed Rate				
Tangible Benefit	_		benefit to the borrower.	cea reim ana, or a change nom	and there is a tixed rate				
rangible beliefit				efit to the borrower meeting the	standards in the chart below for				
	all Streaml	ine Refinance tra							
	From ↓	To →	Fixed Rate	One-Year ARM	Hybrid ARM				
			New Combined Rate*	New Combined Rate*	New Combined Rate*				
	Fixed	d Rate	At least 0.5% below the prior Combined Rate	At least 2% below the prior Combined Rate	At least 2% below the prior Combined Rate				
	Any ARM with less than 15		•	•					
	=	s to next	No more than 2% above	At least 1% below the	At least 1% below the prior Combined Rate				
		Change Date	the prior Combined Rate	prior Combined Rate	Combined Rate				
		h greater than	No more than 2% above	At least 2% below the	At least 1% below the prior				
		15 months to	the prior Combined Rate	prior Combined Rate	Combined Rate				
		t Change Date	l nterest rate on the mortgage plu	s the MIP rate (see Case Query)	or Pofinance Authorization				
Streamline		e benefit test is r		s the Mir Tate (see Case Query t	or Refinance Authorization.				
Benefit			n period of the existing Mortgag	e is reduced:					
Reduction in			not exceed the current interest						
Term	The combine	ned principal, in	terest and MIP payment of the	new Mortgage does not exceed	the combined principal, interest				
			Mortgage by more than \$50.						
Streamline	-	ed Principal Res	idences , the maximum Base Loa	n Amount is:					
Maximum	The LESSER of: The Outsta	anding Principal	Balance of the existing mortgage	a as of the month prior to PEMN	I WS Dichursement Date: PI IIS:				
Mortgage			kisting Mortgage; and,	as of the month phor to Kelvin	Wy Disbursement Date, 1 203.				
Calculation			ng Mortgage; OR						
			nce of the existing Mortgage (inc						
			if financed in original Mortgage)						
		-	nent Properties, the maximum B	ase Loan Amount is:					
	The LESSEI » The C		cipal Balance of the existing Mor	tagge as of the month prior to [REMNI WS Dishursement Date:				
	or,	Zatstanding r IIII	cipal balance of the existing Moi	tgage as of the month phot to r	ALIVII V VVJ DISDUISEIIIEIIL DALE,				
		Driginal Principal	Balance of the existing Mortgag	e (including financed UFMIP);					
	Less any re	efund of UFMIP (if financed in original Mortgage)						
	REMN WS must obtain a payoff statement on the existing Mortgage.								

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Streamline Refinance

PRODUCT OVERVIEW

- REMN WS to REMN WS streamline refinance; there are no credit overlays, follow straight FHA guides.
- Streamline Refinances may be used for Principal Residences or Non-Owner Occupied Properties.
- > Streamline refinance refers to the refinance of an existing FHA-insured mortgage requiring limited Borrower credit documentation and underwriting, there are two (2) different streamline options available:
- Credit Qualifying REMN WS must perform a credit and capacity analysis of the Borrower, but no appraisal is required.
- See FHA Streamline

 » Do NOT run through DU TOTAL Scorecard findings are not allowed.
 - » Full Tri-Merge Credit Report required.
 - » Credit score overlays apply, see FHA FICO Overlay Matrix located at www.remnwholesale.com.
 - Non-Credit Qualifying REMN WS does not need to perform credit or capacity analysis or obtain an appraisal.
 - » Do NOT run through DU TOTAL Scorecard findings are not allowed.
 - » Mortgage Only Credit Report.
 - » Credit score overlays apply, see FHA FICO Overlay Matrix located at www.remnwholesale.com.
 - » All Borrowers on the existing Mortgage remain as Borrowers on the new Mortgage.
 - » Mortgages that have been assumed are eligible provided the previous Borrower was released from liability.

Exception – See Streamline Borrower Eligibility for further details.

- » REMN WS must review the Borrower's employment documentation or obtain utility bills to evidence that the Borrower currently occupies the property as their principal residence.
 - One (1) month's utility bills will be acceptable, provided that
 - · There is nothing in the loan file that suggests that the Borrower(s) may not be occupying the subject property AND
 - The hazard insurance policy reflects the billing/mailing address as the subject property address.
- » REMN WS must process the Streamline Refinance as a Non-Owner Occupied property if REMN WS cannot obtain evidence that the Borrower occupies the property as their principal residence.
- > FHA will not issue a new case number for any FHA to FHA refinance where the existing mortgage to be paid off has a Repair or Rehabilitation escrow account that has not been electronically closed out in FHA Connection.
- > Proceeds of the mortgage are used to extinguish an existing FHA-insured first mortgage lien.
- There is no maximum CLTV.
- > FHA Connection will not assign a case number for a streamline refinance until the full six (6) month loan seasoning period has elapsed.
- > On the date of the FHA Case Number Assignment:
 - The borrower must have made at least six (6) payments on the FHA-insured mortgage that is being refinanced (existing lien cannot be FHA Secure)
 - At least six (6) full months must have passed since the first payment date of the refinance; and,
 - If the Borrower assumed the mortgage that is being refinanced, they must have made six (6) payments since the time of assumption.
 - At least 210 days have passed:
 - GNMA: Between the 1st payment date of the new/subject refinance and the 1st payment date of the loan being refinanced (loan to be paid off)
 AND
 - FHA: Between the Note date of the loan being refinanced (existing loan) and the case number issuance date of the new/subject loan
 - BOTH THE GNMA AND THE FHA 210 DAY TEST MUST INDEPENDENTLY BE MET. IT IS NOT EITHER OR.
 - In order to ensure eligibility, the FHA case number should not be pulled until the 211th day. Pulling the case number on the 210th day will not satisfy the requirement that at least 210 days have passed.
 - For <u>Credit Qualified</u> w/ 620+ FICO, borrowers must have no more than 1x30 for previous six (6) months for all Mortgages on all other properties owned. (If FICO is < 620, please refer to FHA Overlay Matrix located at <u>www.remnwholesale.com</u>.

Borrowers first payment due January 1; FHA case number assignment may <u>not</u> be ordered prior to July 1.

- Investment Property Single Family ONLY
 - » ≥680 Credit Score required for LTV >100%.
 - AVM required when LTV > 100%.
- » Fixed rate only.
- LDP/GSA required
- > Maximum cash to the borrower is limited to \$500; additional restrictions apply in the state of Texas.
- ➤ Condo
 - » Not required to be on FHA Approved Condo list.
 - » If HO-6 is not available; okay to proceed without this coverage.
- See <u>Subordinate Financing</u> for additional information on Partial Claim Liens & Streamlines.

Property Ownership Seasoning For Refinances

- For all refinances except Streamlined, if property is owned less than (<12) months, the lesser of the purchase price plus documented improvements or the appraised value is used to determine the LTV.
- No Cash-Out Refinance (Rate/Term and Simple Refinance)
 - » Twelve (12) months property ownership required to allow use of appraised value in determining LTV.
 - » Appraisal cannot be reused if ownership less than (<12) months; a new appraisal is required for each refinance transaction.
- > Cash-Out Refinance
 - » Twelve (12) months property ownership & occupancy as primary residence prior to new case number assignment required to allow use of appraisal value in determining LTV.
 - If inherited, a Borrower is not required to occupy the Property for a minimum period of time before applying for a cash-out refinance, provided the Borrower has not treated the subject property as an investment property at any point since inheritance of the property. If Borrower rents the property following inheritance, the Borrower is not eligible for cash-out refinance until the Borrower has occupied the property as a Principal Residence for at least twelve (12) months.
 - » Appraisal cannot be reused if ownership less than (<12) months; a new appraisal is required for each refinance transaction.
 - » Less than (<6) months of payment history (payments made) are not eligible for cash-out refinance transactions
- Streamlined Refinance see <u>Streamline</u> section for details.

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		PRODUC	CT OVERVIEW			
Refinance Matrix	No Cash-Out Rate/Term Refinance	No Cash-Out Simple Refinance	Cash-Out Refinance	Streamline Non-Credit Qualifying No Appraisal	Streamline Credit Qualifying No Appraisal	
Ownership Seasoning	No minimum Owned <12 month purchase price plus o appraise Owned >12 months	s value is lesser of locumented costs or d value.	Owned and Occupied as Principal Residence for previous 12 months.	N/A		
Existing Liens	Any	FHA to FHA	Any	FHA t	o FHA	
Borrower Restriction	Owner Occu	upied ONLY	Owner Occupied ONLY. If Non-Occupant Co-Borrower on transaction, cannot use any of their income to qualify. Debts and Assets must be considered.	ALL Same Borrowers O/O – Fixed or ARM Investment – Fixed At least 1 borrow on existing note must be on REM WS note		
DU / TOTAL Scorecard		Yes		N	lo	
Maximum LTV	97.75% with 12 or more months owner occupied 85% with < 12 months owner occupied	97.75%	85.00%	N/A		
Maximum CLTV	97.75% with 12 or more months Owner Occupied. 85% with <12 months owner occupied	97.75%	85.00%	Unlimited		
Cash Back	\$500.00 (additional res	'''	Unlimited	\$500.00 (additional restrictions apply in state of Texas)		
Maximum Mortgage	UPB (+ 2 nd Liens : + Closing Co	>12 months	N/A – Up to maximum LTV	UPB + Interest + UFMIP		
	Manual Downgrade required if: 3 or more payments greater than 30 days.		Must have made a minimum of 6 payments on current mortgage	6 Payments made for subject proper FICO < 620	rty + 210 Days	
Payment History	1 or more payments o more 3 1 payment great	0 days.	Manual Downgrade if any delinquency past 12 months. Must meet extenuating circumstance to be eligible.	0x30 x 24mos (See REMN Credit Score Overlays) FICO 620+ 0x30 for most recent 6mos 1x30 for months 7-12	FICO < 620 Subject Property - 0x30 x 24mos FICO 620+ Subject Property - 0x30 for 1st 6mos	

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			PRODUC	T OVERVIEW				
Mortgage				chase, Rate/Te	rm & Cash	-Out		
Insurance Premiums Purchase,	Term	Base Mortgage	LTV	Case # Issued BETWEEN 06/03/2013 01/25/2015	Case # I ON or # 01/26/	ssued AFTER	Upfront MIP	Length of MI (Based on LTV)
Rate/Term & Cash-Out		≤ \$625,500	≤ 95.00%	1.30%	0.80	1%	1.75%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan
Transactions	>15 Years		≥ 95.01%	1.35%	0.85	%	1.75%	Life of Loan
	>13 rears	≥ \$625,501	≤ 95.00%	1.50%	1.00		1.75%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan
			≥ 95.01%	1.55%	1.05	%	1.75%	Life of Loan
			≤ 78.00%	0.45%	0.45		1.75%	11 Years
		≤ \$625,500	78.01 - 90.00%	0.45%	0.45		1.75%	11 Years
	≤15 Years		≥ 90.01%	0.70%	0.70		1.75%	Life of Loan
			≤ 78.00%	0.45%	0.45		1.75%	11 Years
		≥ \$625,501	78.01 – 90.00%	0.70%	0.70		1.75%	11 Years
a			≥ 90.01%	0.95%	0.95	%	1.75%	Life of Loan
Streamline			(Nata	Endors Date) ON or Al		1 2000		
Refinance			(Note	Case #	r i EK Julie	1, 2009		
Transactions	Term	Base Mortgage	LTV	Issued BETWEEN 06/03/2013 01/25/2015	Case # I ON or # 01/26		Upfront MIP	Length of MI (Based on LTV)
		≤ \$625,500	≤ 95.00%	1.30%	0.80	0% 1.75%		≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan
	>15 Years	, ,	≥ 95.01%	1.35%	0.85	%	1.75%	Life of Loan
	>15 Years	≥ \$625,501	≤ 95.00%	1.50%	1.00	1%	1.75%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan
			≥ 95.01%	1.55%	1.05	%	1.75%	Life of Loan
			≤ 78.00%	0.45%	0.45	% 1.75%		11 Years
		≤ \$625,500	78.01 - 90.00%	0.70%	0.70	1%	1.75%	11 Years
	≤15 Years		≥ 90.01%	0.95%	0.95		1.75%	Life of Loan
			≤ 78.00%	0.45%	0.45		1.75%	11 Years
		≥ \$625,501	78.01 – 90.00%	0.70%	0.70		1.75%	11 Years
			≥ 90.01%	0.95%	0.95		1.75%	Life of Loan
				s Issued June 3, Date) ON or BEI				
	Term	Base Mortgage	LTV	,	Annual		pfront MIP	Length of MI (Based on LTV)
	>15 Years	≤ \$625,500	All LTV	0.55%	0.55%		0.01%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan
	>10 IEGI2	≥ \$625,501	All LTV	0.55%	0.55%).01%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan
	≤15 Years	≤ \$625,500	All LTV	0.55%	%	0	0.01%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan
	>10 Legis	≥ \$625,501	All LTV	0.55%	%	C).01%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan

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		BORROWERS					
Eligible	> FHA insures mortgages for borrowers' with lawful permanent resident alien status, using the same terms and conditions as						
Borrowers	those for U.S. C						
		as a financial interest in the mortgage transaction; such as the Builder or Real Estate Agent, may NOT be a r Co-Signor. Exceptions are considered when the party is a family member.					
Types of	Borrower &	> Owns property and is liable for debt.					
Borrowers	Co-Borrower	Signs all documentsApplication					
		> Note					
		 Mortgage/Deed of Trust and is on Title (Deed) 					
		Contract of sale					
	Non Occurant	 Income, assets and debts used in qualification Owns property and is liable for debt, but does not live in property. 					
	Non-Occupant Co-Borrower	Must either be a US Citizen or have permanent principal residence in the US.					
	CO-BOITOWEI	Cannot be a non-permanent resident alien.					
		> Signs all documents					
		» Application					
		» Note» Mortgage/Deed of Trust and is on Title (Deed)					
		» Contract of Sale					
		> Income, assets and debts used in qualification for Purchase and Rate/Term only. Income is not					
		considered on Cash-out transactions for qualifying purposes.					
	Co-Signer	 See Non-Occupant Co-Borrower / Co-Signer on following page for additional information. Has no ownership interest in the property, but is liable for the debt. 					
	CO-Signer	 Must either be a US Citizen or have permanent principal residence in the US. 					
		Cannot be a non-permanent resident alien.					
		Signs all documents except the Mortgage/Deed of Trust (no ownership interest).					
		» Application » Note					
		 Income, assets and debts used in qualification. 					
	Co-Mortgagor	Has ownership interest in the property, but is not liable for the debt.					
		Family member is the <u>only</u> acceptable Co-Mortgagor on FHA loans.					
	Marital Rights	 Has no ownership interest in the property nor liable for the debt. Only used in states where they have an "interest" in the property due to marital status. 					
		 Signature on <i>collateral</i> documents as determined by State Law. 					
	Principal U.S.	Non-Occupant Co-Borrowers or Co-Signers must have a principal residence in the U.S. unless					
	Residence	exempted due to;					
		» Military Service with overseas assignments; or,					
Non-Permanent	➤ A Borrower wh	» U.S. Citizens living abroad. o is a non-permanent resident alien may be eligible for FHA-insured financing provided:					
Resident Aliens		perty will be the Borrower's Principal Residence;					
	employer identified by HUD; » The Borrower is eligible to work in the United States, as evidenced by the Employment Authorization Document						
	issued by the USCIS; and						
	» The Borrower satisfies the same requirements, terms and conditions as those for U.S. citizens.						
	The Employment Authorization Document is required to substantiate work status. If the Employment Authorization						
	Document will expire within one year and a prior history of residency status renewals exists, the Mortgagee may assume that continuation will be granted. If there are no prior renewals, the Mortgagee must determine the likelihood of renewal						
	based on information from the USCIS.						
	> A Borrower residing in the U.S. by virtue of refugee or asylee status granted by the USCIS is automatically eligible to work in						
	this country. The Employment Authorization Document is not required, but documentation substantiating the refugee or						
	asylee status must be obtained. Non-U.S. Citizens without lawful residency in the United States are not eligible for FHA-insured mortgages.						
	» If borrower(s) has a Deferred Action for Childhood Arrivals (DACA) status, the loan is not eligible for financing						
		n REMN WS.					
Military	Borrowers who are military personnel, who cannot physically reside in a property because they are on Active Duty, are still						
Personnel	considered owner occupants and are eligible for maximum financing if a Family Member of the Borrower will occupy the subject Property as their Principal Residence, or the Borrower intends to occupy the subject Property upon discharge from military						
Eligibility	service.						
	Required Documentation						
		tain a copy of the Borrower's military orders evidencing the Borrower's Active Duty status and that the duty					
		n 100 miles from the subject Property. REMN WS must obtain the Borrower's intent to occupy the subject charge from military service, if a Family Member will not occupy the subject Property as their Principal					
	Residence.						

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		BORROWERS				
Definition of Family Member	 Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status: Child, parent, or grandparent; Child is defined as a son, stepson, daughter, or stepdaughter; Parent or grandparent includes a step-parent/grandparent or foster parent/grandparent; Spouse or domestic partner; Legally-adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption; Foster child; Brother, stepbrother; Sister, stepsister; Uncle; Aunt; or Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother/sister-in-law, grandparent-in-law of the Borrower. 					
Non-Occupying Borrower						
Prior Mortgage Fraud	REMN WS wFor all otherREMN WS w	Non-occupant co-borrower's assets and debts will be considered towards qualification. REMN WS will not lend to any borrower(s) who has been previously convicted of mortgage fraud. For all other interested parties in the transaction, if any one of the parties has been previously convicted of mortgage fraud, REMN WS will not provide financing for the transaction. There are NO exceptions to the aforementioned criteria.				
Identity-of- Interest	> Identity-of-It	Interest transactions: asse of a principal residence between; parties with a familial or business relationship or business affiliates. aximum LTV is limited to 85% for Identity-of-Interest transactions. The table below describes circumstances in which financing above the 85% LTV is permitted in circumstances. The table below describes circumstances in which financing above 85% LTV is permitted. A family member purchases another family member's home as a principal residence. If the property is sold from one (1) family member to another and is the sellers' investment property, the maximum mortgage is the lesser of; 85% of the appraised value; or, The appropriate LTV factor percentage applied to the sale price, plus or minus adjustments. NOTE: The 85% limit may be waived if the family member has been a tenant in the property for at least six (6) months immediately preceding the date of the sales contract. A lease or other written evidence must be submitted to verify occupancy. An employee of a builder purchases one (1) of the builder's new homes or models as a principal residence.				
	Tenant Purchase Corporate Transfer	 A current tenant, including a family member tenant purchased the property where he/she has rented for at least six (6) months immediately preceding the date of the sales contract. NOTE: A lease or other written evidence to verify occupancy is required. The maximum mortgage calculation is not affected by a sales transaction between a tenant and a landlord with no Identity-of-Interest relationship. A corporation Transfers an employee to another location, Purchase the employee's home; and, Sells the home to another employee. 				

