UNIONHOME MORTGAGE

TPO Lending Guide

UHM Policies

Version 4.0

02/26/2025

This TPO Lending Guide (referred to herein as “TPO Lending Guide,” “Guide,” or “Lending Guide”) is provided by Union Home Mortgage Corp. (“UHM”), having its principal place of business at 8241 Dow Circle West, Strongsville, OH 44136. UHM publishes this TPO Lending Guide via its secured website to inform UHM TPO Partners of its policies procedures, guidelines, announcements and other TPO communications, and may be amended from time to time.

This guide is not meant to cover all agency, Non-QM products, and investor requirements. Refer to agency and investor policies for topics not addressed in this guide.

TPO PARTNERS SHALL REVIEW THIS TPO LENDING GUIDE AND ARE RESPONSIBLE FOR REVIEWING ANY AMENDMENTS OR MODIFICATIONS WHEN SUCH AMENDMENTS OR MODIFICATIONS ARE PUBLISHED.

Agency Changes/Updates

SEC.	TOPIC	NEW

Policy Changes/Updates

SEC.	TOPIC	NEW

Other Changes/Updates

SEC.	TOPIC	NEW
311.3	Relocks: Post Lock Expiration	Revised guidelines for worst case pricing.
403.0	Citizenship & Residency Requirements and Documentation	Restructured documentation requirements based on SSNs and clarified when an EAD is required.
503.0	Standard Documentation Requirements	Clarified when Social Security Numbers need to be verified.
		Clarified that the name of the financial institution is required on online bank statements.
714.0	Appraisal Escalation, Field Review Requirements	Added Borrower-initiated ROV guidelines.
714.1	Reconsideration of Appraisal	
715.0	Appraisal, Transfers, Recertification and Acknowledgement	Removed requirement to provide an appraisal transfer letter from previous lender during a transfer of appraisals.
841.1	Debt Payments	Removed requirement to provide documentation for property ownership transfers if there is mortgage debt.
870.0	Assets	Revised FHA requirements for large deposit evaluations when using business assets.
873.0	Gifts and Grants	Added link to Cash Back section for information on cash back at closing.
876.0	Cash Back Guidance	Provided additional cash back clarifications on VA IRRRL Streamline Refinances.
		Added requirements on cash back at closing for all Agencies.
3001.0	Student Loan Payment Matrix	Clarified that FHA IBRP payment calculation cannot be zero.

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Section 100 INTRODUCTION

101.0 Loan Eligibility

To originate Loans for Union Home Mortgage Corp., Loans must meet certain eligibility criteria, be approved by Union Home Mortgage Corp. and execute in accordance with Agency and/or Investor requirements. For complete information regarding eligibility criteria; please refer to Section 400 of the TPO Lending Guide. Partners agree to be bound and abide by the procedures, terms and conditions set forth in the Guide, which may be amended from time to time.

102.0 Programs and Commitment Methods

Union Home Mortgage Corp. offers a wide variety of programs and products designed to enhance the options available to our customers. The products, as further described in Section 700 and 800, including Conforming (FNMA and GNMA) eligible products.

Union Home Mortgage Corp. offers Single Loan Best Effort Commitments. Detailed information on Commitment options is found in Section 300.

103.0 Government Agency Compliance

If a Mortgage Loan is intended to be insured by a government agency (including but not limited to the FHA, VA or USDA), UHM complies with all said government agency requirements applicable to Agency and Investor requirements and to the Mortgage Loan.

104.0 Acceptance of Procedures, Terms, and Conditions

Partners are bound and must abide by the procedures, terms, and conditions set forth in the TPO Lending Guide, which may periodically be amended.

105.0 Purpose of the TPO Lending Guide

The Union Home Mortgage Corp. TPO Lending Guide sets forth the detailed terms and conditions governing participation in the Union Home Mortgage Corp's TPO Lending Program. The TPO Lending Guide also describes the Loan products that Union Home Mortgage Corp. will offer and the underwriting criteria and guidelines which apply for each Loan to be eligible for delivery by Union Home Mortgage Corp. The Union Home Mortgage TPO Lending Guide may be revised from time to time.

106.0 Information in this Guide

The information contained in this guide describes exceptions to the agencies standards as well as clarifications and interpretations. Unless otherwise stated in this guide, Partners should use the guidelines as published by Fannie Mae, Freddie Mac, Ginnie Mae, VA, USDA, FHA, and all other investors.

Unless specifically noted in a Heading or Subheading, the guideline applies to all agency products. Refer to separate UHM Guides related to:

- Regulatory Compliance and Quality Control
- Non-QM Products
- Jumbo Products
- Getting the Gift Right
- Manufactured Housing
- Renovation Lending
- And others as may be published by UHM

107.0 Organization of the TPO Lending Guide

The material contained in the TPO Lending Guide is organized by topic into numbered sections that are subdivided into subsections, as set forth in the preceding Master Table of Contents.

Union Home Mortgage publishes the TPO Lending Guide in a computer-readable format available through Union Home Mortgage Corp. TPO Website.

108.0 Updates and Amendments

As the funding process is impacted by external market variables and developments in the Lending Program, it will be necessary for UHM to re-evaluate the guidelines included in this Lending Guide from time to time.

Union Home Mortgage Corp. will publish updates to the Lending Guide, as necessary, to keep Partners informed of the most current requirements. Union Home Mortgage Corp. will provide a formal UHM intranet announcement/notification for every updated l Lending Guide release. The updated guide will explain, in the section named Summary of Changes in this Version, the amendment(s) and will specify the areas affected by the changes.

109.0 Communication

Except as otherwise expressly provided in the TPO Lending Guide, all notices, demands, and other communications from a Partner shall be given in the manner and to the addresses and telephone numbers specified in the Correspondence Information.

110.0 Terms

Throughout the TPO Lending Guide, the terms "UHM" and "We" are used to refer to Union Home Mortgage Corp., the purchaser of Loans. The terms "Partner" and "You" are used to refer to TPO Partners. The term "TPO Lending Guide", “Guide, and “Lending Guide” is used to refer to this manual. All other capitalized terms herein shall have the meanings set forth in the Glossary, unless the context otherwise requires.

111.0 Legal Disclosure

Union Home Mortgage Corp. has developed this TPO Lending Guide to assist Partners in complying with the terms and conditions governing participation in the Union Home Mortgage Corp. TPO Lending Program. This TPO Lending Guide is intended for use by UHM, its Employees, and its TPO Partners Distribution of this Guide in whole or in part, to any individual not employed or contracted with UHM is strictly prohibited. Distribution to a regulator or agency for audit purposes is authorized only by the VP of Risk, National Operations Manager, S.VP or CEO.

Section 200 COMPLIANCE

201.0 Predatory Lending/Home Ownership and Equity Protection Act/High-Cost Loans

UHM does not originate high-cost loans.

202.0 Net Tangible Benefit

A Lender may not knowingly or intentionally make a residential mortgage loan to a Borrower who refinances an existing residential mortgage loan when the new residential mortgage loan does not have reasonable and tangible net benefits to the Borrower, considering all of the circumstances, including, but not limited to, the terms of both the new and refinanced loans, the cost of the new loan, and the Borrower's circumstances. Refinancing without providing such a benefit is known as "flipping" a residential mortgage loan.

Due diligence must be completed with the following scenarios:

- Cost-Reduction Refinances
- Cash-Out Refinances
- Payment-Reduction Refinances
- Streamline Refinances with and without appraisal
- Risk-Reduction Refinances (ARM to Fixed Rate)

States and Agencies may have specific criteria as it relates to Net Tangible Benefits and ensuring that there is a benefit to the consumer. UHM will adhere to all state and agency NTB requirements.