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	CREDIT & UNDERWRITING						
Age of Credit	➤ Credit, Income & Asset Documentation – 120 days from date of REMN WS disbursement.						
Documents	> Appraisal – 120 days from date of REMN WS disbursement.						
Types of Credit	> If a traditional credit report is available, REMN WS must use a traditional credit report. However, if a traditional credit						
	report is not available, REMN WS must develop the Borrower's credit history using the requirements for Non-Traditional						
History	and Insufficient Credit.						
AUS / TOTAL	REMN WS must downgrade and manually underwrite any Mortgage that received an Accept recommendation if:						
Scorecard –	> REMN WS file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage						
Downgrade	Scorecard;						
Downgrade	> Additional information, not considered in the AUS recommendation affects the overall insurability of the Mortgage;						
	➤ The Borrower has \$1,000 or more collectively in Disputed Derogatory Credit Accounts;						
	> The date of the Borrower's bankruptcy discharge as reflected on bankruptcy documents is within two (2) years from the						
	date of case number assignment;						
	> The case number assignment date is within three (3) years of the date of the transfer of title through a Pre-Foreclosure Sale						
	(Short Sale);						
	The case number assignment date is within three (3) years of the date of the transfer of title through a foreclosure sale;						
	The case number assignment date is within three (3) years of the date of the transfer of title through a Deed-in-Lieu (DIL) of						
	foreclosure; the Mortgage Payment history requires a downgrade as defined in Housing Obligations/Mortgage Payment						
	History;						
	The Borrower has undisclosed mortgage debt; or						
	Business income shows a greater than 20% decline over the analysis period.						
General Credit	FHA's general credit policy requires REMN WS to analyze the Borrower's credit history, liabilities, and debts to determine						
Requirements	creditworthiness.						
Manual	REMN WS must either obtain a Tri-Merged Credit Report (TRMCR) or a Residential Mortgage Credit Report (RMCR) from an independent consumer reporting agents.						
Underwriting	independent consumer reporting agency. REMN WS must utilize the same credit report and credit scores sent to TOTAL.						
	REMN WS must obtain a credit report and credit scores sent to TOTAL. REMN WS must obtain a credit report for each Borrower who will be obligated on the mortgage Note. REMN WS may						
	obtain a joint report for individuals with joint accounts.						
	REMN WS must obtain a credit report for a non-borrowing spouse who resides in a community property state, or if the						
	subject Property is located in a community property state. The credit report must indicate the non-borrowing spouse's						
	SSN, where an SSN exists, was matched with the SSA, or REMN WS must either provide separate documentation indicating						
	that the SSN was matched with the SSA or provide a statement that the non-borrowing spouse does not have an SSN.						
	Where an SSN does not exist for a non-borrowing spouse, the credit report must contain, at a minimum, the non-						
	borrowing spouse's full name, date of birth, and previous addresses for the last two (2) years.						
	REMN WS is not required to obtain a credit report for non-credit qualifying Streamline Refinance transactions.						
Decision Credit	Full Tri-Merge Credit Report required on all borrowers.						
Score	> Decision Credit Score method used on each borrower is;						
	» When three (3) scores are available (one from each repository), the median (middle) value is used;						
	» When only two (2) scores are available, the lesser of the two (2) is chosen;						
	» When only one (1) score is available, that score is used.						
	> Where the loan involves multiple borrowers, REMN WS must determine the minimum decision credit score for each						
	borrower and then select the lowest minimum decision credit score for all borrowers.						
	Where the loan involves multiple borrowers and one (1) or more of the borrowers do not have a credit score (non-						
	traditional or insufficient credit), REMN WS shall select the lowest minimum decision credit score of the borrower(s) with						
	credit score(s).						
	Example: The borrower has a minimum decision credit score of 637. One (1) co-borrower has a minimum decision credit score						
	of 619 and the other co-borrower has no credit score. The minimum decision score of 619 must be used to determine						
	maximum ratios.						
	If "NA" or "No Score" only displays; this is not considered a credit score (see below for guidance).						
	Credit score overlays apply, refer to FHA FICO Overlay Matrix located at www.remnwholesale.com						
Borrower Debt	Borrowers will be required to sign an affidavit at closing attesting that no new debt has been taken out since the initial						
Certification	1003 and that the final 1003 is accurate.						
DEMAN W/C	» This closing document will not be required on Non-Credit Qualifying Streamline transactions.						
REMN WS	As with all loans, the Underwriter is responsible for analyzing the overall risk and reasonableness of the file. If a loan has						
General	DU Approve/Eligible findings, but the number of trade lines is so insignificant or short in history that a satisfactory credit						
Requirements	profile has not been established, the Underwriter may request additional information.						
	Example: A file with a credit score in the 700's yet the borrower's entire credit profile consists of three (3) trade lines, maximum high credit of \$500 with a total of a six (6) month history. In this example the LIW would ask for additional information						
	high credit of \$500 with a total of a six (6) month history. In this example the UW would ask for additional information regarding the borrower's ability to satisfactorily handle credit.						
	Example: Borrower has three (3) trade lines; however, they covered a consistent/recent five (5) year period and had at least one						
	(1) substantial high balance. In this example the UW would <u>not</u> have to ask for additional information.						
	(2) Substantial riigh balance. In the example the Over would <u>not</u> have to ask for additional information.						

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	CREDIT & UNDERWRITING					
Underwriting	Inquiry explanation REMN WS credit report.					
Consistency	» If a credit report shows an inquiry from REMN WS; and the inquiry date is the same date as the credit report we are utilizing and the					
Credit Inquiries	Processor does a certification that there are no other application, then no further explanation is required from the borrower. The borrower(s) must address ALL inquiries listed on their credit report within the past 90 days;					
Credit Inquiries	 All inquiries listed on the credit report must be specifically addressed by the borrower and must indicate the disposition of each 					
	inquiry;					
	 Acceptable Response: Chase, Wells & Bank of America credit was pulled while searching for a mortgage on property located 					
	at 123 Main Street; no credit was obtained.					
	 Unacceptable Response: We did not accept any credit for the inquiries listed on our credit report; or we did not accept any 					
	credit from Chase, Wells & Bank of America. These responses are unacceptable as neither specifically address both the					
Overlife to an Post on	inquiry and disposition).					
Qualifying Ratios	Mortgage Payment Expense to Effective Income Ratio- The relationship of the mortgage payment to income is considered acceptable if the total mortgage payment does not exceed 31.00% of the gross effective income.					
	 A ratio exceeding 31.00% may be acceptable only if significant compensating factors exists and are documented on the HUD-92900 					
	Loan Transmittal.					
	 See Maximum Ratios and Compensating Factors for Manual Underwrite. 					
	> Total Fixed Payment to Effective Income Ratio- The relationship of total obligations to income is considered acceptable if the total					
	mortgage payment and all recurring charges do not exceed 43% of the gross effective income.					
	» A ratio exceeding 43.00% may be acceptable only if significant compensating factors exists and are documented on the HUD-92900					
	Loan Transmittal.					
DTI Ratios	 See Maximum Ratios and Compensating Factors for Manual Underwrite. REMN must determine Borrower's monthly liabilities by reviewing all debts listed on the credit report, 1003 and required documentation 					
DII Ratios	REMN must determine Borrower's monthly liabilities by reviewing all debts listed on the credit report, 1003 and required documentation All applicable monthly liabilities must be included in the qualifying debt ratio.					
	 Closed-end debts do not have to be included if they will be paid off within 10 months and the cumulative payments of all such 					
	debts are less than or equal to five (5%) percent of the Borrower's gross monthly income.					
	» The Borrower may not pay down the balance in order to meet the ten (10) month requirement.					
	Accounts for which the Borrower is an authorized user must be included in the Borrower's DTI ratio unless REMN WS can document that					
	the primary account holder has made all required payments on the account for the previous twelve (12) months.					
	» If less than three (3) payments have been required on the account in the previous twelve (12) months, the payment amount must be					
	included in the Borrower's DTI.					
	Loans secured against deposited funds, where repayment may be obtained through extinguishing the asset and these funds are not included in calculating the Borrower's assets, do not require consideration of repayment for qualifying purposes.					
	REMN WS must document that the funds used to pay off debts prior to closing came from an acceptable source, and the Borrower did not					
	incur new debts that were not included in the DTI ratio.					
	> Negative income must be subtracted from the Borrower's gross monthly income, and not treated as recurring monthly liabilities unless					
	otherwise noted.					
Undisclosed Debt	TOTAL Scorecard (Undisclosed Non-Mortgage Debt) When a debt or obligation (other than a mortgage) not listed on the mortgage application and/or gradit report and not considered by DIL is					
(TOTAL – Non- Mortgage only;	When a debt or obligation (other than a mortgage) not listed on the mortgage application and/or credit report and not considered by DI revealed during the application process, REMN must:					
Manual UW –	> Verify the actual monthly payment amount					
Mortgage & Non-	Re-submit the Mortgage for evaluation by TOTAL if the cumulative change in the amount of the liabilities that must be included in the					
Mortgage)	Borrower's debt increases by more than \$100 per month; and					
	Determine that any funds borrowed were not/will not be used for the Borrower's MRI.					
	NOTE : REMN underwriter has the discretion to downgrade to manual when the undisclosed debt has a negative payment history. This would be a case-by-case issue and would depend upon issues including, but not limited to as severity of delinquency, seasoning of delinquency, type of					
	delinquency, and how the delinquency compares to the overall credit history.					
	Manual Underwriting (Undisclosed Debt – Mortgage & Non-Mortgage)					
	When debt/obligation is revealed during the application process that was not listed on the mortgage application and/or credit report, REMN must:					
	Verify the actual monthly payment amount;					
	Include the payment amount in the agreement in the Borrower's monthly liabilities and debt; and					
	 Determine that any unsecured funds borrowed were not/will not be used for the Borrower's MRI REMN must document all undisclosed debt and support for its analysis of the Borrower's debt. 					
Undisclosed	TOTAL Scorecard (Mortgage Debt only)					
Mortgage Debt	When an existing debt or obligation that is secured by a mortgage but is not listed on the mortgage application and/or credit report and					
(TOTAL)	not considered by TOTAL is revealed during the application process, REMN WS must obtain a Verification of Mortgage directly from the					
	servicer.					
	REMN requires the following criteria in order to consider verification from the servicer:					
	- If the servicer is a mortgage banking business that regularly services loans, but does not report to the credit bureaus, a statement					
	on company letterhead or similar verification will be acceptable. - If the servicer is a private individual and/or business that does not regularly service mortgage loans, 24mos cancelled checks will be					
	required.					
	- If there is any doubt whether the business regularly services mortgage loans, the 24mos cancelled checks, money order receipts					
	and/or bank statements will be required. A search of the internet which verifies that the business does regularly service loans would					
	be acceptable evidence for acceptance of the company statement.					
	The Mortgage must be downgraded to a Refer and manually underwritten if the mortgage history reflects:					
	- A current delinquency;					
	 Any delinquency within twelve (12) months of the case number assignment date; OR 					
	 More than two (2) 30 day late payments within 24 months of the case assignment date. A Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of 					

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	CREDIT & UNDERWRITING					
Monthly Housing	The total Mortgage Payment includes:					
	P&I					
	Real estate taxes; In New Construction cases, property tax estimates must be based on the land and improvements.					
	Hazard insurance;					
	Flood insurance as applicable;					
	MIP;					
	HOA or condominium association fees or expenses;					
	Ground Rent,					
	Special assessments;					
	Payments for any acceptable secondary financing; and Any other escrow payments.					
	7 · · · · · · · · · · · · · · · · · · ·					
Housing Obligation	TOTAL Scorecard Housing Obligation (Mortgage Payment refers to the monthly nayment due for rental or Proporties award					
Mortgage Payment	Housing Obligation/Mortgage Payment refers to the monthly payment due for rental or Properties owned. » A Mortgage Payment is considered delinquent if not paid within the month due.					
History	Late Mortgage Payments for Purchase and No Cash-Out Refinance					
	The Mortgage must be downgraded to a Refer and manually underwritten if any mortgage trade line, including mortgage line-of-credit					
	payments, during the most recent twelve (12) months reflects:					
	» Three (3) or more late payments of greater than 30 Days;					
	» One (1) or more late payments of 60 Days plus one or more 30-Day late payments; or					
	» One (1) payment greater than 90 Days late.					
	A Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of					
	modification in determining late housing payments.					
	Cash-Out Refinance Transactions The Mortgage must be downgraded to a Refer and manually underwritten if any mortgage trade line, including mortgage line-of-credit					
	payments, reflects:					
	» A current delinquency; or					
	» Any delinquency within twelve (12) months of the case number assignment date.					
	> A Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of					
	modification in determining late housing payments.					
	Manual Underwriting					
	REMN WS must determine the Borrower's Housing Obligation payment history through:					
	» The credit report;					
	 Verification of rent received directly from the landlord (for landlords with no Identity of Interest with the Borrower); Verification of Mortgage received directly from the mortgage servicer; or 					
	A review of canceled checks that cover the most recent twelve (12) month period.					
	REMN WS must verify and document the previous twelve (12) months' housing history. For Borrowers who indicate they are living rent-free,					
	the Mortgagee must obtain verification from the property owner where they are residing that the Borrower has been living rent-free and the					
	amount of time the Borrower has been living rent free.					
	A Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of					
	modification in determining late housing payments.					
	NOTE: If a Borrower was delinquent on a mortgage and it was brought current with a modification agreement, then any past-due or delinquent					
	interest that gets added back onto the mortgage is no longer delinquent interest (becomes principal per the modification agreement). Essentially,					
	if the modification agreement brings the Borrower back current on the loan, then they no longer have delinquent interest (cannot have delinquent interest if the Borrower is current on the loan).					
Non-Borrowing	TOTAL Scorecard & Manual Underwriting					
Spouse Debt	Non-Borrowing Spouse Debt refers to debts owed by a spouse that are not owed by, or in the name of the Borrower.					
Spouse Best	If the Borrower resides in a community property state or the Property being insured is located in a community property state, debts of the					
	non-borrowing spouse must be included in the Borrower's qualifying ratios, except for obligations specifically excluded by state law.					
	> The non-borrowing spouse's credit history is not considered a reason to deny a mortgage application.					
	REMN WS must verify and document the debt of the non-borrowing spouse.					
	REMN WS must make a note in the file referencing the specific state law that justifies the exclusion of any debt from consideration.					
Aliman Chill	REMN WS must obtain a credit report for the non-borrowing spouse in order to determine the debts that must be counted in the DTI ratio.					
Alimony, Child	Total Scorecard & Manual Underwriting Alimony, Child Support, and Maintenance are court-ordered or otherwise agreed upon payments.					
Support and	, , , , , , , , , , , , , , , , , , ,					
Maintenance	» For Alimony, if the Borrower's income was not reduced by the amount of the monthly alimony obligation in the calculation of the Borrower's gross income, REMN WS must include the monthly obligation in the calculation of the Borrower's debt.					
	Child Support and Maintenance are to be treated as a recurring liability and REMN WS must include the monthly obligation in the					
	Borrower's liabilities and debt.					
	» REMN WS must verify and document the monthly obligation by obtaining the official signed divorce decree, separation agreement,					
	maintenance agreement, or other legal order.					
	» REMN WS must also obtain the Borrower's pay stubs covering no less than 28 consecutive Days to verify whether the Borrower is					
	subject to any order of garnishment relating to the Alimony, Child Support, and Maintenance.					
	REMN WS must calculate the Borrower's monthly obligation from the greater of:					
	» The amount shown on the most recent decree or agreement establishing the Borrower's payment obligation; or					
	» The monthly amount of the garnishment.					
Child Support	REMN WS Overlay : Delinquent child support must be paid current or in a repayment plan; or Management Approval is required.					
	4					
Delinquency						
* * * * * * * * * * * * * * * * * * * *	 Loans secured against deposited funds, where repayment may be obtained through extinguishing the asset and these funds are not included in calculating the Borrower's assets, do not require consideration of repayment for qualifying purposes. 					

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	CREDIT & UNDERWRITING					
Deferred Obligations	TOTAL Scorecard & Manual Underwriting					
	Deferred Obligations (excluding student loans) refer to liabilities that have been incurred but where payment is deferred or has not yet commenced, including accounts in forbearance.					
	REMN WS must verify and include deferred obligations in the calculation of the Borrower's debt.					
	Other than student loans, REMN WS must use the actual monthly payment to be paid on a deferred liability, whenever available.					
	» If the actual monthly payment is not available for installment debt, REMN WS must utilize the terms of the debt or five (5%) percent of the					
	outstanding balance to establish the monthly payment.					
Student Loans	TOTAL Scorecard & Manual Underwriting					
	Student Loans refer to liabilities incurred for educational purposes.					
	REMN WS must verify and include all Student Loans in the Borrower's debt, regardless of the payment type or status of payments.					
	Regardless of payment status, REMN WS must calculate the monthly payment based on either:					
	 The actual documented payment, provided the payment will fully-amortize the loan over its term; or The greater of: 					
	One percent (1%) of the outstanding balance on the loan; or					
	 The monthly payment reported on the Borrower's credit report. 					
	» This applies to student loans in deferment, as well as those in an "income-based" repayment plan					
	REMN WS must obtain written documentation of the actual monthly payment, payment status, and evidence of outstanding balance & terms from the					
	creditor/servicer if the monthly payment is: » Less than one percent (1%) of the outstanding balance reported on the Borrower's credit report, and					
	» Less than the monthly payment reported on the Borrower's credit report.					
	» A credit report "supplement" is not sufficient to confirm the payment, as it might be indicative of a proposed or projected payment, which is not					
	acceptable for qualification.					
Installment Accounts	TOTAL Scorecard & Manual Underwriting					
	Installment loans (excluding student loans) refer to loans, not secured by real estate, that require the periodic payment of P&I.					
	 A loan secured by an interest in a timeshare must be considered an Installment Loan. REMN WS must use include the monthly payment shown on the credit report, loan agreement or payment statement to calculate the Borrower's debt. 					
	Fig. 1. If the credit report does not include a monthly payment for the loan, REMN WS must use the amount of the monthly payment shown in the loan					
	agreement or payment statement and enter it into TOTAL.					
	» Closed-end debts do not have to be included if they will be paid off within 10 months and the cumulative payments of all such debts are less					
	than or equal to five (5%) percent of the Borrower's gross monthly income.					
	» The Borrower may not pay down the balance in order to meet the ten (10) month requirement.					
	Automobile leases are usually reoccurred, regardless of the remaining term. In the event the borrower has indicated that they will not be renewing their					
	lease, the following is required in order to not reoccur the lease payment:					
	 Satisfactory explanation and documentation to support the reasonableness that another automobile will not be needed. The cumulative payment of all debts with ten (10) months or less (including the auto lease payment) does not exceed 5% of the Borrower's 					
	gross monthly income.					
Revolving Accounts	TOTAL Scorecard & Manual Underwriting					
	A Revolving Charge Account refer to a credit arrangement that requires the Borrower to make periodic payments but does not require full repayment by a					
	specified point of time.					
	REMN WS must include the monthly payment shown on the credit report for the Revolving Charge Account. Where the credit report does not include a monthly payment for the account REMN WS must use the payment shown on the current account.					
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Open 30-Day Accounts	Where the credit report does not include a monthly payment for the account, REMN WS must use the payment shown on the current account statement or five percent (5%) of the outstanding balance.					
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	CREDIT & UNDERWRITING					
Short Pay-Off	To be eligible for refinancing with a short pay-off, a borrower must be current on his/her mortgage. FHA will insure the first mortgage where the					
•	existing note holder(s) write off the amount of indebtedness that cannot be refinanced into the FHA-insured mortgage.					
	For instances where the existing note holder(s) are unwilling to write down indebtedness, the loan will not be eligible for financing.					
	REMN WS does not participate in the FHA Negative Equity Refinance program, which allows short payoffs with negative equity.					
Federal Tax Debt	TOTAL Scorecard					
	Federal debt refers to debt owed to the federal government for which regular payments are being made.					
	REMN WS must include the debt. The amount of the required payment must be included in the DTI.					
	If the delinquent federal tax debt has resulted in a lien, REMN WS must include documentation from the federal agency evidencing the repayment					
	agreement and verification of a minimum of three (3) payments made in order to be eligible. – Those three (3) payments cannot be paid in advance.					
	 The 3 month payment verification does not apply if the tax debt has NOT resulted in a lien (a repayment plan is still required) 					
	- Example 1:					
	 Borrower is ready to file their return while a loan is in process and does not have the funds to pay the taxes owed. 					
	This could occur around April of any tax year and they do not file an extension.					
	 This could occur around October of any tax year where an extension was filed in April and the tax return is now due. The point of this example is when we need to see the tax return for purposes of qualifying and the tax return is in the 					
	process of being filed. If the borrower will pay the tax while the loan is in process, the deduction of the assets needed would					
	be required, if the payment is due before the loan closes. The objective of this example is not to imply that every single file					
	must have evidence that IRS taxes are paid.					
	Borrower enters into a repayment plan to pay those taxes and the borrower must provide us with a copy of that approved plan. The state of the					
	 The payment to the IRS must be considered, but the borrower does NOT need to make three (3) payments in order to be eligible, as this is tax debt has not resulted in a lien status. 					
	- Example 2:					
	 IRS files a lien for taxes the borrower owed. The lien is filed in August 2016. 					
	 The borrower may or may not be in a payment plan. The point of the example is that a lien has been filed. 					
	The borrower must make the August, September, and October payments. The borrower must make the August, September, and October payments. The borrower must make the August, September, and October payments.					
	 The loan cannot close until after the October payment has been made. The loan must be qualified with the payment. 					
Contingent Liability	TOTAL Scorecard & Manual Underwriting					
Contingent Liability	> A contingent liability exists when an individual is held responsible for payment of a debt if another party, jointly or severally obligated, defaults on the					
	payment. For example, a contingent liability exists when an individual can be held responsible for the repayment of a debt if another legally obligated					
	party defaults on the payment. Contingent liabilities may include Co-Signer liabilities and liabilities resulting from a mortgage assumption without					
	release of liability. REMN WS must include monthly payments on contingent liabilities in the calculation of the Borrower's monthly obligations unless REMN WS verifies					
	REMN WS must include monthly payments on contingent liabilities in the calculation of the Borrower's monthly obligations unless REMN WS verifies and documents that there is no possibility that the debt holder will pursue debt collection against the borrower should the other party default or the					
	other legally obligated party has made twelve (12) months of timely payments.					
	> REMN WS must obtain the agreement creating the contingent liability or assumption agreement and deed showing transfer of title out of the					
	Borrower's name.					
	Co-Signed Liability If the co-signed liability is not included in the monthly obligation, REMN WS must obtain documentation to evidence that the other party to the debt					
	has been making regular on-time payments during the previous twelve (12) months, and does not have a history of delinquent payments on the loan.					
	Court Ordered Divorce Decree					
	> REMN WS must obtain a copy of the divorce decree ordering the spouse to make payments.					
	Business Debt					
	Business Debt in Borrower's Name refers to liabilities reported on the Borrower's personal credit report, but payment for the debt is attributed to the Borrower's business.					
	When business debt is reported on the Borrower's personal credit report, the debt must be included in the DTI calculation, unless REMN WS can					
	document that the debt is being paid by the Borrower's business, and the debt was considered in the cash flow analysis of the Borrower's business. The					
	debt is considered in the cash flow analysis where the Borrower's business tax returns reflect a business expense related to the obligation, equal to or					
	greater than the amount of payments documented as paid out of company funds. Where the Borrower's business tax returns show an interest expense					
	related to the obligation, only the interest portion of the debt is considered in the cash flow analysis. When a self-employed Borrower states debt appearing on their personal credit report is being paid by their business, REMN WS must obtain					
	documentation that the debt is paid out of company funds and that the debt was considered in the cash flow analysis of the Borrower's business.					
Collection Accounts	TOTAL Scorecard & Manual Underwriting					
	A collection account refers to a Borrower's loan or debt that has been submitted to a collection agency by a creditor.					
	If the credit reports used in TOTAL analysis show cumulative outstanding collection account balances of \$2,000 or greater, REMN WS must:					
	» Verify that the debt is paid in full at the time of or prior to settlement using acceptable sources of funds;					
	» Verify that the Borrower has made payment arrangements with the creditor and include the monthly payment in the Borrower's DTI; or					
	» If a payment arrangement is not available, calculate the monthly payment using five (5%) percent of the outstanding balance of each collection					
	and include the monthly payment in the Borrower's DTI.					
	Collection accounts of a non-borrowing spouse in a community property state must be included in the \$2,000 cumulative balance and analyzed as part of the Borrower's ability to pay all collection accounts, unless excluded by state law.					
	 REMN WS must provide the following documentation: Evidence of payment in full, if paid prior to settlement; 					
	Evidence or payment in ruii, if paid at settlement;The payoff statement, if paid at settlement; or					
	 The payment arrangement with creditor, if not paid prior to or at settlement. If REMN WS uses five (5%) percent of the outstanding balance, no documentation is required. 					

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	CREDIT & UNDERWRITING
Charge Off	TOTAL Scorecard
Accounts	Charge Off Account refers to a Borrower's loan or debt that has been written off by the creditor.
	» Charge Off Accounts do not need to be included in the Borrower's Liabilities or Debt.
	Manual Underwriting
	REMN WS must determine if Charge Off Accounts were a result of: The Perrower's digragard for financial philipations:
	 The Borrower's disregard for financial obligations; The Borrower's inability to manage debt; or
	» Extenuating circumstances.
	REMN WS (DE Underwriter) must document reasons for approving a Mortgage when the Borrower has any Charge Off Accounts.
	The Borrower must provide a letter of explanation, which is supported by documentation, for each outstanding Charge Off Account. The
Disputed	explanation and supporting documentation must be consistent with other credit information in the file. TOTAL Scorecard
Disputed	Disputed Derogatory Credit Account refers to disputed Charge Off Accounts, disputed collection accounts, and disputed accounts with late
Derogatory	payments in the last 24 months.
Credit Accounts	Exclusions from cumulative balance include:
	» Disputed medical accounts; and
	» Disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use. To exclude these balances, the
	Mortgagee must include a copy of the police report or other documentation from the creditor to support the status of the accounts. If the credit report utilized by TOTAL indicates that the Borrower has \$1,000 or more collectively in Disputed Derogatory Credit Accounts, the
	file must be downgraded to a Refer and manually underwritten.
	Disputed Derogatory Credit Accounts of a non-borrowing spouse in a community property state are not included in the cumulative balance
	for determining if the mortgage application is downgraded to a Refer.
	Manual Underwriting If the Borrower has \$1.000 or more collectively in Disputed Derogatory Credit Accounts, REMN WS must include a monthly payment in the
	If the Borrower has \$1,000 or more collectively in Disputed Derogatory Credit Accounts, REMN WS must include a monthly payment in the Borrower's debt calculation.
	The following items are excluded from the cumulative balance:
	» Disputed medical accounts; and
	» Disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use.
N D	Disputed Derogatory Credit Accounts of a non-borrowing spouse in a community property state are not included in the cumulative balance.
Non-Derogatory	TOTAL Scorecard Non-Derogatory Disputed Accounts include the following types of accounts:
Disputed Credit	Disputed accounts with zero balance
Accounts	» Disputed accounts with late payments aged 24 months or greater
	» Disputed accounts that are current and paid as agreed
	If a Borrower is disputing non-derogatory accounts, or is disputing accounts which are not indicated on the credit report as being disputed,
	REMN WS is not required to downgrade the application to a Refer. However, REMN WS must analyze the effect of the disputed accounts on the Borrower's ability to repay the Mortgage. If the dispute results in the Borrower's monthly debt payments utilized in computing the DTI
	ratio being less than the amount indicated on the credit report, the Borrower must provide documentation of the lower payments.
	Non-derogatory disputed accounts are excluded from the \$1,000 cumulative balance limit.
	Manual Underwriting
	 Non-Derogatory Disputed Accounts include the following types of accounts: Disputed accounts with zero balance
	» Disputed accounts with late payments aged 24 months or greater
	» Disputed accounts that are current and paid as agreed
	Fig. 1 If a Borrower is disputing non-derogatory accounts, or is disputing accounts which are not indicated on the credit report as being disputed,
	REMN WS is not required to downgrade the application to a Refer. However, REMN WS must analyze the effect of the disputed accounts on the Borrower's ability to repay the mortgage. If the dispute results in the Borrower's monthly debt payments utilized in computing the DTI
	ratio being less than the amount indicated on the credit report, the Borrower must provide documentation of the lower payments.
Private Savings	TOTAL Scorecard
Club	Private savings clubs refers to a non-traditional method of savings by making deposits into a member-managed resource pool.
	If the Borrower is obligated to continue making ongoing contributions under the pooled savings agreement, this obligation must be counted
	in the Borrower's total debt. NOTE: REMN WS does not allow the use of Private Savings Club/SUSU accounts as assets/source of funds – see Private Savings Club topic in the Assets
	section of this document to reference this.
Obligations Not	TOTAL & Manual
Considered	Obligations not considered debt include:
Debt	Medical Collections Federal state and least topic if not delinguant and no normante are required.
	 Federal, state and local taxes, if not delinquent and no payments are required Automatic deductions from savings, when not associated with another type of obligation
	Federal Insurance Contributions Act (FICA) and other retirement contributions, such as 401(K) accounts
	Collateralized loans secured by depository accounts
	> Utilities Child core
	 Child care Commuting costs
	 Union dues
	Insurance, other than property insurance
	> Open accounts with zero (\$0.00) balances
	 Voluntary deductions, when not associated with another type of obligation

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CREDIT & UNDERWRITING TOTAL Scorecard & MANUAL Judgments Judgment refers to any debt or monetary liability of the Borrower, and the Borrower's spouse in a community property status unless excluded by state law, created by a court, or other adjudicating body. REMN WS must verify that court-ordered judgments are resolved or paid off prior to or at closing. Judgments of a non-borrowing spouse in a community property state must be resolved or paid in full, with the exception of obligations excluded by state law. Exception – A judgment is considered resolved if the Borrower has entered into a valid agreement with the creditor to make regular payments on the debt. The Borrower has made timely payments for at least three (3) months of scheduled payments and the judgment will not supersede the FHA-insured mortgage lien. The Borrower cannot prepay scheduled payments in order to meet the required minimum of three (3) months of payments. REMN WS must include the payment amount in the agreement in the Borrower's monthly liabilities and debt. REMN WS must obtain a copy of the agreement and evidence that payments were made on time in accordance with the REMN WS must obtain the following documentation: Evidence of payment in full, if paid prior to settlement; The payoff statement, if paid at settlement; or The payment arrangement with the creditor, if not paid prior to or at settlement, and a subordination agreement for any liens existing on title. **TOTAL Scorecard Bankruptcy** REMN WS must document the passage of two (2) years since the discharge date of any bankruptcy. If the bankruptcy was discharged within two (2) years from the date of case number assignment; the Mortgage must be downgraded to a Refer and manually underwritten. If the credit report does not verify the discharge date or additional documentation is necessary to determine if any liabilities were discharged in the bankruptcy, the Mortgagee must obtain the bankruptcy and discharge documents. Chapter 7 Bankruptcy does not disqualify a Borrower from obtaining an FHA-insured Mortgage if, at the time of case number assignment, at least two (2) years have elapsed since the date of the bankruptcy discharge. During this time, the Borrower must have: Re-established good credit; or Chosen not to incur new credit obligations. An elapsed period of less than two (2) years, but not less than twelve (12) months, may be acceptable, if the Borrower: can show that the bankruptcy was caused by extenuating circumstances beyond the Borrower's control; and as since exhibited a documented ability to manage their financial affairs in a responsible manner. Chapter 13 Bankruptcy does not disqualify a Borrower from obtaining an FHA-insured Mortgage, if at the time of case number assignment at least twelve (12) months of the pay-out period under the bankruptcy has elapsed. REMN WS must determine that during this time, the Borrower's payment performance has been satisfactory and all required payments have been made on time; and the Borrower has received written permission from bankruptcy court to enter into the mortgage transaction. If the credit report does not verify the discharge date or additional documentation is necessary to determine if any liabilities were discharged in the bankruptcy, REMN WS must obtain the bankruptcy and discharge documents. REMN WS must also document that the Borrower's current situation indicates that the events which led to the bankruptcy are not likely to recur. **TOTAL Scorecard Credit** Participating in a consumer credit counseling program does not require a downgrade to manual underwriting. Counseling No explanation or other documentation is needed. **Manual Underwriting** Participating in a consumer credit counseling program does not disqualify a Borrower from obtaining an FHA-insured Mortgage, provided the Mortgagee documents that: One (1) year of the pay-out period has elapsed under the plan; The Borrower's payment performance has been satisfactory and all required payments have been made on time; and The Borrower has received written permission from the counseling agency to enter into the mortgage transaction.

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CREDIT & UNDERWRITING Pre-Foreclosure Pre-Foreclosure Sales, also known as Short Sales, refer to the sales of real estate that generate proceeds that are less than the **Short Sale** amount owed on the Property and the lien holders agree to release their liens and forgive the deficiency balance on the real **TOTAL** REMN WS must document the passage of three (3) years since the date of the Short Sale. If the Short Sale occurred within three (3) years of the case number assignment date, the mortgage must be downgraded to a Refer and manually This three (3) year period begins on the date of transfer of title by Short Sale. If the credit report does not verify the date of the transfer of title by Short Sale, REMN WS must obtain the Short Sale **Pre-Foreclosure** Pre-Foreclosure Sales, also known as Short Sales, refer to the sales of real estate that generate proceeds that are less than the amount owed on the property and the lien holder agrees to release their liens and forgive the deficiency balance on the real **Short Sale** estate. **MANUAL** A borrower is NOT eligible for a new FHA-insured mortgage if he/she relinquished a property through a Short Sale within three (3) years from the date of the case number assignment. If the credit report does not indicate the date of the Shore Sale, REMN WS must obtain the settlement statement, deed or other legal documents evidencing the date of property transfer. If the Short Sale was the result of a circumstance beyond the Borrower's control, REMN WS must obtain an explanation of the circumstance and document that the circumstance was beyond the Borrower's control. A borrower is considered eligible for a new FHA-insured mortgage if, from the date of the new case **Borrower** number assignment with REMN WS, all; **Current at** Mortgage payments due on the prior mortgage were made within the month due for the twelve Time of (12) month period preceding the short sale; and, **Short Sale** Installment debt payments for the same time period were made within the month due. REMN WS may grant an exception to the three (3) year requirement if the Short Sale was the result of Extenuating documented extenuating circumstances that were beyond the control of the Borrower, such as a Circumstance serious illness or death of a wage earner, and the Borrower has re-established good credit since the Divorce is not considered an extenuating circumstance. An exception may, be granted where a Borrower's Mortgage was current at the time of the Borrower's divorce, the ex-spouse received the Property, and there was a subsequent Short Sale. The inability to sell the Property due to a job transfer or relocation to another area does not qualify as an extenuating circumstance. **TOTAL Scorecard Foreclosure** REMN WS must manually downgrade to a Refer if the Borrower had a foreclosure in which title transferred from the Borrower within three (3) years of case number assignment. If the credit report does not verify the date of the transfer of title through the foreclosure, the Mortgagee must obtain the foreclosure documents. **Manual Underwriting** A Borrower is generally not eligible for a new FHA-insured mortgage if the Borrower had a foreclosure or a DIL of foreclosure in the three (3) year period prior to the date of case number assignment. This three (3) year period begins on the date of the DIL or the date that the Borrower transferred ownership of the Property to the foreclosing Entity/designee. **Exceptions** REMN WS may grant an exception to the three (3) year requirement if the foreclosure was the result of documented extenuating circumstances that were beyond the control of the Borrower, such as a serious illness or death of a wage earner, and the Borrower has re-established good credit since the foreclosure. Divorce is not considered an extenuating circumstance. An exception may, however, be granted where a Borrower's Mortgage was current at the time of the Borrower's divorce, the ex-spouse received the Property, and the Mortgage was later foreclosed. The inability to sell the Property due to a job transfer or relocation to another area does not qualify as an extenuating circumstance If the credit report does not indicate the date of the foreclosure or DIL of foreclosure, the Mortgagee must obtain the Settlement Statement, deed or other legal documents evidencing the date of property transfer. If the foreclosure or DIL of foreclosure was the result of a circumstance beyond the Borrower's control, the Mortgagee must obtain an explanation of the circumstance and document that the circumstance was beyond the Borrower's control. **TOTAL Scorecard & Manual Underwriting Borrower with** In the event that a Borrower(s) on the loan application has a prior foreclosure with REMN WS, the following will apply: **Prior** The loan must be elevated to REMN WS Chief Credit Officer for consideration. A detailed memo explaining the **Foreclosure with** reason(s) for the foreclosure will be required, including, but not limited to the following: **REMN WS-**Factors that considered the reasons for the foreclosure, as well as the monetary loss incurred by REMN WS. **REMN WS** Explanation should be for "extraordinary" situations, such as a prolonged serious medical condition and/or **Policy** death of a household wage-earner. The loan must otherwise meet all Agency/Investor guidelines that apply for foreclosure.

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	CREDIT & UNDERWRITING
Deed-In-Lieu of	TOTAL Scorecard
Foreclosure	REMN WS must manually downgrade to a Refer if the Borrower had a DIL of foreclosure in which title transferred from the Borrower within three (3) years of case number assignment.
	» If the credit report does not verify the date of the transfer of title by DIL of foreclosure, REMN WS must obtain a copy of the DIL of foreclosure.
	Manual Underwriting
	A Borrower is generally not eligible for a new FHA-insured mortgage if the Borrower had a foreclosure or a DIL of foreclosure in the three (3) year period prior to the date of case number assignment.
	» This three (3) year period begins on the date of the DIL or the date that the Borrower transferred ownership of the Property to the foreclosing Entity/designee.
	Exceptions
	REMN WS may grant an exception to the three (3) year requirement if the foreclosure was the result of documented extenuating circumstances that were beyond the control of the Borrower, such as a serious illness or death of a wage earner, and the Borrower has re-established good credit since the foreclosure.
	Divorce is not considered an extenuating circumstance. An exception may, however, be granted where a Borrower's Mortgage was current at the time of the Borrower's divorce, the ex-spouse received the Property, and the Mortgage was later foreclosed.
	The inability to sell the Property due to a job transfer or relocation to another area does not qualify as an extenuating circumstance
	If the credit report does not indicate the date of the foreclosure or DIL of foreclosure, REMN WS must obtain the settlement statement, deed or other legal documents evidencing the date of property transfer.
	If the foreclosure or DIL of foreclosure was the result of a circumstance beyond the Borrower's control, REMN WS must obtain an explanation of the circumstance and document that the circumstance was beyond the Borrower's control.
Extenuating Circumstances	REMN WS may grant an exception to the waiting period requirement if the significant derogatory credit event was the result of documented extenuating circumstances that were beyond the control of the Borrower, such as a serious illness or death of a wage earner, and the Borrower has re-established good credit since the event.
	Divorce is not considered an extenuating circumstance. An exception may, however, be granted where a Borrower's Mortgage was current at the time of the Borrower's divorce, the ex-spouse received the Property, and the Mortgage was later foreclosed.
	> The inability to sell the Property due to a job transfer or relocation to another area does not qualify as an extenuating circumstance.

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Non-Traditional and Insufficient Credit

CREDIT & UNDERWRITING

Manual Underwriting ONLY

- For Borrowers without a credit score, REMN WS must either obtain a Non-Traditional Mortgage Credit Report (NTMCR) from a credit reporting company or independently develop the Borrower's credit history using the requirements outlined below.
- Sufficiency of Credit References To be sufficient to establish the Borrower's credit, the credit history must include three (3) references, including at least one (1) of the following:
 - » Rental housing payments (subject to independent verification if the Borrower is a renter);
 - » Telephone service; or
 - Utility company reference (if not included in the rental housing payment), including:
 - Gas
 - Electricity;
 - Water;
 - Television service; or
 - Internet service.

If REMN WS cannot obtain all three credit references from the list above, REMN WS may use the following sources of unreported recurring debt:

- Insurance premiums not payroll deducted (for example, medical, auto, life, renter's insurance);
- Payment to child care providers made to businesses that provide such services;
- School tuition
- Retail store credit cards (for example, from department, furniture, appliance stores, or specialty stores);
- Rent-to-own (for example, furniture, appliances);
- Payment of that part of medical bills not covered by insurance;
- > A documented 12-month history of savings evidenced by regular deposits resulting in an increased balance to the account that:
 - » Were made at least quarterly;
 - » Was not payroll deducted, and;
 - » Caused no insufficient funds (NSF) checks;
- An automobile lease;
- A personal loan from an individual with repayment terms in writing and supported by cancelled checks to document the payments; or
- > A documented 12-month history of payment by the Borrower on an account for which the Borrower is an authorized user.

General Credit Manual Underwriting

The Underwriter must examine the Borrower's overall pattern of credit behavior, not just isolated unsatisfactory or slow payments, to determine the Borrower's creditworthiness.

- REMN WS must not consider the credit history of a non-borrowing spouse.
 - » The Underwriter must evaluate the Borrower's payment histories in the following order: (1) Previous housing expenses and related expenses, including utilities; (2) Installment debts; and (3) Revolving accounts.

Satisfactory Credit

- > The underwriter may consider a Borrower to have an acceptable payment history if the Borrower has made all housing and installment debt payments on time for the previous twelve (12) months and has no more than two (2) 30-Day late Mortgage Payments or installment payments in the previous 24 months.
- The underwriter may approve the Borrower with an acceptable payment history if the Borrower has no major derogatory credit on revolving accounts in the previous twelve (12) months.
- Major derogatory credit on revolving accounts must include any payments made more than 90 Days after the due date, or three (3) or more payments more than 60 Days after the due date.

Payment History Requiring Additional Analysis

- If a Borrower's credit history does not reflect satisfactory credit as stated above, the Borrower's payment history requires additional analysis
- REMN WS must analyze the Borrower's delinquent accounts to determine whether late payments were based on a disregard for financial obligations, an inability to manage debt, or extenuating circumstances. The Mortgagee must document this analysis in the mortgage file. Any explanation or documentation of delinquent accounts must be consistent with other information in the file.
- The underwriter may only approve a Borrower with a credit history not meeting the satisfactory credit history above if the underwriter has documented the delinquency was related to extenuating circumstances.