203.0 Fraud Detection

UHM Partners are responsible for ensuring that neither the Mortgagor nor any other person or entity involved in the Loan transaction or in its underwriting or documentation (including, without limitation, any Appraiser, Credit Reporting Agency, or other provider of underwriting information) has made any false representation and/or has failed to provide information that is true, complete and accurate in connection with such transaction.

UHM runs Fraud Guard on all loans. This service includes a check of Freddie Mac's exclusionary list (FMEL), OFAC, LDP/GSA, FHFA SCP, and the UHM Exclusionary List.

204.0 Original Terms/No Release Notification

UHM is not permitted to impair, waive, alter, or modify in any respect, except by a written instrument that UHM has approved, the original Note and Mortgage terms. Any related MI Policy issuer and the title insurer have approved the substance of any Note and Mortgage term waiver, alteration, or modification, to the extent required by the respective policies. No Mortgagor has been released, in whole or in part.

205.0 Due on Sale

When, and to the extent, allowed by applicable law, the Mortgage contains an enforceable provision for acceleration of the Loan's unpaid principal balance in the event that the Mortgagor sells or transfers the Mortgaged Property without the Mortgagee's prior written consent.

206.0 Title Insurance

Union Home Mortgage Corp. is the sole insured under the Title Policy. The Title Policy is required to be in full force and effect and in conformance with applicable Agency requirements.

207.0 No Mechanic's Lien

Unless fully covered by a Title Policy, no loans may contain a mechanic's or similar lien or claim filed for work, labor, or material (and no rights are outstanding that under applicable law could give rise to such a lien or claim), affecting the related Mortgaged Property, which is or may be a lien prior to, or equal with, the related Mortgage's lien.

208.0 No Additional Collateral

The Note may not be secured by any collateral except the corresponding Mortgage lien and the security interest of any applicable security agreement or chattel mortgage.

209.0 No Graduated Payments or Contingent Interest

Unless otherwise expressly provided for in the Program Documents or this TPO Lending Guide, none of the documents should evidence or secure a Loan as a graduated payment Loan, and the Loan must not have a shared appreciation or other feature providing for contingent interest or contingent principal.

210.0 Employee or Third-Party Originator Seller Policy

When an Employee or Third-Party Originator (The Loan Originator) acts as the Seller in a mortgage transaction and UHM is the lender of choice, the Seller cannot originate the loan or take part in the origination and may not complete any activities related to loan origination including base qualifying, credit qualifying, etc. for a property he or she is selling.

211.0 Deeds of Trust

In the event the Mortgage constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, must be properly designated and currently so serves and is named in the Mortgage, and no fees or expenses are or will become payable by UHM to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Mortgagor or re-conveyance of the deed of trust.

212.0 Ability to Repay and Qualified Mortgages (ATR/QM)

All UHM conventional, FHA, VA and USDA loans meet the requirements of a Safe Harbor or Rebuttable Presumption Qualified Mortgage, unless the program is specifically categorized as a Non-QM program in Encompass.

Refer to the ATR/QM Policies and Procedures in the UHM Compliance Policy for complete information.

QM Safe Harbor – Conventional and Government

- The points and fees may not exceed the points and fees caps as defined in the UHM Compliance Policy Manual. Refer to the TRID APR-Finance Charges Matrix published on PartnerNet and in Ask Alice for determining the fees to be included.
- The APR may not exceed the APOR (Average Prime Offered Rate) tolerance as defined in the UHM Compliance Policy Manual.

QM REBUTTABLE PRESUMPTION REQUIREMENTS – ALL LOANS:

- Conventional Approve/ Eligible (DU) or Accept (LP) Only
- Conventional Manual UW – Eligible must be reviewed by National Sales Manager and National Operations Manager prior to application
- Government Loans – Must met all applicable VA/FHA/RD Guidelines and UHM Overlays

Investment Properties:
Investment Properties are traditionally exempt from ATR/QM rules. However, investment properties with cash-out are only exempt if the cash-out funds are utilized to purchase another investment property or to rehabilitate the current investment property. For all other purposes, Cash-Out Refinances of Investment Properties must follow ATR/QM requirements.

Non-QM:
UHM may offer non-Qualified Mortgage (non-QM) products. If it does, UHM will follow investor guidelines, including what the investor requires to ensure that the consumer has the ability to repay the non-QM loan.

213.0 Prepayment Penalties

Loans including Prepayment Penalty terms are permissible on a limited basis as required by the applicable investor. Prepayment penalties on mortgage loans are applicable to prepayment resulting from the refinancing of the related mortgage properties and the terms of such prepayment penalties do not provide for waiver or release during the term of the prepayment penalty. UHM does not permit a payment of a prepayment penalty beyond the three-year term following the origination of the mortgage loan.

214.0 No Advances

Prior to the Funding Date:

- Union Home Mortgage Corp. has not advanced funds, or induced, solicited, or knowingly received any advance of funds by a party other than the Mortgagor, directly or indirectly, for the payment of any amount required under the Loan unless pursuant to an Agency eligible program or, except for interest accruing from the date of the Note or the Loan proceeds disbursement date, whichever is later, to the day that precedes by one (1) month the due date of the first installment of principal and interest; and

- the Mortgagor has, in compliance with the applicable Underwriting Guidelines, made any down payment required in connection with the Loan, and has received no concession from the Seller, the Mortgaged Property Seller, or any other third party, unless pursuant to an Agency eligible program.

215.0 The Full Disbursement of Proceeds

The full principal amount of the Loan proceeds have been or will be advanced to Borrower, either by payment directly to such Borrower or by payment made on such Borrower's request or approval and there is no requirement for future advances in the Loan documents. The unpaid balance of the Loan is as represented by the Seller. Any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds therefore have been complied with. All costs, fees, and expenses incurred in making or closing the Loan and recording the Mortgage were paid, and the Mortgagor is not entitled to any refund of any amounts paid or due under the Note or the Mortgage.

Government Specific Compliance

216.0 Method of Computing Interest- Government

With respect to all Government Loans, interest shall be calculated according to a 365-day year unless otherwise required by FHA, VA, or USDA as applicable. In the event that the Product Guide does not specify an amortization period for a specific loan type, interest may be calculated according to a 365-day year, provided that the method used complies with the Program Documents, Agency guidelines, and applicable law.

Property Compliance Guidance

217.0 Location and Type of Mortgaged Property

The Mortgaged Property must be located in the state identified in the Loan File and, unless otherwise provided for in the Program Documents, this TPO Lending Guide or any applicable Underwriting Guidelines, consist of a single parcel of real property with a single-family residence erected thereon, or a two-to-four family dwelling, or an individual unit in a planned unit development or condominium project. No portion of the Mortgaged Property is used or will be used for commercial purposes in such a manner that knowledgeable and sophisticated Investors active in the residential secondary mortgage market would consider the Mortgaged Property commercial, rather than residential property.

218.0 Ohio Properties

Each Mortgage Loan secured by property located in Ohio, irrespective of the originating lender's exempt status under the Ohio Consumer Sales Practices Act, relies on full verified documentation of the borrower's financial resources to determine the borrower's probability of repayment, and all supporting documentation used by the originating lender to analyze the probability of repayment at time of origination is contained in the Mortgage Loan File.

219.0 Colorado Properties

For each Mortgage Loan secured by property located in Colorado which involves a mortgage broker, a reasonable inquiry as to the borrower's current and prospective income has been made and appears in the Mortgage Loan File, and an analysis of reasonableness of the income has been performed.

220.0 North Carolina Properties

No Mortgage Loan meets the definition of a "Rate Spread Home Loan" under North Carolina law, regardless of any theories of exemption or preemption.

220.0 Split Parcels

Definition: If you sell or purchase land from someone and their existing parcel is not conveyed in its entirety, it is considered a split parcel.

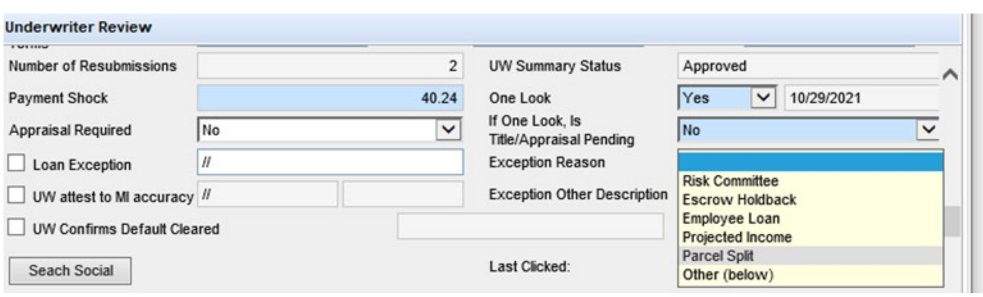
When a parcel is split, new parcel records are then created by the Real Property Lister and recorded with the local jurisdiction.

When a loan involves a split parcel situation:

- Split parcel would need to be approved by the local jurisdiction
- Parcel number obtained prior to close
- Appraisal, Loan Officer and/or title would indicate the action

In the case where a parcel number will not be known prior to closing the loan will need to be escalated to the UW Regional Managers or Operations Escalation Manager for review and consideration. If exception is approved, that manager will follow the process until the parcel # has been assigned by the local jurisdiction and servicing notified.

- Underwriter Review Screen should have Split Parcel checked, as shown below:



Section 300 REGISTRATIONS & PRICING

The purpose of the Registrations and Pricing section is to explain how to register and/or lock loans or commitments with Union Home Mortgage Corp. This section contains detailed information about UHM's Pricing Policies.

301.0 Registration Assistance

All pricing is completed through the Encompass Software System and the Optimal Blue. In the event you need to speak with a Department Representative, please see section 301.1, 301.2, and 301.3.

301.1 Secondary Marketing Assistance

For questions regarding the lock, contact UHM's Lock Desk.

301.2 Hours of Operation of Secondary Marketing Lock Desk

8:00 AM – 9:00 PM Monday through Friday.

301.3 Holiday Schedule

The UHM Secondary Marketing Department will be closed in observance of the following holidays:

Holiday	Status
New Year's Day	Closed
Martin Luther King Day	Closed
President's Day	Closed
Good Friday	Closed at 1:00 PM EST
Memorial Day	Closed
Veteran's Day	Closed
Thanksgiving Day	Closed
Christmas Day	Closed
New Year's Eve	Closed at 3:00 PM EST

THIS SCHEDULE IS SUBJECT TO CHANGE.

302.0 Overnight Best Effort Price Protection

Overnight price protection is available until 8:00 a.m. EST the next business day. Overnight price protection is not available on extensions. This must be submitted no later than 5:00 p.m. EST on the lock expiration date.

303.0 Best Effort Maximum Compensation Guidelines

UHM pricing falls within Investor maximum compensation caps depending on the outcome of a high-cost test on all Best Effort loans.

304.0 Delivery of Funding Package

UHM must review and complete funding documentation for each Loan by the Commitment Expiration Date. This Commitment period starts the day the Commitment is executed.

305.0 Adverse Selection

Union Home Mortgage Corp. does not permit the use of any adverse selection process or procedures in selecting the Loans to be sold by UHM.

Pricing Guidance

306.0 Pricing Programs

Union Home Mortgage Corp. offers the following types of Pricing Programs:

- **Registrations (Floats)** - Registrations are available through a Best Effort program. The Loan Originator is responsible for registering the loan through UHM systems. All floats must be requested by the customer solely, Loan Originators are not permitted to float the rate with the company while locking a rate with a customer.

When entering into a Lock or Commitment, the TPO Partner agrees to comply with all the requirements outlined in the TPO Lending Guide.

306.1 Pricing Indicators

Union Home Mortgage Corp. pricing is available in UHMGO! via the “Pricing” tab.

UHM makes every effort to keep the price quotes current; however, prices displayed may not be current due to unscheduled price changes.

307.0 Purchase Price

The "Purchase Price" UHM receives for the Loan is the Market Price plus any Adjusters as posted in the TPO Lending Guide or in our pricing engine. The Purchase Price is subject to adjustments in the event of a change of circumstance.

Lock Guidance

308.0 Rate Lock Confirmation

Rate Lock Confirmations will be delivered via email once the pricing engine has confirmed the lock.

308.1 Double Locks

Re-uploading a loan and locking at current market pricing is not allowed.

308.2 Rate Lock Agreement Requirements

Effective November 6th, 2023, a loan can be locked at any time, up to and including at the time the Initial Closing Disclosure (ICD) is issued, for all states.

For states that require a Rate Lock Agreement, as shown below, a Rate Lock Agreement will automatically be included in the package when Float to Lock is selected as the reason for the Change of Circumstance (COC).

List of states that require a Rate Lock Agreement and when:

State	Float	Lock	Timing	
			Include at application, regardless of float or lock.	Include at the time loan is locked, including initial disclosure, LE, or ICD.
CT	Required	Required	X	X
DC		Required		X
IL	Required	Required	X	X
MA		Required		X
MN		Required		X
NH		Required		X
NJ		Required		X
NM	Required	Required	X	X
OR	Required	Required	X	X
PA		Required		X
WA		Required		X
WY		Required		X

For questions about this policy, please contact Powerhelpdesk@uhm.

309.0 Re-Submissions

Re-submissions of Loans previously canceled or denied, up to 30 days past the Commitment Expiration Date, should be discussed with the Account Executive. The Account Executive should then contact UHM Secondary Marketing. If the Loan was locked prior to cancellation or denial, it will be locked at the "worst case" price between the original Commitment price and current market.

If the Loan is 30 or more days past the expiration date, the new lock will be priced to the current market. *This policy will vary for Non-Delegated Correspondent, Non-QM, and Jumbo loans.

310.0 Lock Changes

If circumstances require a change to the Loan parameters and/or program type of a Best Effort Lock, UHM may re-underwrite the Loan. UHM will re-price the Loan based on the type of change as follows:

- UHM will use the original commitment pricing (with price adjustments corresponding to the new product, if applicable) for changes involving any of the following situations or characteristics:
    - Fixed Conventional to fixed Conventional
    - Fixed Government to fixed Government
    - Changing between Standard Conventional product to a specialty product
    - Term changes in which security term remains the same
        - 30 year to 20 year, 15 year to 10 year
- UHM will use current market for changes involving any of the following situations or characteristics:
    - Government to Conforming Conventional
    - Conforming Conventional to Government
    - Term changes affecting the current hedge and requiring new current market lock; moving from the range of 30/25/20 year pricing into the range of 15/10 year pricing.

Situations not covered above are subject to review by Secondary Marketing on a case-by-case basis. The following may not be changed on existing loans:

- Lock period
- Property address (unless typographical error)
- Borrowers Name (unless typographical error)

Note: Any changes to loan characteristics may affect applicable Delivery Fees and SRP.

Please refer to the Secondary Market Rate Lock Policy.

311.0 General Best Effort Rate Lock Guidance

Union Home Mortgage policy mandates that every loan is locked immediately after taking an application. Loan Originators in violation of the Customer Float Policy will be subject to review and appropriate action determined by UHM Management.

The one and only exception to this rule is if the Customer specifically requests to "float" their rate. The Loan Originator is then responsible for keeping track of rate trends for their Customers. The option to float a rate is only allowed on purchase transactions. Union Home Mortgage will not allow the rate to be floated on a refinance transaction.

All locks must be good through the UHM Funding Date of the loan. The Loan Originator is responsible for managing their pipeline and track of the closing date of a loan to ensure the rate is good through funding.