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		CREDIT	& UNDERW	/RITING
Approvable Ratio Requirements Maximum Ratios and Compensating Factors for MU	or DTI, applicable to manu The qualifying ratios for B	age Payment ally underwritt orrowers with	to Effective Inc ten Mortgages No Credit Sc	come Ratio (PITI) and Total Fixed Payments to Effective Income Ratio, are summarized in the matrix below. ore are computed using income only from Borrowers occupying the ant Co-Borrower income may not be included. FHA Comments
Credit Score Overlays Apply – see FHA FICO Overlay Matrix located at www.remnwholesale.com	No FICO for any borrower (see above) OR 550+ and NO Compensating Factors	(550-599 FICO) 31.00%	600+ FICO / 43.00%	 Standard ratios may <u>not</u> be exceeded No compensating factors required or applicable. Minimum standard reserves must be met » 1 & 2 family: 1 month » 3 & 4 family: 3 months
www.terniwnoiesale.com	Credit Score Overlays Apply 550+ and ONE Compensating Factor Credit Score Overlays Apply	31.00% / 43.00%*	37.00% / 47.00%	At least one (1) of the following compensating factors must be present Cash reserves Minimal housing increase Residual income Minimum standard reserves must still be met: 1 & 2 family: 1 month (3 months if using cash reserves as one of the compensating factors) 3 & 4 family: 3 months (6 months if using cash reserves as one of the compensating factors)
	550+ and TWO Compensating Factors Credit Score Overlays Apply	31.00% / 43.00%*	40.00% / 50.00%	At least two (2) of the following compensating factors must be present Cash reserves Minimal housing increase Residual income Additional income not considered in gross effective income Minimum reserves must be still be met: "1 & 2 family: 1 month (3 months if using cash reserves as one of the compensating factors) "3 & 4 family: 3 months (6 months if using cash reserves as one of the compensating factors)
	550+ and NO Discretionary Debt Credit Score Overlays Apply	31.00% / 40.00%*	40.00% / 40.00%	 Must meet all requirements of "no discretionary debt" criteria Minimum standard reserves must be met: 1 & 2 family: 1 month (3 months if using cash reserves as one of the compensating factors) 3 & 4 family: 3 months (6 months if using cash reserves as one of the compensating factors)
Definition of Reserves for MU	*Based on REMN WS Credit Score Overlays referenced in the REMN FHA/VA/Bond/USDA Overlay Grid. Reserves are calculated as the Borrower's total assets as described in Asset Requirement minus: "The total funds required to close the mortgage; "Gifts; Borrowed funds; and "Cash received at closing in a cash-out refinance transaction or incidental cash received at closing in the mortgage transaction.			
Reserve Requirements for MU	Verified and documented of a Reserves are equal to	o or exceed th	ree (3) total m	s a compensating factor subject to the following requirements. nonthly mortgage payments for 1-2 unit properties. hthly mortgage payments for 3-4 unit properties.

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		CREDIT & UNDERWRITING			
Documenting Acceptable Compensating Factors for MU	Minimal Increase in Housing Payment	 A minimal increase in housing payment may be cited as a compensating factor subject to the following requirements: The new total monthly mortgage payment does not exceed the current total monthly housing payment by more than \$100 or 5%, whichever is less; AND There is a documented twelve (12) month housing payment history with no more than one (1) 30 day late payment. In cash-out transactions all payments on the mortgage being refinanced must have been made within the month due for the previous twelve (12) months. If the borrower has no current housing payment REMN WS may not cite this compensating factor. 			
	No Discretionary Debt	 No discretionary debt may be cited as a compensating factor subject to the following; The borrower's housing payment is the only open account with an outstanding balance that is not paid off monthly, The credit report shows established credit lines in the borrower's name open for at least six (6) months; and, The borrower can document that these accounts have been paid off in full monthly for at least the past six (6) months. Borrowers who have no established credit other than their housing payment, no other credit lines in their own name open for at least six (6) months, or who cannot document that all other accounts are paid off in full monthly for at least the past six (6) months, do not qualify under this criterion. Credit lines not in the borrower's name but for which he/she is an authorized user do not qualify under this criterion. 			
	Significant Additional Income Not Reflected in Gross Effective Income Residual Income	 Additional income from bonuses, overtime, part-time or seasonal employment that is not reflected in gross effective income can be cited as a compensating factor subject to the following requirements: REMN WS must verify and document that the borrower has received this income for at least one (1) year and it will likely continue; and, The income, if it were included in gross effective income, is sufficient to reduce the qualifying ratios to not more than 37.00%/47.00%. Income from non-borrowing spouses or other parties not obligated for the mortgage may not be counted under this criterion. This compensating factor may be cited only in conjunction with another compensating factor when qualifying ratios exceed 37.00%/47.00% but are not more than 40.00%/50.00%. Residual income may be cited as a compensating factor provided it can be documented and it is at least equal to the applicable amounts for household size and geographic region. 			
Calculating Gross Monthly Income for MU	Residual income is calculated as total Effective Income of all Occupying Borrowers less: """>"" State Income Taxes; """>" Federal Income Taxes; """>" Retirement or Social Security; """>" Proposed total monthly mortgage payment; """>" Estimated maintenance and utilities; """>" Job related expenses (e.g., child care); and """>" The amount of the Gross Up of any Non-Taxable Income. """>" If available, REMN WS must use federal and state returns from the most recent tax year to document state and local taxes, retirement, Social Security and Medicare. """>" If tax returns are not available, REMN WS may rely upon current pay stubs. "">" For estimated maintenance and utilities, REMN WS must multiply the gross living area of the property by the maintenance and utility factor of .14¢ (e.g., 1500 square feet x .14 = \$210 per month).				
Using Residual Income as a Compensating Factor for MU	 and utility factor of .14¢ (e.g., 1500 square feet x .14 = \$210 per month). To use residual income as a compensating factor, count all members of the household of the occupying borrowers without regard to the nature of their relationship and without regard to whether they are joining on title or the note. Exception: REMN WS may omit any individuals from "family size" who are fully supported from a source of verified income which is not included in effective income in the loan analysis. These individuals must voluntarily provide sufficient documentation to verify their income to qualify for this exception. If residual income equals or exceeds the amount required by VA, it may be used as a compensating factor. 				

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Payment Shock - REMN WS Policy

CREDIT & UNDERWRITING

In order to provide clarity and consistency on both the calculation and how the result is displayed, REMN WS will adopt the following calculation:

Proposed housing payment/present housing payment

Take that result and subtract "1.00" and then multiply by 100

The result will show the actual percentage

Example: Assumption & Calculation - Within Guidelines (Government Loans Under 640)

Proposed Housing Payment = \$1,400 Present Housing Payment = \$950

\$1,400/\$950 = 1.47

1.47 - 1.00 = .47

 $.47 \times 100 = 47$ (or a 47% increase)

Example: Assumption & Calculation - Outside Guidelines (Government Loans Under 640)

Proposed Housing Payment = \$1,400

Present Housing Payment = \$650

\$1,400/\$650 = 2.15

2.15 - 1.00 = 1.15

 $1.15 \times 100 = 115$ (or a 115% increase)

It is not necessary to calculate "payment shock" when the borrower's proposed housing payment is <u>less than</u> their present housing payment.

Multiple Social Security Numbers

- As soon as the credit report if received, but no later than the time of loan approval, the additional social security number(s) section located on the borrower's credit report must be reviewed. If any additional social security numbers (SSN) appear on the credit report, a clear CAIVRS search on the additional SSN(s) is required.
 - If there are multiple additional SSN's appearing, a CAIVRS report must be obtained for each SSN.
 - If there are multiple borrowers with additional SSN's appearing, a CAIVRS report must be obtained for each SSN appearing for each borrower.
- w-2 Discrepancy: If a borrower's W-2 reflects a SSN other than the SSN legally issued to the borrower, the Underwriter should adequately document the file prior to proceeding with the loan (standard underwriting practice). If the Underwriter/Team Lead/Underwriting Manager is not able to sufficiently resolve and document the W2 SSN discrepancy, the matter may be elevated to QC for review.

Procedure

- 1. Review the credit report for additional SSN's.
- 2. If there are additional SSN's, order a CAIVRS report for each SSN.

CAIVRS Results

- » Clear CAIVRS
 - The file may proceed.
 - Upload the clear CAIVRS report to BlitzDocs, Social Security Multiple Number
- » <u>CAIVRS Hit (Reflects Claim or Default) Confirmation Received that it is Not the Borrower</u>
 - Confirm with HUD the CAIVRS hit is not against the borrower
 - Follow <u>internal procedure</u> to send to REMN QC Department, CC: the Chief Credit Officer for the respective division and Operations Manager. Provide the following:
 - Borrower Name and Loan Number
 - CAIVRS report
 - Evidence from HUD that the CAIVRS is not associated with the borrower
 - Upload the CAIVRS report and evidence from HUD that the CAIVRS is not associated with the borrower to BlitzDocs,
 Social Security Multiple Number.
- CAIVRS Hit (Reflects Claim or Default) Confirmation Not Received that it is Not the Borrower
 - The loan may not proceed.

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			CREDIT & UNDERWRITING					
Derogatory Credit Waiting	Derogatory Credit Event	TOTAL MANUAL	Standard Waiting Period	Downgrade to Refer & Manually Underwritten				
Period	Chapter 7 & 11	TOTAL	≥ 2 years from date of discharge	< 2 years from date of discharge				
Summary Table (Based upon date	Bankruptcy	MANUAL	 2 years from date of discharge dismissal In cases where BK was discharged 12-2 Extenuating Circumstances. 	24mos, it is acceptable if BK was caused by				
of case number	Chantar 12	TOTAL	Documented re-establishment of credi	< 2 years from date of discharge or				
assignment)	Chapter 13 Bankruptcy		≥ 2 years from date of discharge or dismissal	dismissal				
		MANUAL		≥ 12 months satisfactory payment period under the BK ■ Written permission from the bankruptcy court to enter into the mortgage transaction				
	Foreclosure,	TOTAL	≥ 3 years from the date of completion	< 3 years from date of completion				
	Deed-In-Lieu	MANUAL	< 3yrs from date of foreclosure completion					
	(Date of Transfer of Title)		 Exceptions for < 3 years are considered Documented re-establishment of credit 	I if there are Extenuating Circumstances t has been evidenced.				
	Pre-Foreclosure	TOTAL	≥ 3 years from date of short sale	< 3 years from date of short sale				
	Sale/Short Sale (Date of Transfer of	MANUAL	< 3 years from date of Short Sale Exceptions for < 3 years are considered in the	•				
	Title)		 all mortgage payments and installment prior to the Short Sale. <u>Circumstances</u>, and documented re- 					
	Disputed	TOTAL	establishment of credit has been evidenced. No waiting period if borrower's cumulative If borrower has \$1,000 or more collective.					
	Accounts – Derogatory Credit	TOTAL	balance in disputed derogatory credit accounts is < \$1,000. • Medical accounts & disputed accounts resulting from identity theft, credit card theft or unauthorized use	in disputed derogatory credit accounts				
		MANUAL		resulted from identity theft, credit card theft olice report & other documentation must be				
	Consumer Credit	TOTAL	As per DU/TOTAL Findings	N/A				
	Counseling Services (CCCS)	MANUAL	 1 year of the pay-out period has elapsed under the plan No delinquent payments; all required payments made on-time Written permission from the counseling agency has been received. 					
	Judgments	TOTAL	Must be resolved or paid-off at or prior to closing. Non-borrowing spouse judgments in community states must also be paid-off, except for obligations excluded by state law.	N/A				
		MANUAL	Must be resolved or paid-off at or prior to community states must also be paid-off, exc Exception: A judgment is considered resol agreement with the creditor to make regula	ved if the Borrower has entered into a valid r payments on the debt and the Borrower has east three (3) months of scheduled payments.				

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INCOME & EMPLOYMENT Verbal VOE A Verbal Verification of Employment is required within 10 calendar days of the Note date. Verbal VOE is NOT required for self-employed borrowers. Business License, CPA Letter or Federal Tax ID Certificate required for all self-employed borrowers (3rd party verification is Minimum two (2) year employment history must be verified. Effective Income refers to income that may be used to qualify a Borrower for a mortgage. Effective Income must be reasonably **Effective** likely to continue through at least the first three (3) years of the mortgage, and meet the specific requirements described below. **Income General Income Requirements** REMN WS must document the Borrower's income and employment history, verify the accuracy of the amounts of income being reported, and determine if the income can be considered as Effective Income in accordance with the requirements REMN WS may only consider income if it is legally derived and, when required, properly reported as income on the Borrower's tax returns. Negative income must be subtracted from the Borrower's gross monthly income, and not treated as a recurring monthly liability unless otherwise noted. **Employment Related Income** Employment Related Income refers to income received as an employee of a business that is reported on IRS Form W2. REMN WS may use Employment Related Income as Effective Income in accordance with the standards provided for each type of Employment Related Income. For all Employment Related Income, REMN WS must verify the Borrower's most recent two (2) years of employment and income, and document using one of the following methods. **Traditional Current Employment Documentation** REMN WS must obtain the most recent pay stub and one of the following to verify current employment: A written Verification of Employment (VOE) covering two years; or An electronic verification acceptable to FHA. Re-verification of employment must be completed within 10 Days prior to the date of the Note. Verbal re-verification of employment is acceptable. **Alternative Current Employment Documentation** If using alternative documentation, the Mortgagee must: Obtain copies of the most recent pay stub that shows the Borrower's year-to-date earnings; Obtain copies of the original IRS W-2 forms from the previous two years; and Document current employment by telephone, sign and date the verification documentation, and note the name, title, and telephone number of the person with whom employment was verified. Re-verification of employment must be completed within 10 Days prior to the date of the Note. Verbal re-verification of employment is acceptable. **Past Employment Documentation** Direct verification of the Borrower's employment history for the previous two years is not required if all of the following conditions are met: The current employer confirms a two year employment history, or a paystub reflects a hiring date. Only base pay is used to qualify (no Overtime or Bonus Income). The Borrower executes IRS Form 4506, Request for Copy of Tax Return, IRS Form 4506-T, Request for Transcript of Tax Return, or IRS Form 8821, Tax Information Authorization, for the previous two tax years. If the applicant has not been employed with the same employer for the previous two (2) years and/or not all conditions immediately above can be met, then REMN WS must obtain one (1) or a combination of the following for the most recent two (2) years to verify the applicant's employment history: W2(s) Þ ➣ VOE(s) ➣ Electronic verification acceptable to FHA Evidence supporting enrollment in school or the military during the most recent two (2) full years Most recent paystub showing year-to-date earnings of at least one (1) months; and **Income** W2's for prior two (2) years or as per DU Findings recommendation. **Documentation** NOTE: REMN WS will only accept a fully completed VOE as a supplement to further explain the type of income earned (e.g.,

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breakdown of income; Base, OT, Bonus, Commission, etc.).

	INCOME & EMPLOYMENT
Primary	Primary Employment is the Borrower's principal employment, unless the income falls within a specific category identified below.
Employment	Primary employment is generally full-time employment and may be either salaried or hourly.
	The Mortgagee may use primary Employment Income as Effective Income.
	Salary
	Employees who are salaried and whose income has been and will likely be consistently earned, REMN WS must use the
	current salary to calculate Effective Income. Hourly
	> Employees who are paid hourly, and whose hours do not vary, REMN WS must consider the Borrower's current hourly rate
	to calculate Effective Income.
	> Employees who are paid hourly and whose hours vary, REMN WS must average the income over the previous two (2) years.
	If REMN WS can document an increase in pay rate REMN WS may use the most recent twelve (12) month average of hours
	at the current pay rate.
Part-Time	Part-Time Employment refers to employment that is not the Borrower's primary employment and is generally performed for less than 40 hours per week.
Employment	> REMN WS may use Employment Income from Part-Time Employment as Effective Income if the Borrower has worked a
	part-time job uninterrupted for the past two (2) years and the current position is reasonably likely to continue.
	Calculation of Effective Income
	> REMN WS must average the income over the previous two (2) years. If REMN WS can document an increase in pay rate
	REMN WS may use a 12-month average of hours at the current pay rate.
Overtime and	Overtime and Bonus Income refers to income that the Borrower receives in addition to the Borrower's normal salary.
Bonus Income	> REMN WS may use Overtime and Bonus Income as Effective Income if the Borrower has received this income for the past two (2) years and it is reasonably likely to continue.
	Periods of Overtime and Bonus Income less than two years may be considered Effective Income if the Mortgagee
	documents that the Overtime and Bonus Income has been consistently earned over a period of not less than one (1) year
	and is reasonably likely to continue.
	> When determining overtime and/or bonus income, the borrower's "year-to-date" earnings can be included in the
	calculation, provided they are properly documented.
	 Year-to-date income must always be provided, as there needs to be an evaluation between current year's and prior year's earnings.
	Calculation of Effective Income
	> For employees with Overtime or Bonus Income, REMN WS must average the income earned over the previous two (2) years
	to calculate Effective Income. However, if the Overtime or Bonus Income from the current year decreases by 20% or more
	from the previous year, REMN WS must use the current year's income.
Seasonal	Seasonal Employment refers to employment that is not year round, regardless of the number of hours per week the Borrower works on the job.
Employment	 REMN WS may consider Employment Income from Seasonal Employment as Effective Income if the Borrower has worked
	the same line of work for the past two (2) years and is reasonably likely to be rehired for the next season. REMN WS may
	consider unemployment income as Effective Income for those with Effective Income from Seasonal Employment.
	NOTE – Unemployment compensation cannot be used to qualify the borrower unless it is clearly associated with Seasonal
	Employment that is reported on the Borrower's signed federal income tax returns.
	Required Documentation For seasonal employees with unemployment income, the Mortgagee must document the unemployment income for two
	(2) full years and there must be reasonable assurance that this income will continue.
	Calculation of Effective Income
	> For employees with Employment Income from Seasonal Employment, REMN WS must average the income earned over the
	previous two (2) full years to calculate Effective Income.
Union Workers	> If the borrower is a union member and employed full-time through the employer on a W-2 basis, then no additional
	verification of employment is required outside of what is requested by the DU Approve/Eligible findings.
	For union members who are employed through the union/union hall (i.e. contract employees, tradesmen) and/or receive
	variable sources of income from assigned union jobs, then additional verification may be required to evidence stability of
	employment/income (i.e. two years Federal Income Tax Returns).
Employer	Employer Housing Subsidy refers to employer-provided mortgage assistance.
Housing	REMN WS may utilize Employer Housing Subsidy as Effective Income.
Subsidy	Required Documentation > REMN WS must verify and document the existence and the amount of the housing subsidy.
	Calculation of Effective Income
	For employees receiving an Employer Housing Subsidy, REMN WS may add the Employer Housing Subsidy to the total
	Effective Income, but may not use it to offset the Mortgage Payment.

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Employed by Family Owned Business

INCOME & EMPLOYMENT

Family-Owned Business Income refers to Employment Income earned from a business owned by the Borrower's family, but in which the Borrower is not an owner.

REMN WS may consider Family-Owned Business Income as Effective Income if the Borrower is not an owner in the family-owned business.

Required Documentation

- > REMN WS must verify and document that the Borrower is not an owner in the family-owned business by using official business documents showing the ownership percentage.
- Official business documents include corporate resolutions or other business organizational documents, business tax returns or Schedule K-1 (IRS Form 1065) or an official letter from a certified public accountant on their business letterhead.
- In addition to traditional or alternative documentation requirements, REMN WS must obtain copies of signed personal tax returns or tax transcripts.

Calculation of Effective Income

Salary – For employees who are salaried and whose income has been and will likely continue to be consistently earned, REMN WS must use the current salary to calculate Effective Income.

Hourly – For employees who are paid hourly, and whose hours do not vary, REMN WS must consider the Borrower's current hourly rate to calculate Effective Income.

> For employees who are paid hourly and whose hours vary, REMN WS must average the income over the previous two (2) years. If REMN WS can document an increase in pay rate the Mortgagee may use the most recent twelve (12) month average of hours at the current pay rate.

Commission Income

Commission Income refers to income that is paid contingent upon the conducting of a business transaction or the performance of a service.

REMN WS may use Commission Income as Effective Income if the Borrower earned the income for at least one (1) year in the same or similar line of work and it is reasonably likely to continue.

Required Documentation

- For Commission Income less than or equal to 25% of the Borrower's total earnings, REMN WS must use traditional or alternative employment documentation.
- > For Commission Income greater than 25% of the Borrower's total earnings, REMN WS must obtain signed tax returns, including all applicable schedules, for the last two years. In lieu of signed tax returns from the Borrower, REMN WS may obtain a signed IRS Form 4506, Request for Copy of Tax Return, IRS Form 4506-T, Request for Transcript of Tax Return, or IRS Form 8821, Tax Information Authorization, and tax transcripts directly from the IRS.

Calculation of Effective Income

- REMN WS must calculate Effective Income for commission by using the lesser of;
 - a) The average net Commission Income earned over the previous two (2) years, or the length of time Commission Income has been earned if less than two (2) years; or
 - b) The average net Commission Income earned over the previous one (1) year. REMN WS must calculate net Commission Income by subtracting the unreimbursed business expenses from the gross Commission Income.
- REMN WS must reduce the Effective Income by the amount of any unreimbursed employee business expenses, as shown on the Borrower's Schedule A.
- For information on analyzing the Borrower's 1040, review Analyzing IRS Forms.

Disability Benefits

Disability Benefits are benefits received from the Social Security Administration (SSA), Department of Veterans Affairs (VA), other public agencies, or a private disability insurance provider.

Required Documentation

- REMN WS must verify and document the Borrower's receipt of benefits from the SSA, VA, or private disability insurance provider. The Mortgagee must obtain documentation that establishes award benefits to the Borrower.
- > If any disability income is due to expire within three (3) years from the date of mortgage application, that income cannot be used as Effective Income.
- If the Notice of Award or equivalent document does not have a defined expiration date, REMN WS may consider the income effective and reasonably likely to continue. REMN WS may not rely upon a pending or current re-evaluation of medical eligibility for benefit payments as evidence that the benefit payment is not reasonably likely to continue.
- > Under no circumstance may REMN WS inquire into or request documentation concerning the nature of the disability or the medical condition of the Borrower.