Once a loan is locked, the Customer is locked for the designated lock period regardless of the market trend.

"UHM recommends that Loan Originators thoroughly explain lock/float options to the Customer at formal application forwarding the responsibility for the decision to the Customer solely. This practice will sufficiently lessen Customer's requests in the event rates inch down within their processing time."

311.1 Best Effort Lock Delivery Schedule

UHM offers Best Effort Locks using the following delivery options:

- 15 Day
- 30 Day
- 45 Day
- 60 Day
- 75 Day
- 90 Day
- 120 Day (-.450 up-front price adjustment) **
- 150 Day (-.700 up-front price adjustment) **
- 180 Day (-.950 up-front price adjustment) **

***** The price adjustment is not required to be charged as discount points.

****** These are mandatory upfront/Non-refundable costs that are taken as a percent of the total loan amount. These can be collected as a check or paid by credit card.

Please see the Secondary Market Rate Lock Policy.

311.2 Best Effort Lock Extensions

UHM offers Best Effort lock extensions. If a loan is not able to close and fund within the original lock period, an extension can be used to extend the rate. The following guidelines apply:

- UHM requires all extension requests be made by the TPO Partner prior to the Commitment Expiration Date. Extensions are not available on loans that have expired. If the extension is requested after the Commitment Expiration Date or the loan is received after the Commitment Expiration date, the loan will be subject to the worst-case pricing. Additionally, extensions requested after 5:00 P.M. EST on the Lock Expiration Date are subject to worst-case pricing.
- UHM will adjust the Market Price based on the Extension Schedule published on the Pricing Policy. The Extension Schedule applies to fixed and adjustable-rate products, is subject to change without notice, and is subject to change on the quarterly interest adjustment dates for Government ARMs.
- Broker Partners can request Extensions via UHMGo! or tporatelocks@uhm.com until 5:00 pm EST the day of lock expiration.
- A lock may be extended on a daily basis at a cost of -.025% per day. After 30 days the lock is subject to worst-case pricing. Extension costs are universal for all loan products and programs.
    - If a loan needs to be extended for more than 30 days, it will be subject to "worse case pricing" if another extension is needed.
- Costs for extensions are applied to the borrower unless there are extenuating circumstances. The charges will be applied as a Rate Lock Extension Fee for VA, USDA, FHA, and Conventional Loans. The revised LE and COC form must be completed after the extension fee is applied.
- If a lock expires, or 30 days of extensions have been used, a lock must be extended using worse case pricing. This compares the pricing at current market to the pricing from the day the loan was originally locked plus the cost of an additional extension. If a lock expires, the extension period used in worse case pricing will be from the lock expiration date until the new lock expiration date.

Please see the Secondary Market Rate Lock Policy.

311.3 Relocks: Post Lock Expiration

If the rate lock expires before a loan has funded, the Broker Partner has the option to relock the loan within the first 30 days after expiration using worse case pricing. Worst case between the original lock period vs. the same current lock period will determine the price. The outcomes of this comparison are as follows:

1. Original locked price (Current market is better)
2. Current market price (Original price is better)

This worse case pricing policy also holds true to a lock that has been extended 30 days and requires an additional extension.

The Broker Partner can access new, current market pricing 30 days after a transaction's lock expiration date.

Note: This policy does not apply to non-Agency products. Re-lock costs will vary by investor.

311.4 Relocks: Prior to Lock Expiration

The Broker Partner has the option to relock the loan prior to Rate Lock Expiration. The following terms apply:

1. 15 day relock, from day of request. Worst case between original lock period vs. same current lock period will determine the price.
2. Broker Partners must submit the request to their Account Executive. The Account Executive is able to request up to 2 business days prior to lock expiration (submitted by 5:00pm).

Note: This policy does not apply to non-Agency products. Relock costs will vary by investor.

312.0 Rate Renegotiation

Due to interest rate market conditions, it may be necessary to renegotiate a Borrower's rate lock. A renegotiation will be considered under the following conditions:

1. Pricing must be better by 100 bps from the lock date (original locked period price vs. today's same lock period price).
2. The loan must be within 15 days of closing or CTC milestone.
3. Request must be initiated, and documentation provided, by the borrower (validating request originated from the borrower).

4. The Broker’s compensation will be reduced by 0.50% minimum to exercise this renegotiation option.
    a. For Broker loans, if a loan is disclosed as lender paid compensation, UHM will update the loan to borrower paid compensation and reduce LO compensation by 0.500.
    b. If the loan is already disclosed as borrower paid compensation, LO compensation will be reduced by .500.
    c. If Non-Delegated Correspondent loan, a new LE/CD will need to be disclosed reflecting at least 1.00 benefit to the borrower (max 0.50 UHM, and 0.50 NDC).
5. UHM will improve the locked price by .500.
6. A renegotiation must benefit the Borrower by either increasing the lender credit or reducing the interest rate.
7. Non-Agency loans do not qualify for a renegotiation.
8. Any existing relock or extension fees are to remain in the final updated rate/price.
9. The lock period will remain the same as the current lock period.
10. A renegotiated rate can occur one time on a loan.

Section 400 ELIGIBILITY

401.0 Eligible Loan Amount – Conventional and Government

The Mortgage Loan amount is, a minimum, determined by and must fit within ATR/QM and High-Cost Tolerances.

402.0 General Agency Requirements, Borrower Eligibility

ELIGIBLE BORROWERS

- US Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens; Temporary residents, granted the right to live and/or work in the US for a specified period of time. Refer to the section "Citizenship & Residency Requirements and Documentation" for more information about acceptable visas, additional requirements, and Employment Authorization Document (EAD) codes.

> **Note:** Please review current FHA guidelines for updated tolerances. FHA requires that non-occupying co-Borrowers or Cosigners must either be United States (U.S.) citizens or have a Principal Residence in the U.S.

INELIGIBLE BORROWERS

- Foreign Nationals (unless permitted by a specific investor product)
- Borrowers with diplomatic immunity
- Borrowers without a valid social security number (unless ITIN permitted by a specific investor product)
- More than 4 borrowers per transaction
- Borrowers legally in the USA under the Deferred Action for Childhood Arrivals (DACA) code do not have a path to citizenship and are not eligible under any product except for Fannie Mae and FHA.

403.0 Citizenship & Residency Requirements and Documentation

SOCIAL SECURITY NUMBER — U.S. CITIZENS AND NON-U.S. CITIZENS

For all loan types, each borrower on the loan transaction must have a valid Social Security number (SSN).

In no case is a Social Security card sufficient to prove immigration or work status. Non-U.S. Citizens must meet the requirements outlined below in the "Documenting Residency" section.

Multiple SSNs/SSN Discrepancies:

Generally, any Borrower with more than one Social Security Number within their file is ineligible (i.e., scenarios in which there is a discrepancy between the Borrower's current, valid SSN, and a different SSN that was used for their W-2). However, Fannie Mae may allow this type of discrepancy in the following scenarios for permanent resident aliens:

- If a W-2 indicates "000-00-0000" in place of an SSN, it can be considered for acceptance.
- Prior ITIN numbers, if verifiable, may be considered as part of the identity validation process.

If either of the above scenarios apply, obtain the following:

- Verification through the Social Security Administration (an SSA-89) must be ordered, and
- The file must be reviewed by an Underwriting Team Lead and/or the Underwriting Regional Manager.

Freddie Mac, FHA, USDA & VA: SSN discrepancies of this kind are automatically ineligible.

PERMANENT RESIDENT ALIENS GREEN CARDS

Green Cards represent the holder's right to permanently live and work in the U.S.

VISA TYPES

- Immigrant Visa (IV) is issued to a person wishing to live permanently in the United States. This starts the process for permanent resident status.
- Nonimmigrant visa (NIV) is issued to a person with permanent residence outside the United States but wishes to be in the United States on a temporary basis for tourism, medical treatment, business, temporary work, or study, as examples. There are more than 20 different categories of nonimmigrant visa classifications. Other references to this visa type include "non-permanent resident alien."

EXAMPLES

Green Card:

Immigrant Visa:

Non-Immigrant Visa:

The borrower will need to provide UHM with a front and back copy of one of the above documents. It is acceptable to copy the card/Visa for this purpose.

Employment Authorization Document (EAD):

DOCUMENTING RESIDENCY

Permanent Resident Aliens:

- Evidence of valid SSN (FHA allows an exception for the World Bank, a foreign embassy, or equivalent employer identified by HUD), and the following:
    - Recommended 2 years U.S. residency history, and
    - Copy of valid State ID, and
    - Credit that meets Agency requirements, and
    - A copy of unexpired Immigrant Visa OR Green Card.

Non-Permanent Resident Aliens:

- Evidence of valid SSN (FHA allows an exception for the World Bank, a foreign embassy, or equivalent employer identified by HUD), and the following:
    - Recommended 2 years U.S. residency history, and
    - Copy of valid State ID, and
    - Credit that meets Agency requirements, and
    - A copy of an unexpired Nonimmigrant Visa OR valid Employment Authorization Document (EAD).

DOCUMENTING FOREIGN INCOME AND ASSETS

All standards for determining adequate credit history, stable income, and sufficient liquid assets must be applied in the same manner to each borrower whether they are a permanent or non-permanent resident.

All documents of a foreign origin must be completed in English, or a complete and accurate translation must be provided for each document.

Note the following additional requirements for documenting foreign income:

- Income from a foreign source is required to be reported on Tax Returns, and
- Must be converted to U.S. dollars and calculated based on the type of income (salary, hourly, variable, etc.) as required by each Agency, and
- Must be reasonably likely to continue.
- **Fannie Mae and FHA:** Copies of signed U.S. Federal Income Tax Returns (or U.S. Territory Tax Returns) for the most recent two years that include foreign income are required.
- **Freddie Mac:** A copy of the Borrower's most recent complete signed U.S. Federal Individual Tax Return (or U.S. Territory Tax Returns), along with documentation for the applicable income type in accordance with Freddie Mac guidelines, is required.
- **USDA:** One year history of income verification is required. Acceptable documentation includes:
    - Paystub(s), translated into English if applicable
    - Written or Electronic VOE
    - U.S. Federal Income Tax Return
- **VA:** Documentation must support the history of receipt of the income for at least 3 years from the anticipated closing date.

Refer to additional and specific guidelines required by Non-QM, Jumbo and other nonagency investor products.

For further requirements regarding Foreign Assets, refer to Section 870.0, Foreign Assets.

VISA EXPIRATION WITHIN 12 MONTHS (OR RECENTLY EXPIRED):

- Document evidence of prior Visa and/or EAD renewal
- Evidence of application for status change or extension

C-33 EAD TYPE -DEFERRED ACTION FOR CHILDHOOD ARRIVALS (DACA)

The EAD type C-33 was issued from June 2012 – January 2018 to certain people who came to the US as children and meet specific guidelines. Renewal of DACA visas continues for existing visas.

- Bond loans are permitted in accordance with specific bond program guidelines.

DIPLOMATIC IMMUNITY

Due to the inability to compel payment or seek judgment, transactions with individuals who are not subject to united states jurisdiction are not eligible. This includes embassy personnel with diplomatic immunity. Verification the borrower does not have diplomatic immunity can be determined by reviewing the visa, passport, or U.S. Department of State's diplomatic list.

FOREIGN NATIONALS

Foreign nationals who have no lawful residency status in the U.S. are not considered to be non-permanent resident aliens and are not eligible for financing through UHM.

PRIVATE MORTGAGE INSURANCE

The UHM approved visas may not match the list of approved visas as issued by some private mortgage insurance companies. For example, not all PMI companies may be accepting a C-33 visa. Partners are to confirm that the private mortgage insurance company will accept the applicable visa type, prior to conditional approval.

NMI: Follows Agency Guidelines. NMI does not allow non-permanent residents to contribute income on non-AUS jumbo loan amounts greater than $1 Million.

Essent: Follows Agency Guidelines. Manually Underwritten loans require additional documentation:

- 2 Years' U.S. Residency History
- 2 Years' U.S. Income History
- 2 Years' U.S. Credit History

Radian: Follows Agency Guidelines.

404.0 Number of Loans for One Borrower: Financed by UHM

UHM Overlay limits the number of financed investment properties with UHM to 6 total properties for any one borrower.

405.0 Conventional Loan Eligibility Matrices

CONVENTIONAL AND CONFORMING FIXED RATE WITH HIGH BALANCE LOAN AMOUNTS

See standard Agency Eligibility Matrix.

- Link to Fannie Mae Eligibility Matrix
- Link to Freddie Mac Eligibility Matrix

406.0 Real Estate Commission Limits

UHM considers real estate commissions to include the commissions appearing in on page two of the Closing Disclosure (700 series section), as well as any non-lien related disbursements such as marketing expenses, finder's fees, referral fees, consulting fees or assignment of sale fees. Any combination of these disbursements exceeding 8% of the sales price must be treated as a sales concession and deducted dollar-for-dollar from the sales price for calculation of the LTV.

407.0 Licensed States, Specific Property Locations

UHM can accept properties located in the following States:

Alabama	Georgia	Massachusetts	New Mexico	Tennessee
Alaska	Idaho	Michigan	North Carolina	Texas
Arizona	Illinois	Minnesota	North Dakota	Utah
Arkansas	Indiana	Mississippi	Ohio	Vermont
California	Iowa	Missouri	Oklahoma	Virginia
Colorado	Kansas	Montana	Oregon	Washington
Connecticut	Kentucky	Nebraska	Pennsylvania	West Virginia
Delaware	Louisiana	Nevada	Rhode Island	Wisconsin
District of Columbia	Maine	New Hampshire	South Carolina	Wyoming
Florida	Maryland	New Jersey	South Dakota	

ANTI-PREDATORY AND ABUSIVE LENDING RESTRICTIONS

Union Home Mortgage Corp. Partners are responsible for compliance with all local, state, and federal requirements regarding originating and closing of loans to be delivered by UHM.

408.0 Title Holder General Requirements

UHM does not offer financing for properties held in:

- Illinois Land Trusts*
- Blind Trusts
- Life Estates
- Unexpired Redemption Rights

*Refer to Section 1102.0, “Title Holder General Requirements, Living (Inter Vivos) Trusts,” for more information.

Note: UHM will not permit VA loans to close in the name of a trust. VA will not guarantee loans that are in the name of a trust.

Note: USDA does not permit borrowers to hold title in a trust.

409.0 Private Transfer Fee Covenants

Loans with private transfer fee covenants are not permitted by Fannie Mae or Freddie Mac. Because of this, UHM does not permit the origination of loans on properties encumbered by private transfer fee covenants.

410.0 Leasehold Estate, (Ground Rents)

Leasehold refers to the right to hold or use property for a fixed period of time at a given price, without transfer of ownership, on the basis of a lease contract. Leasehold Interest refers to real estate where the residential improvements are located on land that is subject to long-term lease from the underlying fee owner, creating a divided estate in the Property.

All delinquent ground rents must be paid by Union Home Mortgage Corp. in full. Such payment should be made prior to, or at closing. All leasehold and ground rent agreements must be in compliance with either FNMA, FHLMC, HUD, or VA guidelines, as applicable.