Social Security Disability

For Social Security Disability income, including Supplemental Security Income (SSI), REMN WS must obtain a copy of the last Notice of Award letter, or an equivalent document that establishes award benefits to the Borrower, and one (1) of the following documents:

- a) Federal tax returns;
- b) The most recent bank statement evidencing receipt of income from the SSA;
- c) A Proof of Income Letter, also known as a "Budget Letter" or "Benefits Letter" that evidences income from the SSA; or
- d) A copy of the Borrower's form SSA-1099/1042S, Social Security Benefit Statement.

Calculation of Effective Income

> REMN WS must use the most recent amount of benefits received to calculate Effective Income.

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	INCOME & EMPLOYMENT
VA Disability	For VA disability benefits, REMN WS must obtain from the Borrower a copy of the Veteran's last Benefits Letter showing the amount of
	the assistance, and one (1) of the following documents:
	a) Federal tax returns; or
	b) The most recent bank statement evidencing receipt of income from the VA.
	If the Benefits Letter does not have a defined expiration date, REMN WS may consider the income effective and reasonably likely to
	continue for at least three (3) years.
	Calculation of Effective Income
	> REMN WS must use the most recent amount of benefits received to calculate Effective Income.
Private Disability	For private disability benefits, REMN WS must obtain documentation from the private disability insurance provider showing the amount
	of the assistance and the expiration date of the benefits, if any, and one (1) of the following documents:
	a) General tax returns; or
	b) The most recent bank statement evidencing receipt of income from the insurance provider.
	Calculation of Effective Income
	> REMN WS must use the most recent amount of benefits received to calculate Effective Income.
Alimony, Child	Alimony, Child Support, and Maintenance Income refers to income received from a former spouse or partner or from a non-custodial
Support and	parent of the Borrower's minor dependent.
Maintenance	Required Documentation
Income	REMN WS must obtain a fully executed copy of the Borrower's final divorce decree, legal separation agreement, court order, or
ancome	voluntary payment agreement with documented receipt.
	> When using a final divorce decree, legal separation agreement or court order, REMN WS must obtain evidence of receipt using
	deposits on bank statements; canceled checks; or documentation from the child support agency for the most recent three (3)
	months that supports the amount used in qualifying.
	> REMN WS must document the voluntary payment agreement with twelve (12) months of cancelled checks, deposit slips, or tax
	returns.
	> REMN WS must provide evidence that the claimed income will continue for at least three (3) years. REMN WS may use the front
	and pertinent pages of the divorce decree/settlement agreement and/or court order showing the financial details.
	Calculation of Effective Income
	> When using a final divorce decree, legal separation agreement or court order, if the Borrower has received consistent Alimony,
	Child Support and Maintenance Income for the most recent three (3) months, REMN WS may use the current payment to calculate
	Effective Income.
	> When using evidence of voluntary payments, if the Borrower has received consistent Alimony, Child Support and Maintenance
	Income for the most recent six (6) months, REMN WS may use the current payment to calculate Effective Income.
	> If the Alimony, Child Support and Maintenance Income have not been consistently received for the most recent six (6) months,
	REMN WS must use the average of the income received over the previous two (2) years to calculate Effective Income.
	> If Alimony, Child Support and Maintenance Income have been received for less than two (2) years, REMN WS must use the average
	over the time of receipt.
Military Income	Military Income refers to income received by military personnel during their period of active, Reserve, or National Guard service,
•	including:
	➤ Base pay
	> Basic Allowance for Housing
	> Clothing allowances
	> Flight or hazard pay
	> Basic Allowance for Subsistence
	> Proficiency pay
	» REMN WS may not use military education benefits as Effective Income.
	Required Documentation
	> REMN WS must obtain a copy of the Borrower's military Leave and Earnings Statement (LES). REMN WS must verify the Expiration
	Term of Service date on the LES. If the Expiration Term of Service date is within the first twelve (12) months of the Mortgage,
	Military Income may only be considered Effective Income if the Borrower represents their intent to continue military service.
	Calculation of Effective Income
	> REMN WS must use the current amount of Military Income received to calculate Effective Income.
Pension Income	Pension refers to income received from the Borrower's former employer(s).
	Required Documentation
	> REMN WS must verify and document the Borrower's receipt of periodic payments from the Borrower's Pension and that the
	payments are likely to continue for at least three (3) years.
	REMN WS must obtain any one of the following documents:
	» Federal tax returns;
	» The most recent bank statement evidencing receipt of income from the former employer; or
	» A copy of the Borrower's Pension/retirement letter from the former employer.
	Calculation of Effective Income
	REMN WS must use the current amount of Pension income received to calculate Effective Income.
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INCOME & EMPLOYMENT Automobile Automobile Allowance refers to the funds provided by the Borrower's employer for automobile related expenses. **Required Documentation** Allowance REMN WS must verify and document the Automobile Allowance received from the employer for the previous two years. REMN WS must also obtain IRS Form 2106, Employee Business Expenses, for the previous two years. **Calculation of Effective Income** REMN WS must determine the portion of the allowance that can be considered Effective Income. REMN WS must subtract automobile expenses as shown on IRS Form 2106 from the Automobile Allowance before calculating Effective Income based on the current amount of the allowance received. If the Borrower uses the standard per-mile rate in calculating automobile expenses, as opposed to the actual cost method, the portion that the IRS considers depreciation may be added back to income. Expenses that must be treated as recurring The Borrower's monthly car payment; and Any loss resulting from the calculation of the difference between the actual expenditures and the expense account IRA and 401(k) Individual Retirement Account (IRA)/401(k) Income refers to income received from an IRA. **Required Documentation** REMN WS must verify and document the Borrower's receipt of recurring IRA/401(k) distribution Income and that it is reasonably likely to continue for three years. REMN WS must obtain the most recent IRA/401(k) statement and any one (1) of the following documents: Federal tax returns; or The most recent bank statement evidencing receipt of income. **Calculation of Effective Income** For Borrowers with IRA/401(k) Income that has been and will be consistently received, REMN WS must use the current amount of IRA Income received to calculate Effective Income. For Borrowers with fluctuating IRA/401(k) Income, REMN WS must use the average of the IRA/401(k) Income received over the previous two (2) years to calculate Effective Income. If IRA/401(k) Income has been received for less than two (2) years, REMN WS must use the average over the time of receipt. Retirement Retirement Income refers to income received from Pensions, 401(k) distributions, and Social Security. Social Security **Income** Social Security Income or Supplemental Security Income (SSI) refers to income received from the SSA other than disability income. **Required Documentation** REMN WS must verify and document the Borrower's receipt of income from the SSA and that it is likely to continue for at least a three (3) year period from the date of case number assignment. For SSI, REMN WS must obtain any one of the following documents: Federal tax returns; b) The most recent bank statement evidencing receipt of income from the SSA; A Proof of Income Letter, also known as a "Budget Letter" or "Benefits Letter" that evidences income from the SSA; or A copy of the Borrower's form SSA-1099/1042S, Social Security Benefit Statement. In addition to verification of income, the Mortgagee must document the continuance of this income by obtaining from the Borrower A copy of the last Notice of Award letter which states the SSA's determination on the Borrower's eligibility for SSA income or An equivalent document that establishes award benefits to the Borrower (equivalent document). If any income from the SSA is due to expire within three (3) years from the date of case number assignment, that income may not be used for qualifying. If the Notice of Award or equivalent document does not have a defined expiration date, REMN WS must consider the income effective and reasonably likely to continue. REMN WS may not request additional documentation from the Borrower to demonstrate continuance of Social Security Administration income. If the Notice of Award letter or equivalent document specifies a future start date for receipt of income, this income may only be considered effective on the specified start date. **Calculation of Effective Income** REMN WS must use the current amount of Social Security Income received to calculate Effective Income. Unemployment Unemployment compensation is not eliqible for qualification unless it is clearly associated with seasonal employment that is reported on the borrower's signed federal income tax returns. **Benefits** Seasonal employment is considered predictable, so unemployment compensation related to this employment, if properly verified and documented, is considered predictable as well Union jobs are NOT considered seasonal, so unemployment compensation related to these is not considered predictable and not eligible for qualification. See Seasonal Employment section for details regarding verification and documentation requirements.

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INCOME & EMPLOYMENT

Self-Employed Income

Self-Employment Income refers to income generated by a business in which the Borrower has a 25% or greater ownership interest.

- There are four (4) basic types of business structures. They include:
 - » Sole proprietorships;
 - » Corporations;
 - » Limited liability or "S" corporations; and
 - » Partnerships.

Minimum Length of Self-Employment

- > REMN WS may consider Self-Employment Income if the Borrower has been self-employed for at least two (2) years.
- If the Borrower has been self-employed between one and two (2) years, the Mortgagee may only consider the income as Effective Income if the Borrower was previously employed in the same line of work in which the Borrower is self-employed or in a related occupation for at least two (2) years.

Stability of Self-Employment Income

- Income obtained from businesses with annual earnings that are stable or increasing is acceptable. If the income from businesses shows a greater than 20 percent decline in Effective Income over the analysis period, the Mortgagee must downgrade and manually underwrite.
- If downgraded to manual underwrite due to business(es) showing a greater than 20% decline in Effective Income over the analysis period, REMN WS must document that the business income is now stable.
 - » REMN WS may consider income as stable after a 20% reduction if it can be documented that the reduction in income was the result of an extenuating circumstance, the Borrower can demonstrate the income has been stable or increasing for a minimum of twelve (12) months, and the Borrower qualifies using the reduced income.

Self-Employed Required Documentation

Individual and Business Tax Returns

- The Mortgagee must obtain complete individual federal income tax returns for the most recent two years, including all schedules.
- > The Mortgagee must obtain the Borrower's business tax returns for the most recent two years unless the following criteria are met:
 - » Individual federal income tax returns show increasing Self-Employment Income over the past two years;
 - » Funds to close are not coming from business accounts; and
 - » The Mortgage to be insured is not a cash-out refinance.
- In lieu of signed individual or business tax returns from the Borrower, REMN WS may obtain a signed IRS Form 4506, Request for Copy of Tax Return, IRS Form 4506-T, Request for Transcript of Tax Return, or IRS Form 8821, Tax Information Authorization, and tax transcripts directly from the IRS.

Profit & Loss Statements and Balance Sheets

- > REMN WS must obtain a year-to-date Profit and Loss (P&L) statement and balance sheet if more than a calendar quarter has elapsed since date of most recent calendar or fiscal year-end tax return was filed by the Borrower. A balance sheet is not required for self-employed Borrowers filing Schedule C income.
- > If the borrower is on extension for the current tax year due, please reference the Self-Employed Borrowers Profit & Loss Requirements policy to determine necessary requirements (same as Conventional)
- > If income used to qualify the Borrower exceeds the two (2) year average of tax returns, an audited P&L or signed quarterly tax return must be obtained from the IRS.

Calculation of Effective Income

- > REMN WS must analyze the Borrower's tax returns to determine gross Self-Employment Income. Requirements for analyzing self-employment documentation are found in Analyzing IRS Forms.
 - » Allowance of adding back Business Use of Home is permitted for Schedule C (sole proprietor) borrowers only and it is limited to interest, MIP, taxes and insurance.
 - » Additional 50% meals & entertainment exclusion (that is not tax deductible) is NOT included in the borrower's income calculation
- > The Mortgagee must calculate gross Self-Employment Income by using the lesser of:
 - The average gross Self-Employment Income earned over the previous two (2) years; or
 - » The average gross Self-Employment Income earned over the previous one (1) year.

Additional Analysis of Stability of Employment Income

Frequent Changes in Employment

If the Borrower has changed employers more than three (3) times in the previous twelve (12) month period, or has changed lines of work, REMN WS must take additional steps to verify and document the stability of the Borrower's Employment Income. Additional analysis is not required for fields of employment that regularly require a Borrower to work for various employers (such as Temp Companies or Union Trades).

- REMN WS must obtain:
- > Transcripts of training and education demonstrating qualification for a new position; or
- > Employment documentation evidencing continual increases in income and/or benefits.

Addressing Gaps in Employment

For Borrowers with gaps in employment of six (6) months or more (an extended absence), REMN WS may consider the Borrower's current income as Effective Income if we can verify and document that:

- > The Borrower has been employed in the current job for at least six (6) months at the time of case number assignment; and
- A two (2) year work history prior to the absence from employment using standard or alternative employment verification.

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Temporary Reduction in Income

INCOME & EMPLOYMENT

For Borrowers with a temporary reduction of income due to a short-term disability or similar temporary leave, REMN WS may consider the Borrower's current income as Effective Income, if it can verify and document that:

- The Borrower intends to return to work;
- > The Borrower has the right to return to work; and
- The Borrower qualifies for the Mortgage taking into account any reduction of income due to the circumstance.
- For Borrowers returning to work before or at the time of the first Mortgage Payment due date, REMN WS may use the Borrower's pre-leave income.
- For Borrowers returning to work after the first Mortgage Payment due date, REMN WS may use the Borrower's current income plus available surplus liquid asset Reserves, above and beyond any required Reserves, as an income supplement up to the amount of the Borrower's pre-leave income. The amount of the monthly income supplement is the total amount of surplus Reserves divided by the number of months between the first payment due date and the Borrower's intended date of return to work.

Required Documentation

REMN WS must provide the following documentation for Borrowers on temporary leave:

- > A written statement from the Borrower confirming the Borrower's intent to return to work, and the intended date of return;
- > Documentation generated by current employer confirming the Borrower's eligibility to return to current employer after temporary leave; and
- > Documentation of sufficient liquid assets, in accordance with Sources of Funds, used to supplement the Borrower's income through intended date of return to work with current employer.

Rental Income Received from Subject Property

Rental Income refers to income received or to be received from the subject Property or other real estate holdings. Subject Property

- REMN WS may consider Rental Income from existing and prospective tenants if documented in accordance with the following requirements.
 - » Rental Income from the subject Property may be considered Effective Income when the Property is a two- to four-unit dwelling, or an acceptable one- to four-unit Investment Property.

Required Documentation

Documentation varies depending upon the length of time the Borrower has owned the Property.

LIMITED OR NO HISTORY OF RENTAL INCOME

Where the Borrower does not have a history of Rental Income from the subject since the previous tax filing:

Two- to Four-Units

REMN WS must verify and document the proposed Rental Income by obtaining an appraisal showing fair market rent (use Fannie Mae Form 1025/Freddie Mac Form 72, Small Residential Income Property Appraisal Report) and, if available, the prospective leases.

One Unit

REMN WS must verify and document the proposed Rental Income by obtaining a Fannie Mae Form 1004/Freddie Mac Form 70, Uniform Residential Appraisal Report; Fannie Mae Form 1007/Freddie Mac Form 1000, Single Family Comparable Rent Schedule; and Fannie Mae Form 216/Freddie Mac Form 998, Operating Income Statement, showing fair market rent and, if available, the prospective lease.

HISTORY OF RENTAL INCOME

- Where the Borrower has a history of Rental Income from the subject since the previous tax filing, REMN WS must verify and document the existing Rental Income by obtaining the Borrower's most recent tax returns, including Schedule E, from the previous two (2) years.
- For Properties with less than two (2) years of Rental Income history, REMN WS must document the date of acquisition by providing the deed, Settlement Statement or similar legal document.

Calculation of Effective Income

REMN WS must add the net subject property Rental Income to the Borrower's gross income. REMN WS may not reduce the Borrower's total Mortgage Payment by the net subject property Rental Income.

LIMITED OR NO HISTORY OF RENTAL INCOME

- To calculate the Effective Income from the subject Property where the Borrower does not have a history of Rental Income from the subject Property since the previous tax filing, REMN WS must use the lesser of:
 - » The monthly operating income reported on Freddie Mac Form 998; or
 - » 75% of the lesser of:
 - Fair market rent reported by the Appraiser; or
 - The rent reflected in the lease or other rental agreement

HISTORY OF RENTAL INCOME

- > REMN WS must calculate the Rental Income by averaging the amount shown on Schedule E.
- Depreciation, mortgage interest, taxes, insurance and any HOA dues shown on Schedule E may be added back to the net income or loss.
- ➤ If the Property has been owned for less than two (2) years, REMN WS must annualize the Rental Income for the length of time the Property has been owned.

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Rental Income from Other Real Estate Holdings

INCOME & EMPLOYMENT

Rental Income from other real estate holdings may be considered Effective Income if the documentation requirements listed below is met.

- For If Rental Income is being derived from the Property being vacated by the Borrower, the Borrower must be relocating to an area more than 100 miles from the Borrower's current Principal Residence.
 - REMN WS must obtain a lease agreement of at least one (1) year's duration after the Mortgage is closed and evidence of the payment of the security deposit or first month's rent.

Required Documentation

Documentation varies depending upon the length of time the Borrower has owned the Property.

LIMITED OR NO HISTORY OF RENTAL INCOME

Where the Borrower does not have a history of Rental Income for the Property since previous tax filing, including Property being vacated by the Borrower, the Mortgagee must obtain an appraisal evidencing market rent and that the Borrower has at least 25 percent equity in the Property. The appraisal is not required to be completed by an FHA Roster Appraiser.

Two- to Four-Units

The Mortgagee must verify and document the proposed Rental Income by obtaining an appraisal showing fair market rent (use Fannie Mae Form 1025/Freddie Mac Form 72, Small Residential Income Property Appraisal Report) and, if available, the prospective leases.

One Unit

The Mortgagee must verify and document the proposed Rental Income by obtaining a Fannie Mae Form 1004/Freddie Mac Form 70, *Uniform Residential Appraisal Report*, Fannie Mae Form 1007/Freddie Mac Form 1000, *Single Family Comparable Rent Schedule*, and Fannie Mae Form 216/Freddie Mac Form 998, *Operating Income Statement*, showing fair market rent and, if available, the prospective lease.

HISTORY OF RENAL INCOME

The Mortgagee must obtain the Borrower's last two (2) years' tax returns with Schedule E.

Calculation of Effective Net Rental Income

LIMITED OR NO HISTORY OF RENTAL INCOME

- To calculate the effective net Rental Income from other real estate holdings where the Borrower does not have a history of Rental Income since the previous tax filing, REMN WS must deduct the Principal, Interest, Taxes, and Insurance (PITI) from the lesser of:
 - the monthly operating income reported on Freddie Mac Form 998; or
 - » 75% of the lesser of:
 - Fair market rent reported by the Appraiser; or
 - The rent reflected in the lease or other rental agreement.

HISTORY OF NET RENTAL INCOME

- REMN WS must calculate the net Rental Income by averaging the amount shown on the Schedule E provided the Borrower continues to own all Properties included on the Schedule E.
- Depreciation shown on Schedule E may be added back to the net income or loss.
- If the Property has been owned for less than two (2) years, the Mortgagee must annualize the Rental Income for the length of time the Property has been owned.
- For Properties with less than two (2) years of Rental Income history, REMN WS must document the date of acquisition by providing the deed, Settlement Statement or similar legal document.
- Positive net Rental Income must be added to the Borrower's Effective Income. Negative net Rental Income must be included as a debt/liability.

Boarders of the Subject Property

Boarder refers to an individual renting space inside the Borrower's Dwelling Unit.

Rental Income from Boarders is only acceptable if the Borrower has a two (2) year history of receiving income from Boarders that is shown on the tax return and the Borrower is currently receiving Boarder income.

Required Documentation

- > REMN WS must obtain two (2) years of the Borrower's tax returns evidencing income from Boarders and the current lease.
- For purchase transactions, REMN WS must obtain a copy of the executed written agreement documenting their intent to continue boarding with the Borrower.

Calculation of Effective Income

REMN WS must calculate the Effective Income by using the lesser of the two (2) year average or the current lease.