411.0 Eligible Government Loan Types

The following Loan types are eligible for financing by UHM:

- Loans guaranteed by the VA under Sections 3710 and 3720 of title 38, U.S. Code and the VA Loan Guaranty Standards.
- Fixed Rate,
- 3/1 and 5/1 ARMs with 1/1/5 Caps
  - VA ARM transactions must meet Ginnie Mae guidelines requiring grouped interest rate change dates and strict delivery time frames. Transactions must be purchased by the agreed upon change date to maintain the commitment price. The ARM interest rate change date is provided at the time of commitment.
- Loans insured by the FHA under any combination of the following:

Eligible Section of the Act	ADP Code	Brief Description
203 (b)	703	Fixed Rate Loan
203 (b)	734	Fixed Rate Condominium
203 (b)	731	ARM Condominium
234 (c)	734	Condominium Fixed Rate Loan
234 (c)	731	Condominium ARM Loan
203 (h)		Federal Disaster Recovery Program
The following Program ID Codes are acceptable ADP Codes: 00 - No Special Program Code - Standard Loans with Program Codes other than "00" should be identified by including the program code on the FHA Loan Underwriting and Transmittal Summary Form 92900-LT (FHA Transmittal). FHA loans originated under other combinations are not eligible.		

411.1 VA Guaranty

VA will issue guaranty based on the loan amount as shown on the note (with the funding fee). Loan amounts above $144,000 will be issued a maximum 25% guaranty, based on the total loan amount (note amount). All UHM loans must be eligible for sale to GNMA. GNMA requires that the amount of guaranty issued by VA plus any cash down payment or equity on a refinance, must equal at least 25 percent of (i) the purchase price of the property or (ii) Notification of Value (NOV) appraised value, whichever is less, on purchase and new construction Loans, and non IRRRL refinances. The funding fee charged by VA must not be included in this calculation. (GNMA 24-3).

The cash down payment must also include the amount, if any, by which the purchase price exceeds the appraised value. However, this amount may not be included in the 25% calculation.

Loans for the simultaneous purchase of a home and energy conservation improvement are based solely on the appraised value (NOV) amount.

The cash down payment may not be derived from a second mortgage on the property.

The mortgage amount may exceed the appraised value only if the VA funding fee is included in the mortgage and only to the extent of the funding fee. In this case, the unpaid principal balance of a VA loan may be greater than the current conforming loan limit and still be eligible for inclusion in a Ginnie Mae pool.

All loans must be submitted in whole dollar amounts.

UHM's VA Calculator or Worksheet must be used to determine the loan has adequate guaranty. The offline worksheet is required when:

- The loan is a joint loan as defined by VA
- The loan will close with a sale price that is higher than the appraised value.
- The loan amount includes funds to cover energy efficiency items.

Note: For VA Cash-Out Refinance mortgages, the loan amount, including the funding fee, may not exceed 100% of the reasonable value as determined by VA.

411.2 Other Eligible Government Loan Types

FLIPPED PROPERTIES - FHA PROPERTY FLIPPING RULE

Section II.A.1.b.(3) of the 4000.1 HUD Handbook describes the restrictions on property flipping. All requirements must be strictly followed.

If a sales contract was executed within 90 days of acquisition the property is ineligible.

The best practice is to verify the 90-day requirement before obtaining and entering an appraisal into FHA Connection.

CURING AN FHA CONTRACT DATED WITHIN 90 DAYS

In the event the sales contract for the subject property is dated within 90 days of the date the seller acquired the property, the following options are available:

a. If the FHA case number has not been ordered, the contract may be re-executed after 90 days have passed from the date the seller acquired the property. The latest signature shown on the agreement must be dated at least 91 days since the seller's acquisition date.
b. If the FHA case number has been ordered and the appraiser has NOT started (i.e.: not been out for the physical site inspection), the circumstances are reviewed on a case by case basis, with the appraiser, to determine if the case number can be cancelled in accordance with HUD requirements.
c. If the FHA case number has been ordered and the appraiser has started his/her work, the case number cannot be cancelled. The document dates are not eligible for insuring by FHA. Refer the case to the underwriting team lead for review.
d. If the FHA appraisal has been completed, a request can be made to the appraiser to consider changing the date of the appraisal to comply with the 90-day rule.

HUD PROPERTY DISPOSITION (REAL ESTATE OWNED)

- UHM will accept for purchase HUD PD (REO) loans that meet HUD PD guidelines.
  - As with all Loans, HUD PD (REO) Loans must be of investment quality.

LOANS WITH DOWN PAYMENT ASSISTANCE PROGRAM (DAP)

UHM will accept first mortgage Loans originated in conjunction with Down Payment Assistance Programs in accordance with agency requirements, provided there is no lender involvement. These programs may include, but are not limited to, Down Payment Assistance Programs (DAP), Up-Front Cost Assistance Programs (UCAP), and Housing Assistance Programs (HAP).

All eligible Government loans must abide by the applicable requirements set forth in section 411.4 Government Eligibility Requirements and all other Agency requirements, Overlays, and TPO Lending Guide conditions.

411.3 Ineligible Government Transactions

UHM will not accept, the following Government transactions:

- VA Loans, Including VA IRRRLs, that involve:
  - Life Estates
  - VA Indian Leasehold properties
  - The loan being in the name of a trust
- Cooperatives
- Cash out refinance loans in the state of Texas
- VA loans with any Section 50(a)(6) financing
- FHA Section 8 loans
- FHA Refinance Loans for Borrowers in Negative Equity Position (ML 2010-23)
- FHA Military Impact Area Loans
- FHA loans to Non-profit organization borrowers
- HOPE for Homeowner's Program
- Hawaiian Homelands
- FHA loans subject to FHA Test Case requirements (refer to Section 300.02)
- FHA Loans where the sales contract was executed within 90 days of acquisition. Please refer to the instruction Curing an FHA Contract Dated within 90 Days.
- Unexpired Redemption Rights
- Loans with more than 4 borrowers per transaction
- Loans with borrowers that have and ineligible citizenship status (please see the section labeled "General Agency Requirements, Borrower Eligibility"
- FHA Reverse Mortgages (HECM)
- FHA Negative Amortization or Short Refinance loans
- FHA condo Projects with more than 15% concentration in the same association

411.4 Government Eligibility Requirements

MINIMUM CREDIT SCORE

UHM requires the PreApp Express Desk review of certain government loans. Refer to the GNMA Delivery overlay document for complete information.

Credit Score Methodology

The following criteria may be used to determine each individual borrower's Credit Score using the "middle/lower" method.

- If there are three valid credit scores for a borrower, the middle score (numerical middle of the three scores) is used.
- If there are three valid scores for a borrower but two of the scores are the same, the duplicate score is used.
- If there are two valid scores for a borrower, the lower of the two scores is used.
- If there is one valid score for the borrower, that score is used.

Loan Score Selection

After selecting the appropriate Credit Score for each borrower, the Loan Score must be determined.

- If there is more than one borrower, the lowest selected Credit Score among all borrowers is the Loan Score.
- When there is only one borrower, the selected Credit Score for that borrower is the Loan Score.

FHA AND VA MORTGAGE SEASONING REQUIREMENTS

FHA, VA and GNMA do not permit borrowers to refinance in a short period of time known as a "planned refinance." Refer to their guides and the below information:

FHA CREDIT & NON-CREDIT QUALIFYING STREAMLINE REFINANCE SEASONING & 210 DAY RULE

On the date of the FHA case number assignment:

- The Borrower must have made at least six payments on the FHA insured Mortgage that is being refinanced (where the FHA-insured Mortgage has been modified, the Borrower must have made at least six payments under the modification agreement) as evidenced by the credit report or credit supplement, and
- At least six full months must have passed since the first payment due date of the Mortgage that is being refinanced (when the FHA-insured Mortgage has been modified, six full months must have passed since the first payment due date under the modification agreement), and
- At least 210 days must have passed from the closing date of the mortgage being refinanced and the case number assignment for the new loan, and
- If the Borrower assumed the Mortgage that is being refinanced, they must have made six payments since the time of assumption.
- This rule does not apply if the property is owned free and clear.