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	INCOME & EMPLOYMENT
Investment	Investment Income refers to interest and dividend income received from assets such as certificates of deposits, mutual funds,
Income	stocks, bonds, money markets, and savings and checking accounts.
	Required Documentation
	> REMN WS must verify and document the Borrower's Investment Income by obtaining tax returns for the previous two (2)
	years and the most recent account statement. Calculation of Effective Income
	REMN WS must calculate Investment Income by using the lesser of:
	» The average Investment Income earned over the previous two (2) years; or
	» The average Investment Income earned over the previous one (1) year
	REMN WS must subtract any of the assets used for the Borrower's required funds to close to purchase the subject Property
	from the Borrower's liquid assets prior to calculating any interest or dividend income.
Capital Gains	Capital Gains refer to a profit that results from a disposition of a capital asset, such as a stock, bond or real estate, where the
	amount realized on the disposition exceeds the purchase price.
	> Capital Losses refer to a loss that results from a disposition of a capital asset, such as a stock, bond or real estate, where the
	amount realized on the disposition is less than the purchase price.
	> Capital gains or losses must be considered when determining Effective Income, when the individual has a constant turnover
	of assets resulting in gains or losses. Required Documentation
	> Three (3) years' tax returns are required to evaluate an earnings trend. If the trend:
	» Results in a gain, it may be added as Effective Income; or
	» Consistently shows a loss, it must be deducted from the total income.
Expected	Expected Income refers to income from cost-of-living adjustments, performance raises, a new job, or retirement that has not
Income	been, but will be received within 60 Days of mortgage closing.
	REMN WS may consider Expected Income as Effective Income except when Expected Income is to be derived from a family-
	owned business.
	Required Documentation
	> REMN WS must verify and document the existence and amount of Expected Income with the employer in writing and that it
	is guaranteed to begin within 60 Days of mortgage closing. For expected Retirement Income, REMN WS must verify the
	amount and that it is guaranteed to begin within 60 Days of the mortgage closing. Calculation of Effective Income
	Income is calculated in accordance with the standards for the type of income being received. REMN WS must also verify that
	the Borrower will have sufficient income or cash Reserves to support the Mortgage Payment and any other obligations
	between mortgage closing and the beginning of the receipt of the income.
Trust Accounts	Trust Income refers to income that is regularly distributed to a Borrower from a trust.
	Required Documentation
	REMN WS must verify and document the existence of the Trust Agreement or other trustee statement. REMN WS must also
	verify and document the frequency, duration, and amount of the distribution by obtaining a bank statement or transaction
	history from the bank.
	REMN WS must verify that regular payments will continue for at least the first three (3) years of the mortgage term.
	Calculation of Effective Income REMN WS must use the income based on the terms and conditions in the Trust Agreement or other trustee statement to
	calculate Effective Income.
Annuities or	Annuity Income refers to a fixed sum of money periodically paid to the Borrower from a source other than employment.
Similar	Required Documentation
Jiiiiiai	> REMN WS must verify and document the legal agreement establishing the annuity and guaranteeing the continuation of the
	annuity for the first three (3) years of the Mortgage. REMN WS must also obtain a bank statement or a transaction history
	from a bank evidencing receipt of the annuity.
	Calculation of Effective Income
	> REMN WS must use the current rate of the annuity to calculate Effective Income.
	REMN WS must subtract any of the assets used for the Borrower's required funds to close to purchase the subject Property
NI 4	from the Borrower's liquid assets prior to calculating any Annuity Income.
Notes	Notes Receivable Income refers to income received by the Borrower as payee or holder in due course of a promissory Note or similar credit instrument.
Receivable -	Required Documentation
Income	REMN WS must verify and document the existence of the Note. REMN WS must also verify and document that payments
	have been consistently received for the previous twelve (12) months by obtaining tax returns, deposit slips or cancelled
	checks and that such payments are guaranteed to continue for the first three (3) years of the Mortgage.
	Calculation of Effective Income
	> For Borrowers who have been and will be receiving a consistent amount of Notes Receivable Income, REMN WS must use
	the current rate of income to calculate Effective Income.
	> For Borrowers whose Notes Receivable Income fluctuates, REMN WS must use the average of the Notes Receivable Income
	received over the previous year to calculate Effective Income.

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INCOME & EMPLOYMENT		
Mortgage Credit Certificates (MCC's)	> Not eligible for REMN WS financing	
Non-Taxable Income	 Non-Taxable Income refers to types of income not subject to federal taxes, which includes, but is not limited to: Some portion of Social Security Income; Some federal government employee Retirement Income; Railroad Retirement benefits; Some state government Retirement Income; Certain types of disability and Public Assistance payments; Child Support; Military allowances; and Other income that is documented as being exempt from federal income taxes. Required Documentation REMN WS must document and support the amount of income to be Grossed Up for any Non-Taxable Income source and the current tax rate applicable to the Borrower's income that is being Grossed Up. Calculation of Effective Income The amount of continuing tax savings attributed to Non-Taxable Income may be added to the Borrower's gross income. The percentage of Non-Taxable Income that may be added cannot exceed the greater of fifteen percent (15%) or the appropriate tax rate for the income amount, based on the Borrower's tax rate for the previous year. If the Borrower was not required to file a federal tax return for the previous tax reporting period, REMN WS may Gross Up the Non-Taxable Income by fifteen percent (15%). REMN WS may not make any additional adjustments or allowances based on the number of the Borrower's dependents.	
IRS 4506T Requirements	Loans where DU recommendation requires evidence of the "most recent tax returns"; if a loan is closing on or after October 15, 2016 REMN WS will need evidence of 2015 1040 being filed. This is for all loans in which DU requires the tax return.	
Documentation Requirements Income from SSA	 All income from the Social Security Administration (SSA) including, but not limited to, Supplemental Security Income (SSI), Social Security Disability (SSDI) and Social Security (SS) income can be used to qualify the borrower if the income has been verified, and is likely to continue for at least a three (3) year period from the date of the mortgage application with REMN WS. REMN WS must verify income by obtaining from the borrower any one (1) of the following: Federal Tax Returns, The most recent bank statement evidencing receipt of income from the SSA, Proof of Income Letter, also known as "Budget Letter" or "Benefits Letter" that evidences income from the SSA; or, Copy of the borrowers Social Security Benefits Statement (SSA 1099/10425). In addition to verification of income, REMN WS must document the continuance of this income by obtaining from the borrower; 1) a copy of the last Notice of Award letter which states the SSA's determination on the borrower's eligibility for SSA income; or 2) equivalent documentation that establishes award benefits to the borrower. If any income from the SSA is due to expire within three (3) years from the date of the mortgage application with REMN WS, that income may only be considered as a compensating factor. If the Notice of Award or equivalent documentation does not have a defined expiration date, REMN WS shall consider the income effective and likely to continue. REMN WS should not request additional documentation from the borrower to demonstrate continuance of SSA income. Under no circumstances should REMN WS inquire into or request documentation concerning the nature of the disability or medical condition of the borrower. Pending or current re-evaluation of medical eligibility for benefit payments is not considered an indication that the benefit payment is not likely to continue. <l< th=""></l<>	

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	ASSETS
Earnest Money Deposit	REMN WS must verify and document the deposit amount and source of funds if the amount of the earnest money deposit exceeds one (1%) of the sales price or is excessive based on the Borrower's history of accumulating savings, by obtaining: Copy of the Borrowers canceled check, Certification from the deposit holder acknowledging receipt of funds; or, A Verification of Deposit (VOD) or bank statement showing that the average balance was sufficient to cover the amount of earnest money deposit at the time of deposit. NOD's alone are not acceptable as the primary source of verification. NOTE: REMN WS will only accept a fully completed VOD to supplement asset accounts where only an annual or semi-annual report is issued, in order to verify the current balance. If the source of the earnest money deposit was a gift, REMN WS must verify that the gift is in compliance with Gifts (Personal) and Gifts (Equity).
Cash On Hand	REMN WS does not allow cash on hand as acceptable source of funds.
Large Deposits	 A VOD, along with the most recent bank statement, may be used to verify checking and savings accounts. If there is a large increase in an account, or the account was recently opened, REMN WS must obtain from the borrower a credible explanation and documentation of the source of funds. Obtain an explanation and documentation for recent large deposits in excess of 1% of the property sales price; or, 1% of the adjusted value on refinance transactions when the borrower is to bring funds to closing; and, Verify that any recent debts were not incurred to obtain part, or all, of the required cash investment on the property being purchased. Large deposits are not required to be addressed when the transaction is a Non-Credit Qualifying Streamline Refinance.
Checking and	Checking and Savings Accounts refer to funds from Borrower-held accounts in a financial institution that allows for withdrawals
Savings Accounts	 and deposits. REMN WS must verify and document the existence of and amounts in the Borrower's checking and savings accounts. For recently opened accounts and recent individual deposits of more than 1% of the Adjusted Value, the Mortgagee must obtain documentation of the deposits. REMN WS must also verify that no debts were incurred to obtain part, or all, of the MRI. Required Documentation If the Borrower does not hold the deposit account solely, all non-Borrower parties on the account must provide a written statement that the Borrower has full access and use of the funds. Traditional Documentation REMN WS must obtain a written VOD and the Borrower's most recent statement for each account. Alternative Documentation If a VOD is not obtained, a statement showing the previous month's ending balance for the most recent month is required. If the previous month's balance is not shown, REMN WS must obtain statement(s) for the most recent two (2) months.
Private Savings Club	Private Savings Club (a/k/a Su-Su accounts) refers to a non-traditional method of saving by making deposits into a member-managed resource pool. These accounts are not an eligible source of funds for down payment, closing costs and/or post-closing reserves on an REMN WS-financed transaction. (REMN WS OVERLAY)
Joint Access Letters	When an individual(s), other than the borrower(s), are on a bank account that is being used as a source of funds, a joint access letter is required.

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ASSETS

Cash to Close

REMN WS must document all funds that are used for the purpose of qualifying for or closing a Mortgage, including those to satisfy debt or pay costs outside of closing.

REMN WS must verify and document that the Borrower has sufficient funds from an acceptable source to facilitate the closing.

Determining the Amount Needed for Closing

- For a purchase transaction, the amount of cash needed by the Borrower to close an FHA-insured Mortgage is the difference between the total cost to acquire the Property and the total mortgage amount.
- > For a refinance transaction, the amount of cash needed by the Borrower to close an FHA-insured Mortgage is the difference between the total payoff requirements of the Mortgage being refinanced and the total mortgage amount.
 - For Credit Qualifying Streamline, verified funds to close must still be properly sourced and any large deposits must be satisfactorily addressed (large deposits are not required to be addressed when the transaction is a Non-Credit Qualifying Streamline Refinance).

REMN WS Responsibility for Estimating Settlement Requirements

In addition to the MRI, additional Borrower expenses must be included in the total amount of cash that the Borrower must provide at mortgage settlement.

Origination Fees and Other Closing Costs

- » REMN WS or sponsored TPO may charge a reasonable origination fee.
- » REMN WS or sponsored TPO may charge and collect from Borrowers those customary and reasonable closing costs necessary to close the Mortgage. Charges may not exceed the actual costs.
- » REMN WS must comply with HUD's Qualified Mortgage Rule at 24 CFR § 203.19.

Discount Points

» Discount Points refer to a charge from the Mortgagee for the interest rate chosen. They are paid by the Borrower and become part of the total cash required to close.

Types of Prepaid Items (Including Per Diem Interest)

» Prepaid items may include flood and hazard insurance premiums, MIPs, real estate taxes, and per diem interest. They must comply with the requirements of the CFPB.

Non-Realty or Personal Property

» Non-Realty or Personal Property items (chattel) that the Borrower agrees to pay for separately, including the amount subtracted from the sales price when determining the maximum Mortgage, are included in the total cash requirements for the Mortgage.

Upfront Mortgage Insurance Premium Amounts

» Any UFMIP amounts paid in cash are added to the total cash settlement requirements. The UFMIP must be entirely financed into the Mortgage or paid entirely in cash. However, if the UFMIP is financed into the Mortgage, the entire amount is to be financed except for any amount less than \$1.00.

Real Estate Agent Fees

» If a Borrower is represented by a real estate agent and must pay any fee directly to the agent, that expense must be included in the total of the Borrower's settlement requirements.

Repairs and Improvements

» Repairs and improvements, or any portion paid by the Borrower that cannot be financed into the Mortgage, are part of the Borrower's total cash requirements.

Premium Pricing on FHA-Insured Mortgages

- » Premium Pricing refers to a credit from a Mortgagee for the interest rate chosen.
- » Premium Pricing may be used to pay a Borrower's actual closing costs and/or prepaid items. Closing costs paid in this manner do not need to be included as part of the Interested Party limitation.
- » The funds derived from a premium priced Mortgage:
 - Must be disclosed in accordance with RESPA;
 - Must be used to reduce the principal balance if the credit amount exceeds the Actual dollar amount for closing costs and prepaid expenses; and
 - May not be used for payment of debts, collection accounts, escrow shortages or missed Mortgage Payments, or Judgments.

Interested Party Contributions on the Settlement Statement

- » REMN WS may apply Interested Party credits to the closing costs and prepaid items including any items Paid Outside Closing (POC).
- » The refund of the Borrower's POCs may be used toward the Borrower's MRI if the Mortgagee documents that the POCs were paid with the Borrower's own funds.
- » REMN WS must identify the total Interested Party credits on the front page of the Settlement Statement or similar legal document or in an addendum. REMN WS must identify each item paid by Interested Party Contributions.

Real Estate Tax Credits

- » Where real estate taxes are paid in arrears, the seller's real estate tax credit may be used to meet the MRI, if REMN WS documents that the Borrower had sufficient assets to meet the MRI and the Borrower paid closing costs at the time of underwriting.
- > This permits the Borrower to bring a portion of their MRI to the closing and combine that portion with the real estate tax credit for their total MRI.

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Minimum Required Investment

- Minimum Required Investment (MRI) refers to the Borrower's contribution in cash or its equivalent, which represents at least 3.5% of the Adjusted Value of the Property.
- The funds for the borrower's MRI must not come from:
 - » The seller of the property;
 - » Any other person or entity who financially benefits from the transaction (directly or indirectly); or
 - » Anyone who is or will be reimbursed, directly or indirectly, by any party included in the above two.
- While additional funds to close may be provided by one of these sources if permitted under the relevant source of funds requirement, none of the borrower's MRI may come from these sources.

Required Documentation

Where the borrower's MRI is provided by someone other than the borrower, REMN WS must obtain documentation to support the permissible nature of the source of those funds.

To establish that the Governmental Entity provided the borrower's MRI in a manner consistent with HUD's Interpretive Rule, REMN WS must document that the Governmental Entity incurred prior to or at closing an enforceable legal liability or obligation to fund the borrower's MRI. It is not sufficient to document that the Governmental Entity has agreed to reimburse REMN WS for the use of funds legally belonging to REMN WS to funds the borrower's MRI.

- REMN WS must obtain:
 - » Gift Letter evidence showing the borrower as the recipient and the amount of funds provided.
 - » A cancelled check, evidence of wire transfer or other draw request showing that prior to or at the time of closing the Governmental Entity had authorized a draw of funds provided towards the borrower's MRI from the Governmental Entity's account; or
 - » A letter from the Governmental Entity, signed by an authorized official, establishing that the funds provided towards the borrower's MRI were funds legally belonging to the Governmental Entity, when acting in their governmental capacity, at or before closing.
- Where a letter from the Governmental Entity is submitted, the precise language of the letter may vary, but must demonstrate that the funds provided for the borrower's MRI legally belonged to the Governmental Entity at or before closing, by stating, for example:
 - » The Governmental Entity has, at or before closing, incurred a legally enforceable liability as a result of its agreement to provide the funds towards the borrower's MRI;
 - » The Governmental Entity has, at or before closing, incurred a legally enforceable obligation to provide the funds towards the borrower's MRI; or
 - » The Governmental Entity has, at or before closing, authorized a draw on its account to provide the funds towards the borrower's MRI.
- While REMN WS is not required to document the actual transfer of funds in satisfaction of the obligation or liability, the failure of the Governmental Entity to satisfy the obligation or liability may result in a determination that the funds were provided by a prohibited source.
- Closing Costs as Required Investment
 - » Closing costs (non-recurring closing costs, prepaid expenses and discount points) may not be used to help meet the borrower's minimum required investment.
- Credit Card Payment for Appraisal/Credit Report
 - » The borrower may use a credit card to pay for the appraisal and credit report. These costs cannot be considered to help meet the required 3.5% investment.
- > See <u>Tax Proration</u> for additional information on minimum required investment.

Non-Profit Instrumentalities of Government

- A Nonprofit Instrumentality of Government (NPIOG) refers to a 501(c)(3) organization that was established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated as an instrumentality by law (statute or court opinion). FHA requires the unit of government that established the nonprofit to exercise Organizational Control, Operational Control or Financial Control of the nonprofit in its entirety or, at minimum, the specific homebuyer assistance program that is using FHA's credit enhancement.
- > HUD-approved NPIOGs will be included on FHA's Nonprofit Organization Roster.

Permitted Level of Secondary Financing Assistance

FHA may approve an NPIOG to provide secondary financing for as much as 100% of the Borrower's Minimum Required Investment (MRI). If approved, FHA will issue the NPIOG an approval letter, and this approval will be reflected on the FHA Nonprofit Organization Roster and in FHAC. Interested Parties should check the Roster to ensure the approval status of an NPIOG.

NOTE: If the NPIOG is NOT an "instrumentality of the government 501(c)(3) organization", they <u>cannot</u> provide the minimum required investment.

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Reserves	REMN WS must verify and document all assets submitted to AUS			
	Reserves refer to sum of the Borrower's verified and documented liquid assets minus the total funds the Borrower is			
	required to pay at closing.			
	Reserves do not include:			
	» The amount of cash taken at settlement in cash-out transactions;			
	» Incidental cash received at settlement in other loan transactions;			
	» Equity in another Property; or			
	» Borrowed funds from any source.			
	> 1-2 Unit			
	» Total Score Card – No minimum requirements			
	» No minimum requirements (including manual downgrade)			
	> 3-4 Unit			
	» Total Scorecard – 3 months PITI			
	» 3 months PITI (including manual downgrade)			
	» Gift funds are allowed for reserves with DU Approve/Eligible findings only (if there is a manual downgrade, gift funds			
	are not allowed for reserves on a 3-4 unit transaction.)			
	See Non-Occupying Co-Borrower for additional reserve requirements for the Occupying Borrower.			
	All manually underwritten loans must meet or exceed the following minimum reserve requirements.			
	» 1 and 2 Unit			
	Reserves must equal or exceed one (1) total monthly mortgage payment.			
	» 3 and 4 Unit			
	Reserves must equal or exceed three (3) total monthly mortgage payments.			
	Gift funds are not allowed for reserves on 3-4 unit manually underwritten transactions			
	> See FHA FICO Overlay Matrix located at www.remnwholesale.com			
Retirement	Retirement Accounts refer to assets accumulated by the Borrower for the purpose of retirement.			
	REMN WS may include up to 60% of the value of assets, less any existing loans, from the Borrower's retirement accounts			
Accounts	such as IRAs, thrift savings plans, 401(k) plan, and Keogh accounts, unless the Borrower provides conclusive evidence that a			
	higher percentage may be withdrawn after subtracting any federal income tax and withdrawal penalties.			
	The portion of the assets not used to meet closing requirements, after adjusting for taxes and penalties may be countries.			
	Reserves.			
	Required Documentation			
	> REMN WS must obtain the most recent monthly or quarterly statement to verify and document the existence and amounts			
	in the Borrower's retirement accounts, the Borrower's eligibility for withdrawals, and the terms and conditions for withdrawal			
	from any retirement account.			
	If any portion of the asset is required for funds to close, evidence of liquidation is required.			
Stocks &	Stocks and Bonds are investment assets accumulated by the Borrower			
Bonds	REMN WS must determine the value of the stocks and bonds from the most recent monthly or quarterly statement.			
Bollus	If the stocks and bonds are not held in a brokerage account, the Mortgagee must determine the current value of the stocks			
	and bonds through third party verification. Government-issued savings bonds are valued at the original purchase price,			
	unless REMN WS verifies and documents that the bonds are eligible for redemption when cash to close is calculated.			
	Required Documentation			
	> REMN WS must verify and document the existence of the Borrower's stocks and bonds by obtaining brokerage statement(s)			
	for each account for the most recent two months. Evidence of liquidation is not required.			
	For stocks and bonds not held in a brokerage account REMN WS must obtain a copy of each stock or bond certificate.			
Gifts (Equity)	Who May Provide Gifts of Equity			
Onts (Equity)	 Only Family Members may provide equity credit as a gift on Property being sold to other Family Members. 			
	Required Documentation			
	> REMN WS must obtain a gift letter signed and dated by the donor and Borrower that includes the following:			
	» The donor's name, address, and telephone number;			
	» The donor's relationship to the Borrower;			
	TI 1 II			
	» A statement that no repayment is required.			

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Gifts (Personal)

Gifts refer to contributions of cash or equity with no expectation of repayment

Acceptable Sources of Gifts Funds

- Gifts may be provided by:
 - a) The Borrower's Family Member, which are defined as:
 - Child, parent, or grandparent (Child is a son, stepson, daughter or stepdaughter; parent or grandparent includes a step-parent/grandparent or foster parent/grandparent
 - Spouse or domestic partner
 - Legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption
 - Foster child
 - Brother, stepbrother; Sister, stepsister
 - Uncle, Aunt or
 - Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother/sister-in-law, grandparent-in-law of the Borrower
 - b) The Borrower's employer or labor union;
 - c) A close friend with a clearly defined and documented interest in the Borrower;
 - d) A charitable organization;
 - e) A governmental agency or public Entity that has a program providing homeownership assistance to:
 - Low or moderate income families; or
 - First-time homebuyers.

Donor's Source of Funds

Cash on Hand is not an acceptable source of donor gift funds.

Required Documentation

- REMN WS must obtain a gift letter signed and dated by the donor and Borrower that includes the following:
 - a) The donor's name, address, and telephone number;
 - b) The donor's relationship to the Borrower;
 - c) The dollar amount of the gift; and
 - d) A statement that no repayment is required.

Documenting the Transfer of Gifts

- REMN WS must verify and document the transfer of gift funds from the donor to the Borrower in accordance with the requirements below.
 - a) If the gift funds have been verified in the Borrower's account, obtain the donor's bank statement showing the withdrawal and evidence of the deposit into the Borrower's account.
 - b) If the gift funds are not verified in the Borrower's account, obtain the certified check or money order or cashier's check or wire transfer or other official check, and a bank statement showing the withdrawal from the donor's account.
- > If the gift funds are paid directly to the settlement agent, REMN WS must verify that the settlement agent received the funds from the donor for the amount of the gift, and that the funds were from an acceptable source.
- If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, REMN WS must have the donor provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction.
- > REMN WS and its Affiliates are prohibited from providing the loan of gift funds to the donor unless the terms of the loan are equivalent to those available to the general public.
- > Regardless of when gift funds are made available to a Borrower, REMN WS must be able to make a reasonable determination that the gift funds were not provided by an unacceptable source.

Interested Party Contributions

- Interested parties refer to Sellers, Real Estate Agents, Builders, Developers or other parties with an interest in the transaction.
- Interested Party Contribution refers to a payment by an Interest Party, or combination of parties, toward the Borrower's origination fees, other closing costs and discount points.
- > Interested Parties may contribute up to 6% of the lesser of the property's sales price or appraised value towards the buyer's closing costs, prepaid expenses, discount points and other financing concessions.
- The 6% limit also includes;
 - » Interested Party payment for permanent or temporary interest rate buydowns and other payment supplements,
 - » Payments of mortgage interest for fixed rate mortgages,
 - » Mortgage payment protection insurance; and,
 - » Payment of UFMIP.
- Interested Party Contributions that exceed actual origination fees, other closing costs and discount points are considered an inducement to purchase.
- > Interested Party Contributions exceeding six (6%) percent are considered an inducement to purchase.
- Interested Party Contributions may not be used for the Borrower's MRI.
- Payment of real estate commissions or fees, typically paid by the seller under local or state law or local custom is not considered an Interested Party Contribution.
- REMN WS must document the total Interested Party Contributions on Form HUD-92900-LT, Settlement Statement or similar legal documentation, and the sales contract.

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Inducements to Purchase

Inducements to Purchase refer to certain expenses paid by the seller and/or another Interested Party on behalf of the Borrower and result in a dollar-for-dollar reduction to the purchase price when computing the Adjusted Value of the Property before applying the appropriate Loan-to-Value (LTV) percentage.

- These inducements include, but are not limited to:
 - » Contributions exceeding 6 percent of the purchase price;
 - Contributions exceeding the origination fees, other closing costs and discount points;
 - » Decorating allowances;
 - » Repair allowances;
 - » Excess rent credit;
 - » Moving costs;
 - » Paying off consumer debt;
 - » Personal Property;
 - » Sales commission on the Borrower's present residence; and
 - » Below-market rent, except for Borrowers who meet the Identity-of-Interest exception for Family Members.

Personal Property

- Replacement of existing Personal Property items listed below are not considered an inducement to purchase, provided the replacement is made prior to settlement and no cash allowance is given to the Borrower. The inclusion of the items below in the sales agreement is also not considered an inducement to purchase if inclusion of the item is customary for the area:
 - » Range
 - » Refrigerator
 - Dishwasher
 - » Washer
 - » Dryer
 - » Carpeting
 - » Window treatment
 - » Other items determined appropriate by the HOC

Sales Commissions

- An inducement to purchase exists when the seller and/or Interested Party agrees to pay any portion of the Borrower's sales commission on the sale of the Borrower's present residence.
- An inducement to purchase also exists when a Borrower is not paying a real estate commission on the sale of their present residence, and the same real estate broker or agent is involved in both transactions, and the seller is paying a real estate commission on the Property being purchased by the Borrower that exceeds what is typical for the area.

Rent Below Fair Market

- > Rent may be an inducement to purchase when the sales agreement reveals that the Borrower has been living in the Property rent-free or has an agreement to occupy the Property at a rental amount considerably below fair market rent.
- Rent below fair market is not considered an inducement to purchase when a builder fails to deliver a Property at an agreed-upon time, and permits the Borrower to occupy an existing or other unit for less than market rent until construction is complete.

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Down Payment Assistance

FHA does not "approve" down payment assistance programs administered by charitable organizations, such as nonprofits.

- FHA also does <u>not</u> allow nonprofit entities to provide gifts to pay off:
 - » Installment Loans
 - » Credit cards
 - » Collections
 - » Judgments
 - » Liens
 - » Similar debts
- > REMN WS must ensure that a gift provided by a charitable organization meets the appropriate FHA requirements, and that the transfer of funds is properly documented.

Gifts from Charitable Organizations that Lose or Give Up Their Federal Tax-Exempt Status

- If a charitable organization makes a gift that is to be used for all, or part, of a Borrower's down payment, and the organization providing the gift loses or gives up its federal tax-exempt status, FHA will recognize the gift as an acceptable source of the down payment provided that:
 - » The gift is made to the Borrower;
 - » The gift is properly documented; and
 - » The Borrower has entered into a contract of sale (including any amendments to purchase price) on or before the date the IRS officially announces that the charitable organization's tax-exempt status is terminated.

Responsibility for Ensuring that Down payment Assistance Provider is a Charitable Organization

- REMN WS is responsible for ensuring that an Entity providing down payment assistance is a charitable organization as defined by Section 501(a) of the Internal Revenue Code (IRC) of 1986 pursuant to Section 501(c) (3) of the IRC.
- One resource for this information is the <u>IRS Exempt Organization Select Check</u>, which contains a list of organizations eligible to receive tax-deductible charitable contributions.

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Secondary Financing

Secondary Financing is any financing other than the first Mortgage that creates a lien against the Property. Any such financing that does create a lien against the Property is not considered a gift or a grant even if it does not require regular payments or has other features forgiving the debt.

Secondary Financing Provided by Governmental Entities and HOPE Grantees

- A Governmental Entity refers to any federal, state, or local government agency or instrumentality.
- > To be considered an Instrumentality of Government, the Entity must be established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated by law (statute or court opinion) and does not have 501(c)(3) status. HUD deems Section 115 Entities to be Instrumentalities of Government for the purpose of providing secondary financing.
- > Homeownership and Opportunity for People Everywhere (HOPE) Grantee refers to an Entity designated in the homeownership plan submitted by an applicant for an implementation grant under the HOPE program.
- > FHA will insure a first Mortgage on a Property that has a second Mortgage or lien made or held by a Governmental Entity, provided that:
 - » The secondary financing is disclosed at the time of application;
 - » No costs associated with the secondary financing are financed into the FHA-insured first Mortgage;
 - » The insured first Mortgage does not exceed the FHA Nationwide Mortgage Limit for the area in which the Property is located:
 - The secondary financing payments are included in the total Mortgage Payment;
 - » Any secondary financing of the Borrower's MRI fully complies with the additional requirements set forth in Source Requirements for the Borrower's MRI;
 - » The secondary financing does not result in cash back to the Borrower except for refund of earnest money deposit or other Borrower costs paid outside of closing; and
 - » The second lien does not provide for a balloon payment within ten (10) years from the date of execution.
- Nonprofits assisting a Governmental Entity in the operation of its secondary financing programs must have HUD approval and placement on the Nonprofit Organization Roster unless there is a documented agreement that:
 - » The functions performed are limited to the Governmental Entity's secondary financing program; and
 - » The secondary financing legal documents (Note and Deed of Trust) name the Governmental Entity as the Mortgagee.
- > Secondary financing that will close in the name of the nonprofit and be held by a Governmental Entity must be made by a HUD-approved Nonprofit.
- > REMN WS must enter information on HUD-approved Nonprofits into FHA Connection (FHAC), as applicable.
- Secondary financing provided by Governmental Entities or HOPE grantees may be used to meet the Borrower's MRI. Any loan of the Borrower's MRI must also comply with the additional requirements set forth in Source Requirements for the Borrower's MRI.
- There is no maximum Combined Loan-to-Value (CLTV) for secondary financing loans provided by Governmental Entities or HOPE grantees.
- > Any secondary financing meeting this standard is deemed to have prior approval in accordance with 24 CFR § 203.32.

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Required Documentation

- REMN WS must obtain from the provider of any secondary financing:
 - » Documentation showing the amount of funds provided to the Borrower for each transaction;
 - » Copies of the loan instruments; and
 - » A letter from the Governmental Entity on their letterhead evidencing the relationship between them and the nonprofit for each FHA-insured Mortgage, signed by an authorized official and containing the following information:
 - The FHA case number for the first Mortgage;
 - The complete property address;
 - The name, address and Tax ID for the nonprofit;
 - The name of the Borrower(s) to whom the nonprofit is providing secondary financing;
 - The amount and purpose for the secondary financing provided to the Borrower; and
 - A statement indicating whether the secondary financing:
 - Will close in the name of the Governmental Entity; or
 - Will be closed in the name of the nonprofit and held by the Governmental Entity.
- Where a nonprofit assisting a Governmental Entity with its secondary financing programs is not a HUD-approved Nonprofit, a documented agreement must be provided that:
 - The functions performed by the nonprofit are limited to the Governmental Entity's secondary financing program; and
 - The secondary financing legal documents (Note and Deed of Trust) name the Governmental Entity as the Mortgagee.

Secondary Financing HUD-Approved Nonprofits

- ➤ A HUD-approved Nonprofit is a nonprofit agency approved by HUD to act as a mortgagor using FHA mortgage insurance, purchase the Department's Real Estate Owned (REO) Properties (HUD Homes) at a discount, and provide secondary financing.
- ➤ HUD-approved Nonprofits appear on the HUD Nonprofit Roster.
- FHA will insure a first Mortgage on a Property that has a second Mortgage or lien held by a HUD-approved Nonprofit, provided that:
 - » The secondary financing is disclosed at the time of application;
 - » No costs associated with the secondary financing are financed into the FHA-insured first Mortgage;
 - » The secondary financing payments must be included in the total Mortgage Payment;
 - » The secondary financing must not result in cash back to the Borrower except for refund of earnest money deposit or other Borrower costs paid outside of closing;
 - » The secondary financing may not be used to meet the Borrower's MRI;
 - » There is no maximum CLTV for secondary financing loans provided by HUD-approved Nonprofits; and
 - » The second lien may not provide for a balloon payment within 10 years from the date of execution.
- Secondary financing provided by Section 115 Entities must follow the guidance in Secondary Financing Provided by Governmental Entities and HOPE Grantees.
- > Any secondary financing meeting this standard is deemed to have prior approval in accordance with 24 CFR § 203.32.

Required Documentation

- REMN WS must obtain from the provider of any secondary financing:
 - » Documentation showing the amount of funds provided to the Borrower for each transaction; and
 - » Copies of the loan instruments.
- > REMN WS must enter information into FHAC on the nonprofit and the Governmental Entity as applicable. If there is more than one nonprofit, enter information on all nonprofits.

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Family Members

- FHA will insure a first Mortgage on a Property that has a second Mortgage or lien held by a Family Member (for definition of family member, see <u>Definition of Family Member</u> section), provided that:
 - » The secondary financing is disclosed at the time of application;
 - No costs associated with the secondary financing are financed into the FHA-insured first Mortgage;
 - » The secondary financing payments must be included in the total Mortgage Payment;
 - The secondary financing must not result in cash back to the Borrower except for refund of earnest money deposit or other Borrower costs paid outside of closing;
 - The secondary financing may be used to meet the Borrower's MRI;
 - » The CLTV ratio of the Base Loan Amount and secondary financing amount must not exceed 100 percent of the Adjusted Value;
 - » The second lien may not provide for a balloon payment within 10 years from the date of execution;
 - » Any periodic payments are level and monthly;
 - » There is no prepayment penalty;
 - If the Family Member providing the secondary financing borrows the funds, the lending source may not be an Entity with an Identity of Interest in the sale of the Property, such as the:
 - Seller;
 - Builder;
 - Loan originator; or
 - Real estate agent;
 - » Mortgage companies with retail banking Affiliates may have the Affiliate lend the funds to the Family Member. However, the terms and conditions of the loan to the Family Member cannot be more favorable than they would be for any other Borrowers;
 - » If funds loaned by the Family Member are borrowed from an acceptable source, the Borrower may not be a co-Obligor on the Note;
 - » If the loan from the Family Member is secured by the subject Property, only the Family Member provider may be the Note holder; and
 - » The secondary financing provided by the Family Member must not be transferred to another Entity at or subsequent to closing.
- Any secondary financing meeting this standard is deemed to have prior approval in accordance with 24 CFR § 203.32.

Required Documentation

- » REMN WS must obtain from the provider of any secondary financing:
 - » Documentation showing the amount of funds provided to the Borrower for each transaction and source of funds; and
 - » Copies of the loan instruments

If the secondary financing funds are being borrowed by the Family Member and documentation from the bank or other savings account is not available, REMN WS must have the Family Member provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction, including the Mortgagee.

NOTE: Mortgages with PACE or HERO programs as a subordinate/secondary financing option are not eligible for financing (all states).

Rent Credit

Rent Credits refer to the amount of the rental payment that exceeds the Appraiser's estimate of fair market rent.

- The cumulative amount of rental payments that exceed the appraiser's estimate of fair market rent may be considered accumulation of the borrower's cash investment. The loan file must include;
 - » Rent with Option to Purchase Agreement; and
 - » Appraiser's estimate of market rent (1007).
 - » Evidence of receipt of timely rental payments.
- > Conversely, the Underwriter must treat the rent as an inducement to purchase, with an appropriate reduction to the mortgage, if the sales agreement reveals that the borrower;
 - » Has been living in the property rent-free, or
 - » Has an agreement to occupy the property as a rental considerably below fair market value in anticipation of the eventual purchase.

Exception: An exception may be granted when a builder; fails to deliver a property at an agreed to time; and, permits the borrower to occupy and existing or other unit for less than market rent until construction is completed.

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Tax Proration	 FHA will allow tax proration to be considered as part of the borrower's minimum required investment provided that REMN WS has verified the borrower has the minimum required investment (in assets) prior to or at closing. In additional, all HOC's will continue to permit the borrower to only bring the actual dollar amount necessary to meet minimum required investment less the tax credit they will receive at closing. Where real estate taxes are paid in arrears, the seller's real estate tax credit may be used to meet the MRI, if the Mortgagee documents that the Borrower had sufficient assets to meet the MRI and the Borrower paid closing costs at the time of underwriting. This permits the Borrower to bring a portion of their MRI to the closing and combine that portion with the real estate tax credit for their total Minimum Required Investment.
Verifying Acceptability of Gift Funds	Regardless of when gift funds are made available to a borrower, REMN WS must be able to determine that the gift funds were not provided by an unacceptable source and were the donor's own funds. "Therefore, any large deposit on the donor's bank statement must be sourced by REMN WS. When the transfer occurs at closing, REMN WS is responsible for verifying that the closing agent received the funds from the donor for the amount of the gift and that the funds were from an acceptable source. See Gift Funds Transfer for documentation requirements. As a general rule, FHA is not concerned with how a donor obtains gift funds, provided that they are not derived in any manner from a party to the sales transaction. Donors may borrow gift funds from any acceptable source, provided the borrowers are not obligated on any note to secure money borrowed to give the gift.

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	OTHER REAL ESTATE OWNED		
Number of Properties Owned / Financed with REMN WS	 Borrowers who own more than four (4) properties (including the subject property) are not eligible for financing with REMN Wholesale. Exceptions may be granted on a case-by-case basis with REMN Wholesale executive management approval. A price adjustment may apply. No multiple simultaneous loan submissions allowed if contingent to qualify. REMN limits its exposure to a maximum of 4 loans per borrower. The preferred method for processing multiple mortgages for the same borrower, but on different properties is to process, underwrite and close them at the same time. Essentially once all of the mortgages are closed, they would "mirror" one another, with each property reflecting the new mortgages on the other properties. 		
Properties Owned Free & Clear	the other properties. If a borrower indicates a property they own is owned free and clear the following is required. IRS Transcript to verify no mortgage interest taken. If the property was purchased with the current calendar year (so transcript not available), a copy of the HUD showing it was purchased with no mortgage PLUS one (1) of the following additional documents: Copy of hazard insurance declaration page showing no mortgage listed; or, Copy of MERS report for property showing no mortgage listed; or, Copy of Data Verify report showing no mortgage listed.		

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APPRAISAL, PROPERTY, SALES CONTRACT

Appraisal

For complete appraisal requirements, please refer to FHA Handbook 4000.1 at the following link beginning on page 463 of the PDF: http://portal.hud.gov/hudportal/documents/huddoc?id=40001HSGH.pdf

- II. Origination Through Post Closing/Endorsement
- B. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages
- 1. Commencement of the Appraisal
- Appraisal photos must be taken of the front and rear at opposite angles to show all sides of the subject property.
- Additional photos are required for any improvements with contributory value that are not captured in either the front or rear photograph.
- Street scene photo must include a portion of the subject site.
- If the subject property is new construction, include photos that depict the subject's grade and drainage.
- If the subject property is proposed construction and the improvements have not been started, the appraiser should take a photograph that shows the grade of the vacant lot.
- Comparable Photos
 - » Photos depicting the front view of each comparable sale utilized must be those taken by the appraiser. Photos taken at an angle to depict both the front and the side when possible. Multiple Listing Service (MLS) photos are acceptable to exhibit comparable condition at the time of sale. However, Appraisers must include their own photos as well, to document compliance.
- Condominium Projects require additional photos of common areas and shared amenities of the project.
- AVM is not automatically required on FHA loan (Underwriter option to substantiate value).
- > Please refer to REMN WS Appraisal Policy & Procedures on HomeBase for complete Appraiser Independence Requirements.
- > The HPML Appraisal Rule lists requirements for appraisals on HPML loans. Refer to the <u>REMN Corporate TILA policy</u> (HPML Appraisal Rule section) for appraisal guidelines on HPML loans.

As-Is Condition and Cosmetic Repairs

- The Appraiser may complete an as-is appraisal for existing properties when minor property deficiencies, which generally result from deferred maintenance and normal wear and tear, do not affect the health and safety of the occupants or the security and soundness of the Property. Cosmetic or minor repairs are not required, but the Appraiser must report and consider them in the overall condition when rating and valuing the property. Cosmetic repairs include missing handrails that do not pose a threat to safety, holes in window screens, cracked window glass, defective interior paint surfaces in housing constructed after 1978, minor plumbing leaks that do not cause damage (such as a dripping faucet), and other inoperable or damaged components that in the Appraiser's professional judgment do not pose a health and safety issue to the occupants of the house.
- > If an element is functioning well but has not reached the end of its useful life, the Appraiser should not recommend replacement because of age.

Defective Conditions Requiring Repairs

The nature and degree of any noted deficiency will determine whether the Appraiser must address the deficiency in the narrative comments area of the report under "condition of the property" or "physical deficiencies" affecting livability or structural soundness.

Conditions Requiring Inspection by a Qualified Individual or Entity

The Appraiser must notify REMN WS and make the appraisal subject to an inspection by a qualified individual or entity when the observation reveals evidence of a potential safety, soundness, or security issue beyond the Appraiser's ability to assess. The Appraiser must report and describe the indication of a particular problem when requiring an inspection of any mechanical system, structural system, or other component requiring a repair.

Additional Documentation Required for Appraisal for New Construction

When New Construction is less than 90% complete at the time of the appraisal, the Appraiser must document the floor plan, plot plan, and exhibits necessary to determine the size and level of finish.

When New Construction is 90% or more complete, the Appraiser must document a list of components to be installed or completed after the date of appraisal.

Appraiser Responsibility to Report Property Compliance

are as similar as possible to the subject property.

The Appraiser must observe, analyze and report that the Property meets HUD's MPR and MPS.

Minimum Property Requirements (MPR) refers to general requirements that all homes insured by FHA be safe, sound, and secure. Minimum Property Standards (MPS) refer to regulatory requirements relating to the safety, soundness and security of New Construction.

Every Property must be safe, sound, and secure so that the Mortgagee can determine eligibility. The Appraiser must note every instance where the Property is not safe, sound, and secure and does not comply with FHA's MPR and MPS.

Appraisals located in a declining market require at least two (2) comparables that closed within 90 days of the appraisal and

Declining Market Non-Residential Use of Property

- Non-Residential portion of the total floor area may not exceed 49%.
- > Any non-residential use of the property must be subordinate to its residential use, character and appearance.
- Non-residential use may not impair the residential character or marketability of the property.
- The non-residential use of the property must be legally permitted and conform to current zoning requirements.