Note: In the event the Borrower made the first payment prior to the actual first payment due date, the actual due date is required to calculate the 210 days, i.e. first payment due 6/1, but Borrower made payment 5/25. The 210 days is calculated from 6/1.

VA MORTGAGE SEASONING REQUIREMENT

VA Type 1 Cash-Out Refinances are considered seasoned when both conditions below are met:

- The due date of the first monthly payment of the VA loan being refinanced is 210 days or more prior to the note date of the cash-out refinance loan, and
- Six consecutive (uninterrupted) monthly payments have been made on the VA loan being refinanced.
- **NOTE:** to meet the six consecutive monthly payment requirement, six individual consecutive monthly payments must be made in full, in the month in which they are due. Once the loan is seasoned, it does not need to be re-seasoned after a subsequent delinquency.

VA Type 2 Cash-Out Refinances are considered seasoned when both conditions below are met:

- The date that the first monthly payment was made on the VA loan being refinanced is 210 days or more prior to the closing date of the no cash-out refinance, and
- Six monthly payments have been made on the VA loan being refinanced (the payments do not need to be consecutive).
- **Note:** The Date the payment is made is based on the date the payment is posted by the current mortgage lender. In the event the Borrower made the first payment prior to the actual first payment due date, the actual due date is required to calculate the 210 days, i.e., first payment due 6/1, but Borrower made payment 5/25. The 210 days is calculated from 6/1. Reference VA Circular 26-19-22.

Seasoning Requirements for VA Modified Loans:

GNMA seasoning requirements must be met on all government streamline or cash-out refinance transactions, including VA. Specific to VA refinances, IRRRL and full doc, the Note date of the (new) refinance loan must be on or after the later of the following:

- The date on which at least six modified payments have been made on the mortgage being refinanced, or
- The date that is 210 days after the date on which the first modified monthly payment was due on the mortgage being refinanced.

THE FOLLOWING EXAMPLE TABLE APPLIES TO VA:

Example of Mortgage Seasoning Calculation	
Current Loan Closed on:	March 15, 2019
Current Loan's 1st Payment Due Date was scheduled for:	May 1, 2019
1st Payment **due date**:	May 1,2019
This means the earliest Note Date for the UHM Refi is (5/3 + 210 days):	November 27, 2019

STREAMLINE REFINANCES

Non-Credit Qualifying Streamline Refinances and VA Interest Rate Reduction Refinance Loan (IRRRL) transactions are included in the Loan Score requirement. A tri-merge credit report is required to solely validate the Loan Score.

TAX RETURN TRANSCRIPTS

Neither Form 8821 or Tax Return Transcripts are required on a non-credit qualifying FHA streamline refinance or non-credit qualifying VA IRRRL transaction.

CREDIT HISTORY

Only traditional credit histories are acceptable; all borrowers must have traditional credit established with valid credit scores.

For FHA Streamline Refinance and VA Interest Rate Reduction Refinance Loans must meet the requirements of HUD/FHA and VA respectively.

LOAN AMOUNTS/LIMITS

FHA:

- Current statutory limits apply to Loan amount limits. All loans must be submitted in whole dollar amounts.

VA:

- The VA guaranty plus cash/equity must be equal to at least 25% of the purchase price or Notification of Value (NOV), whichever is less, on purchases, new construction, and non-IRRRL refinances.
- All loans must be submitted in whole dollar amounts. Refer to the VA Entitlement Calculator for complete information.

USDA:

- Current statutory limits apply to Loan amount limits.

PROPERTY TYPES

UHM will accept all property types including Manufactured Housing Homes. As with all loans, the property must be investment quality and meet the appropriate investor guidelines.

HUD-OWNED PROPERTIES

The "as-is" appraisal or HUD statement of value must be obtained from the marketing company that is selling the property for HUD. The conditions of the property must be taken into consideration by the consultant in performing the work write-up. Provide the consultant with a copy of the "as-is" appraisal along with the work order.

> **Note**: A title policy is required by UHM on all HUD properties as additional protection for everyone.

MORTGAGE INSURANCE CERTIFICATE

UHM requires that FHA loans be submitted to HUD for insuring and insured within 30 days of closing. UHM verifies submission for insurance by FHA Connection.

412.0 Refinance Requirements - Conventional

LIMITED CASH-OUT REFINANCES

Any refinance transaction not meeting the requirements for a limited cash-out refinance should be treated as a cash-out refinance. UHM will consider transactions meeting the following criteria to be Limited cash-out (i.e., No Cash-out) refinances:

- Pay-off of the current mortgage (principal balance plus accrued interest, and any required prepayment penalty, only; other costs such as late fees and past-due amounts may not be paid with the new loan).
- If the first mortgage is a Home Equity Line of Credit (HELOC) a copy of the CD from the borrower's purchase of the subject property must be provided evidencing the proceeds were used in their entirety to acquire the subject property.
- Pay-off (as defined above) of any subordinate mortgage lien that was used in its entirety to acquire the subject property - regardless of seasoning.
- A copy of the Closing Disclosure from the borrower's purchase of the subject property must be provided evidencing that any subordinate financing was used in its entirety to acquire the subject property.
- Standard loan fees (e.g., closing costs on the new mortgage; prepaids, such as interest, taxes*, insurance, etc.; and points).

  *Note: Past due or delinquent taxes cannot be included as part of the loan amount. Taxes must be paid with any funds that are part of the maximum cash back to the borrower of 2% or $2,000, whichever is less.

    - If the maximum cash back to the borrower does not cover the past due or delinquent taxes,
        - Any remaining balance must be paid from the borrower on funds/assets, OR
        - The loan must be treated as a Cash out refinance.
    - Payment for the taxes must be disbursed to the taxing authority through the closing transaction, with no funds used for the taxes disbursed to the borrower.
- Incidental cash to the borrower not to exceed the lesser of $2000 or 2% of the principal balance of the new loan amount. Loans may be marked for Freddie Mac when the ‘greater of 1% or $2,000’ policy is required for compliance. (does not apply to owner occupied refinances of property located in Texas). Must follow all agency guidelines related to ‘Limited Cash Out’.

- Freddie Mac Only: The Note date of a new 'no cash out' refinance mortgage must be 31 days or more after the Note date of any prior refinance (whether it was a cash out or a no cash out refinance).
- Fannie Mae Only:
  - The application date of a new limited cash out refinance must be 31 days or more after the Note date of a prior cash out refinance.
  - At least one borrower on the new loan must be a current owner of the subject property (on title) at the time of the initial loan application.

CASH-OUT REFINANCES

Any refinance transaction not meeting the requirements for a limited cash-out refinance is a cash-out refinance.

- **Freddie Mac Only**: All Borrowers must occupy the property when the cash-out refinance is secured by a primary residence.
- Any existing first mortgage being paid off through the transaction must be at least 12 months old as measured from the Note date of the existing loan to the Note date of the new loan.
- The cash-out seasoning requirement does not apply when (documentation in the loan file must support the exception):
  - The owner of the property uses the proceeds of the cash-out refinance transaction to buy out the equity of a co-owner.
  - **Freddie Mac:** Refer to the requirements of a Special Purpose Refinance found in their Selling Guide
  - **Fannie Mae:** Refer to requirements regarding buying out the equity of a co-owner pursuant to a legal agreement found in their Selling Guide
  - **Freddie Mac Only:** The first lien mortgage being refinanced is a Home Equity Line of Credit (HELOC)

If the credit report indicates the first lien mortgage on the subject property may not meet the 12-month seasoning requirement, documentation must be provided to support the current loan Note date is no less than 12 months, such as:

- Copy of the current fully executed Note
- Title commitment showing the date of the current mortgage that matches the Note information as shown on the credit report
- VOM or other mortgage statement showing the date of the Note

TEXAS CASH-OUT REFINANCES

UHM will not purchase Loans under Texas amendment 50, Article XVI of the Texas Constitution, which became effective January 1, 1998 (Owner Occupied Homestead cash-out refinance transactions).