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	APPRAISAL, PROPERTY, SALES	CONTRACT		
Condo Approval Condo Approval - Definition of Owner Occupancy	 Condos must be FHA approved (HRAP) at the time the FHA Case Number assignment is issued. Site condos do not require Project Approval; process as 234C. The appraiser must report the appraisal on Fannie Mae Form 1073/Freddie Max Form 465, Individual Condominium Unit Appraisal Report. REMN WS does offer DELRAP approval of condo projects through the REMN WS Projects Standards group (see FHA Condominium Project Approval Process). REMN WS DE Underwriter must complete the HOA Certification. Owner occupied units are defined as principal residences, secondary residences, or units that have been sold to purchasers who intend to occupy them as a primary of secondary residence. Principal Residence – refers to a dwelling where the owner maintains or will maintain their permanent place of abode, and which the owner typically occupies or will occupy for the majority of the calendar year. 			
	Secondary Residence – refers to a dwelling that an owner occupies in addition to their principal residence, but less than a majority of the calendar year. A secondary residence does NOT include a vacation home.			
Condo Approval	Project Status	Requirements		
– Owner Occupancy Percentages	Existing (projects fully-completed and over one year old or non-gut rehab conversions).	At least 50% of the units of a project must be owner- occupied or sold to owners who intend to occupy the units. The owner occupancy requirement may be lowered to as low as 35% if the projects meets the conditions outlined below in Condo Approval – Lower Owner Occupancy Percentages Down to 35%		
	Proposed, Under Construction (including existing projects less than 12 months old) or Gut Rehab Conversions	FHA will allow a minimum owner-occupancy percentage of 30% of the declared units. Legally phased projects must meet 30% presale and 30% owner occupancy requirements.		
Condo Approval - Lower Owner Occupancy Percentages Down to 35%	 Existing projects (greater than twelve months old) with an owner-occupancy percentage of at least 35% and less than 50% are eligible for approval under the following circumstances: Applications must be submitted for processing and review under the HUD Review and Approval Process (HRAP) option. Financial documents must provide for funding of replacement reserves for capital expenditures and deferred maintenance in an account representing at least 20% of budget; and No more than 10% of the total units can be in arrears (more than 60 days past due) on their condominium association fee payments; and Three (3) years of acceptable financial documents must be provided. The owner-occupancy percentage must be documented as follows: Copies of sales agreements and evidence (loan commitment) that a lender is willing to make the loan; or Evidence that units have closed and are occupied by the owner; or Information from a developer/builder that lists all the units already sold, under contract, or closed that are or will be occupied by the owner (e.g. a spreadsheet, chart, or listing used for the company's own tracking purposes) that is accompanied by a signed certification from the developer. 			

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	API	PRAISAL, PROPERTY, SALES (CONTRACT	
Minimum	Free standing stoves/ovens and refrigerators are not required.			
Property	 Air conditioning is not required; however, if window unit is installed it must be functional or removed. A conventional heating source is required and must maintain a temperature of 50° in areas where there is pluming. 			
Standards	 A conventional heating source is required and must maintain a temperature of 50° in areas where there is pluming. Floor covering is not required as long as the flooring does not cause a health or safety issue. 			
	Cracked glass is not required to be repaired; however, broken glass that is a health hazard must be removed and opening closed to the weather.			
Living Trust	Property held in a living trust is eligible for FHA mortgage insurance when an individual borrower;			
	» Remains the beneficiar	·		
	 Occupies the property as a principal residence. REMN WS must be satisfied that the trust provides reasonable means to assure that we will be notified changes to the trust regarding; 			
	» Occupancy changes; or			
	» Transfer of Beneficiary			
				the mortgage, deed of trust or
				t when required to create a valid also appear on the note with the
		dual borrower is not required to		
	a asa mam	addi somonon is not required to	appear on the property accura	
FHA Flood		Proposed & New	Existing Construction	Condo Projects
Zone	110 (1 5)	Construction		Common rojecto
Requirements	Life-of-Loan Flood Zone Determination	Required	Required	Required
	Property Located within Coastal			
	Barrier Resource System	Property NOT eligible for FHA Insurance	Property NOT eligible for FHA Insurance	Property NOT eligible for FHA
	(Protected Areas)	rna insurance		Insurance
			Adequate Flood Insurance	Adequate Flood Insurance for
	Property Located within Special	Property NOT eligible for	for term of loan. If insurance under NFIP not	term of loan. If insurance under NFIP not
	Flood Hazard Area (SFHA)	FHA Insurance	available – property NOT	available – property NOT
	!		eligible for FHA Insurance	eligible for FHA Insurance
		UNL	ESS	
	Letter of Map Amendment	Property eligible for FHA	No Flood Insurance	
	(LOMA) or Letter of Map	Insurance	Required	No Flood Insurance Required
	Revision (LOMR)	01	<u> </u> R	
		Property eligible for FHA		
	FEMA National Flood Insurance Program (NFIP) Elevation	Insurance. Flood Insurance	Flood Insurance Required (if	Flood Insurance Required (if
	Certificate (FEMA Form 81-31)	Required (if property	property remains in SFHA)	property remains in SFHA)
		remains in SFHA)	6.1 1 111 6 11	
Termite		the foundation and perimeter trequired to be at the same leve		of wood destroying pests. The
Inspections	1	-		
	If there is evidence or notification of infestation, including a prior treatment, the Appraiser must make the confidence infestation box in the "Improvements" section of the appraisal and make the appraisal subject to inspection by			
	pest control specialist.			
147 11 9 41				d Infestation report information.
Well Inspection	T T T T T T T T T T T T T T T T T T T			r b) there is knowledge that well quires a test or inspection based
				quires a test of inspection based
	on any of the following readily observable deficiencies that apply: » When the water supply relies upon a water purification system due to the presence of contaminants; » Corrosion of pipes (plumbing); » Areas of intensive agriculture within ¼ mile;			
	 » Coal mining or gas drilling within ¼ mile; » A dump, junkyard, landfill, factory, gas station or dry cleaning operation within ¼ mile; or 			or
		illi, factory, gas station or dry cle able taste, smell or appearance c		UI
				building structures, etc.) on the
	report, REMN WS as the lender must obtain proper verification.			J , , , , ,
	» A statement from the a	opraiser – "meets minimum pro	perty standards" would not be s	ufficient

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	APPRAISAL, PROPERTY, SALES CONTRACT
Septic Inspection	 Septic System inspections are required only if; The appraiser observes evidence of system failure or suspects a problem with the system, or It is customary (if UW is unaware if customary, contact appraiser for guidance) to obtain inspections in the area, or Inspections are mandated by the State or local jurisdictions. In the above instances the appraiser is to condition for an inspection and certification, by the local health authority, a licensed sanitarian or an individual determined by REMN WS to be qualified to inspect the system, that states the system appears to be operating properly. If the home has been unoccupied for more than 30 days (and does not meet one of the conditions noted above) and if the DE Underwriter believes an inspection is still required, they should elevate it to their UW or Ops Manager for a final decision.
Who can perform Well/Septic Inspections	 In order to perform on-site well and septic inspections, engineers must meet the following criteria: Hold a current State license which authorizes them to perform such inspections, Perform inspections in accordance with the requirements and standards established by the local or State health authority; and, Utilize laboratories which are State-certified and meet EPA standards.
Continuity of Obligation	 A refinance transaction used to pay off an existing real estate debt with the proceeds of a new loan for the borrower(s) with legal title; and on the same property. NOTE: The borrower is eligible to refinance the loan as long as he/she has legal title, even if he/she is not on the original note. Non-Occupant Co-Borrowers may NOT be added in a cash-out refinance transaction in order to meet FHA's underwriting guidelines for the mortgage.

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APPRAISAL, PROPERTY, SALES CONTRACT **Corporate** There have been discrepancies and inconsistencies regarding what documentation should be requested by an underwriter to verify who is authorized to sign the contract of sale on behalf of a seller, when the seller is not an individual. When the seller of a Resolution property is a "business" and not an individual person, the following guidance is provided. The following groups do not require any unique documentation: HUD, VA, FNMA, FHLMC, USDA and any other Government agencies Banks Relocation firms **Builders** All other institutions, including LLC's, partnerships and/or corporations: Articles of incorporation or other public record obtained from the state.gov site is acceptable as long it reflects the sole member's name, which matches the person who signed the contract as a seller, no additional information is needed. Articles of incorporation or other public record obtained from the state.gov site reflecting several members' name of which one of them matches the person who signed the contract as seller and is designated within the articles as authorized to sign on behalf of the business, no additional information is needed. If these two options are not available, then you need the corporate resolution verifying the person who signed the contract of sale is authorized to do so. The source of the closed comparable sales utilized to establish value must be from the Multiple Listing Service (MLS), **Comparable** Metropolitan Regional Information Systems, Inc. (MRIS), Midwest Real Estate Data (MRED), North Texas Real Estate Selection Information System (NTREIS) or San Antonio Board of Realtors (www.sabor.com), Geo Data & Comps Inc. (REMN WS MLS/MRIS will provide additional information on the property not found on other public sources (i.e. Days on Market, Policy) Interior Conditions and/or any specific terms or conditions to the transaction that are all found within the MLS/MRIS data and not found in other public sources such as a HUD1 and/or tax record). This applies to all of the comparable sales used to establish value, not just the first three (3). If the appraiser is providing more than three (3) comparable sales to support value, those additional comparable sales are subject to the There are three (3) states; Vermont, Maine & New Hampshire where MLS is not common and customary and therefore it will be acceptable to accept comparable sales from a public source other than the MLS/MRIS, Although the comparable sales do not need to be through MLS/MRIS, they do need to be through a public If the appraiser elects to use comparable sales not verified through the MLS/MRIS, the appraisal report must be elevated to REMN WS's Chief Appraiser, for review and approval. In the case of new construction, it is not uncommon that the builder may not list sales on the MLS/MRIS. The use of builder supplied comparable sales will be acceptable provided; The appraiser comments in the appraisal report that the builder marketed the project in an "open" and "public" environment such as newspaper advertising, billboards near the project, builder website, etc.. At least one (1) of the comps must be outside the subject project and from the MLS or MRIS. At least two (2) of the comps must be sources other than the builder. The appraiser is permitted to provide more than three (3) comparable sales in order to support the value. The following is a list of REMN Wholesale approved AMCs: **AMC Selection** ☐ ACT Appraisal Management □ AMC Settlement Services Appraisal Nation □ Appraisal-Tek □ Axis Management Solutions ☐ BRIDGE Appraisal Management Corp ☐ Integrity Appraisal Management LLC ☐ Lender's Choice Inc. (LCI) ☐ MaxVantage Appraisal Management Company ☐ Momentum Appraisal Group, Inc. ☐ Mortgage Management Consulting (MMC) ☐ Nationwide Property & Appraisal Services □ ORDERPRO Sevicel ink □ Streetlinks Lender Solutions □ Valuation Management Group □ Valuation Partners Click here to go the REMN Wholesale Order an Appraisal page on the REMN Wholesale website

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	APPRAISAL, PROPERTY, SALES	CONTRACT
Escrow	HUD REO \$100 Down Payment Program	REMN WS Home Fixer Repair Escrow Option
Holdbacks	 HUD Form 92564-CN must be executed by the borrower prior to execution of the contract. FHA Case Number must be ordered as "Real Estate Owned" and property disposition must be "no". Previous Case Number must also be entered in FHA Connection. Maximum repair amount cannot exceed \$10,000. Prior to closing utilities must be turned on and verified as properly operating. Prior to closing any required certifications (termite, well, septic) must be obtained and if repairs are needed included in the \$10,000 cap. Open repair items must be specifically outlined and supported by a Contractor's estimate. Maximum time frame for repairs to be completed is two (2) weeks (14 calendar days) from the loan disbursement date. Any extension needed must be reviewed and approved by Management. Final Inspection Fee will be collected. Standard Repair Escrow Agreement must be executed. HUD Form 92300 must be executed by DE Underwriter prior to loan disbursement. Upon completion of the repairs, the borrower may contact RenoDraw@Homebridge.com to schedule a final inspection or for any questions regarding the release of escrow funds. DE Underwriter must obtain and sign off on Final Inspection prior to disbursement of the escrow holdback. 	 The maximum amount of the repairs is limited to \$5,000. Repairs cannot impact the habitability or safety of the subject property. An estimate from a licensed contractor (or other qualified professional) listing all repairs required. REMN will hold 1.5 times the amount of the estimate. The borrower must use their own funds (or approved gift) to establish the escrow account and complete the repairs. Consequently, they must verify assets of 2.5 times the amount of the estimate in addition to those assets needed for the down payment and closing costs. The repairs are not paid for with the funds in the escrow account, the borrower must pay for the repairs directly. The repairs must be completed within 14 calendar days of loan disbursement - and the final inspection within 72 hours of completion. The underwriter must approve the escrow request, list it as a closing condition of loan approval & properly complete the repair escrow form in encompass. If the request is made, the loan must be re-disclosed within 72 hours of the request as a "changed circumstances" and a final inspection fee added to the LE. The underwriter is responsible for having the escrow agreement completed by an UW Team Lead and sent to the closing table to be executed. Upon completion of the repairs, the borrower may contract RenoDraw@Homebridge.com to schedule a final inspection and with questions regarding release of escrow funds.

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APPRAISAL, PROPERTY, SALES CONTRACT

Eligibility

Solar & Wind Technologies

» Eligible Property Types

- 1 unit SFR
- 2-4 unit properties

Condominium units are NOT eligible for solar and wind technologies

- » Eligible Transaction Types (Section 203b)
 - Purchases
 - Adjusted Value computed by using the purchase price excluding cost and installation of the solar/wind technology system & Property Value excluding cost and installation of the solar/wind technology system
 - REMN WS must add the lesser of:
 - The cost and installation of the solar/wind technology system; or
 - 20% of the Property Value to the Base Loan Amount.
 - REMN WS must exclude any rebates identified in the contract and assigned to the contractor in determining the cost and installation of the solar/wind technology system.
 - Rate & Term Refinance and Simple Refinance
 - Adjusted Value computed by using the Property Value without the cost and installation of the solar/wind technology system.
 - REMN WS must add the lesser of:
 - The cost and installation of the solar/wind technology system; or
 - 20% of the Property Value to the Base Loan Amount.
 - REMN WS must exclude any rebates identified in the contract and assigned to the contractor in determining the cost and installation of the solar/wind technology system.
 - Cash-Out The borrower(s) may not receive cash back from the mortgage transaction. If an excess exists, the funds must be applied to the principal mortgage balance.
- » Nationwide Mortgage Limit (Purchase & Refinance)
 - The Base Loan Amount may exceed the Nationwide Mortgage Limit for the geographical area by no more than 20%.

Eligible Solar and Wind Technologies

Active and passive solar systems, as well as wind-driven systems, are acceptable.

- » Photovoltaic Systems
 - Must provide electricity for the residence, and must meet applicable fire and electrical code requirement.
- Wind Turbine For Residential Properties A wind turbine must:
 - Have a nameplate capacity of no more than 100 kilowatts;
 - Have a performance and safety certification from:
 - The International Electrotechnical Commission (IEC) standards from an accredited product certification body; OR
 - The American Wind Energy Association (AWEA) standards from the Small Wind Certification Council (SWCC) or a Nationally Recognized Testing Laboratory (NRTL); AND
 - Be installed by an installer who has received either a North American Board of Certified Energy Practitioners Small Wind Installer Certification or small wind turbine installation training from an accredited training organization.

Title To Systems

The borrower(s) must own, not lease, solar or wind energy systems for the systems to be considered eligible improvements. Leased equipment and Solar Power Purchase Agreements (SPPA) may not be financed under any FHA Title II programs.

Escrows

- » REMN WS must establish an escrow account in accordance with FHA's Repair Completion Escrow Requirements for the remaining cost of the energy improvements if the installation of solar or wind energy systems is not complete at time of closing.
- » If the energy package is part of a 203(k) mortgage, then the escrowed amounts of the energy package must be included in the rehabilitation escrow amount.
- » Any funds remaining in the escrow account at the end of the improvement period must be applied to pay down the mortgage principal.
- » Escrows may not include costs for labor or work performed by the borrower(s) (Sweat Equity).
- » When funds used to complete the solar or wind energy systems are escrowed, REMN WS must execute form HUD-92300, Mortgagee's Assurance of Completion, to indicate that the escrow for solar/wind improvements has been established.

Completion Requirements for Solar and Wind Technology Installation

- » Installation of solar and wind energy systems must be completed within 120 days of the mortgage disbursement.
- » REMN WS must apply the remaining solar/wind escrow funds to prepayment of the mortgage principal, if the work is not completed within the required timeframes.
- » REMN WS or its agent must inspect the solar/wind improvement, or obtain evidence from the local authority that the system was installed in accordance with local code.

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APPRAISAL, PROPERTY, SALES CONTRACT

Restrictions on Property Flipping

Property Flipping is indicative of a practice whereby recently acquired Property is resold for a considerable profit with an artificially inflated value.

Definition

> Property Flipping refers to the purchase and subsequent resale of a Property in a short period of time.

Time Restriction on Transfers of Title

- > The eligibility of a property for a mortgage insured by FHA is determined by the time that has elapsed between the date the seller has acquired title to the Property and the date of execution of the sales contract that will result in the FHA-insured Mortgage.
- FHA defines the seller's date of acquisition as the date the seller acquired legal ownership of that Property. FHA defines the resale date as the date of execution of the sales contract by all parties intending to finance the Property with an FHA-insured Mortgage.
 - For any state that has allows an owner's redemption right period upon a foreclosure sale, FHA has indicated that it is acceptable to use the foreclosure sale date rather than the expiration date of the redemption period to calculate the seasoning for flips.

Restriction on Re-sales Occurring 90 Days or Fewer After Acquisition

- > A Property that is being resold 90 Days or fewer following the seller's date of acquisition is not eligible for an FHA-insured Mortgage.
- > If this situation occurs, it is acceptable for a new contract to be re-executed on/or after the 91st day. If a new contract is executed, the same 1003, FHA case number and appraisal, ASSUMING STILL VALID, may be used. The guidelines for Re-sales Occurring between 91 Days and 180 Days After Acquisition would then apply.

Re-sales Occurring Between 91 Days and 180 Days After Acquisition

REMN WS must obtain a second appraisal by another Appraiser if:

- > The resale date of a property is between 91 and 180 days following the acquisition of the property by the seller; and
- > The resale price is 100% or more over the price paid by the seller to acquire the property.
- > If the second appraisal supports a value of the property that is more than 5% lower than the value of the first appraisal, the lower value must be used as the Property Value in determining the Adjusted Value.
 - » The cost of the second appraisal may not be charged to the Borrower.

Exceptions to Time Restrictions on Resale

- > Properties acquired by an employer or relocation agency in connection with the relocation of an employee;
- Re-sales by HUD under its REO program;
- Sales by other U.S. government agencies of single family properties pursuant to programs operated by these agencies;
- Sales of properties by nonprofits approved to purchase HUD owned single family properties at a discount with resale restrictions;
- Sales of properties that are acquired by the seller by inheritance;
- Sales of properties by state and federally-chartered financial institutions and Government-Sponsored Enterprises (GSE);
- > Sales of properties by local and state government agencies; and
- Sales of properties within Presidentially Declared Major Disaster Area, only upon issuance of a notice of an exception from HUD.
- The restrictions listed above do not apply to a builder selling a newly built house or building a house for a Borrower planning to use FHA-insured financing.

Required Documentation

- REMN WS must obtain a 12 month chain of title documenting compliance with time restrictions on re-sales.
- REMN WS must review the appraisal to determine if the subject property was sold within twelve (12) months prior to the case number assignment date. If the subject property was sold within the previous twelve (12) months REMN WS must review evidence of prior ownership and determine if there are any undisclosed Identity-of-Interest transactions.

NOTE:

- > The HPML Appraisal Rule has specific requirements for Property Flips. Refer to the <u>REMN Corporate TILA policy</u> (HPML Appraisal Rule section) for property flip guidelines for HPML loans.
- Property deeded to a new owner with no money exchanged (\$0.00) is not considered a sale, so it is not subject to the rules prohibiting property flipping.
- ➤ If there is a partial continuity of ownership, a quit claim deed transaction is not a sale and is not subject to the rules prohibiting property flipping. The use of a quit claim deed will not be deemed a flip as long as at least one (1) of the original owners retains an ownership interest in the property after the quitclaim is recorded.

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	PROPERTY INSURANCE
Insurance Coverage Requirements	> Please reference the REMN WS Insurance Coverage Requirements job aid for complete details on insurance requirements.
Mortgagee Clauses	For Homeowners Insurance (including Hazard, Flood, Wind, Hail, etc.): Homebridge Financial Services, Inc., DBA Real Estate Mortgage Network its successors and/or assigns as their interest may appear P.O. Box 7047 Troy, MI 48007-7047
	For Title Insurance and Closing Protection Letter: Homebridge Financial Services, Inc., DBA Real Estate Mortgage Network its successors and/or assigns as their interest may appear 194 Wood Avenue South, 9 th Floor Iselin, NJ 08830

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