PROPERTY LISTED FOR SALE

LIMITED CASH-OUT REFINANCE:

UHM will not deliver loan transactions where the subject property was listed for sale at the time of application.

UHM will purchase loans if the subject property was listed for sale within the last six months but was taken off the market on or before the disbursement date, and provided the file contains the following:

- Documentation that the property has been taken off the market prior to the date of application.
- A letter of explanation which must address the reason the property was for sale and the subsequent reason for taking the property off the market, regardless of occupancy.
- If the subject property is the borrower’s primary residence the letter of explanation must also confirm their intent to continue to occupy the property.

CASH-OUT REFINANCE:

UHM will not deliver loan transactions where the subject property was listed for sale at the time of application.

UHM may deliver conforming cash-out refinance transactions where the subject property was listed for sale within the last six months, prior to the loan application if the property was taken off the market on or before the disbursement date.

Short Refinance or Restructured Mortgage Loan Requirements are not permitted for a subject property currently owned by borrower.

412.1 Texas Refinances

OVERVIEW

Refinance transactions in the state of Texas must adhere to all Agency delivery requirements and state law. UHM supports the Texas Section 50(a)(6) program through conventional delivery only.

USDA, Non-QM, & VA loans are not permitted.

HIGHLIGHTS

- A traditional "no cash" out refinance is acceptable as long as the borrower does not receive any cash back.
- If the Borrower receives cash back at closing while completing a "limited cash out" or "cash out" loan, the loan becomes a Section 50(a)(6) and subject to all program and disclosure requirements.
- In the event a borrower has previously refinanced and the current loan is classified as a Texas Section 50(a)(6), any subsequent refinance must meet the Section 50(a)(6) qualifying criteria, unless the new mortgage meets all terms and conditions required to convert the loan to a Non-Equity Loan. Refer to the table for Converting Texas Home Equity to Non-Home Equity.
- Texas Section 50(a)(6) refinances require an LTV <=80% LTV/CLTV.
- UHM will utilize the law firm Black, Mann & Graham, LLP to review the legal document package.
- A Full Appraisal on the applicable form based on the property type is required for all Texas Section 50(a)(6) loan transactions. Value Acceptance (previously PIW – FNMA) and ACE Waivers (FHLMC) are not permitted.

GENERAL REQUIREMENTS

In addition to standard guidelines, the following guidelines apply to all first mortgage transactions secured by owner occupied, homestead properties in the state of Texas:

Transactions in the state of Texas are defined four (4) ways depending on Investor and state law requirements:

- **Purchase**: Acquiring or buying a property (therefore exempt from Section 50(a)(6) provisions).
- **Limited cash-out Refinance**: The transaction is considered a limited cash-out refinance by both the Investor and the state of Texas (therefore exempt from Section 50(a)(6) provisions).

- **Agency Cash-out Refinance**: The transaction is considered a cash-out refinance by the Investor, but a limited cash-out refinance by the state of Texas (therefore exempt from Section 50(a)(6) provisions).

- UHM requires documentation (commitment for title insurance, mortgage/deed of trust and/or Closing Disclosure) in each loan package to verify that a home equity/cash-out loan under Section 50(a)(6) has not previously been originated against the subject property. If the purpose of the loan is not clearly identified on the commitment for title insurance, it will be necessary to provide previous mortgage/deed of trust or Closing Disclosure for each transaction originated on or after 1/1/98 to verify the purpose of the existing loan.

FANNIE MAE AND FREDDIE MAC DELIVERY

FANNIE MAE DELIVERY:

TEXAS SECTION 50(A)(6) MORTGAGE ELIGIBILITY

This topic contains information on Texas Section 50(a)(6) mortgage eligibility, including:

- Refinance Classifications
- Eligible Mortgage Products and Transaction Types
- Texas 50(a)(6) Security Property

REFINANCE CLASSIFICATIONS

Lenders should be aware that Fannie Mae's classification of mortgage transactions as "cash-out refinance" or "limited cash-out refinance" may differ from the way mortgages are classified under Texas law for purposes of compliance with the Amendment.

Texas law determines whether or not a mortgage is a Texas Section 50(a)(6) mortgage, and Fannie Mae's policy determines whether the mortgage must be delivered as a cash-out refinance transaction or as a limited cash-out refinance transaction. The lender is responsible for determining:

- the applicability of Section 50(a)(6) of the Texas Constitution, regardless of Fannie Mae's definitions of cash-out and limited cash-out refinance transactions; and

- if the mortgage should be delivered to Fannie Mae as a cash-out refinance (including SFC 003 and payment of all applicable LLPAs) or a limited cash-out refinance transaction (including SFC 007).

All mortgages that constitute Texas Section 50(a)(6) mortgages under Texas law must comply with these provisions, regardless of whether the mortgage loan is classified as a “cash-out refinance” or “rate/term refinance” in the Selling Guide. See B5-4.1-03, Texas Section 50(a)(6) Underwriting and Collateral Considerations.

Accordingly, lenders should not rely on Fannie Mae’s categorization of refinance mortgages for purposes of determining whether compliance with the provisions of Section 50(a)(6) is required. Rather, such lenders should consult with their counsel to determine the applicability of Section 50(a)(6) to a particular loan transaction.

ELIGIBLE MORTGAGE PRODUCTS AND TRANSACTION TYPES

Texas Section 50(a)(6) mortgages must be fully amortizing mortgages with payments due on a monthly basis. The following are eligible as Texas Section 50(a)(6) mortgages:

- first liens only;
- fixed-rate mortgages; and
- certain five-, seven-, and ten-year ARM plans (shown in the table below).

Eligible ARM Plans		
5 year ARMs	7 year ARMs	10 year ARMs
2737	2727	2729

These ARM plans should be structured in the same way that they are for other mortgages, except that the mortgage may not be assumable at any time over its full term. Only the ARM plans listed above are eligible, due to the MBS disclosure impact resulting from the non-assumable nature of these ARMs.

The following are not eligible as Texas Section 50(a)(6) mortgages:

- Loans that are not in first-lien position,
- ARM plans not listed in the Eligible ARM Plans table above
- Loans with temporary interest rate buydowns
- FHA, VA, or USDA loans

DELIVERY CONSIDERATIONS FOR TEXAS A6 LOANS

This topic contains information on Texas Section 50(a)(6) mortgage delivery considerations, including:

- Special Feature Codes and Pricing
- Servicing

Special Feature Codes and Pricing

All Texas Section 50(a)(6) mortgages must be identified at delivery with SFC 304, defined as follows:

- SFC 304: Texas Section 50(a)(6) mortgage. Used to identify a mortgage that is originated under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution.
- This code must be used in conjunction with either SFC 003, if the transaction is classified as a cash-out refinance transaction under Fannie Mae's policy, OR SFC 007 if the transaction is classified as a limited cash-out refinance transaction under Fannie Mae's policy.
- Applies to both whole loan and MBS pool deliveries.

The lender must enter the following special feature codes at loan delivery, for all Texas Section 50(a)(6) mortgages:

- SFC 304 and SFC 003 for each Texas Section 50(a)(6) mortgage that is classified as a cash-out refinance under Fannie Mae's policy; or
- SFC 304 and SFC 007 for each Texas Section 50(a)(6) mortgage that is classified as a limited cash-out refinance under Fannie Mae's policy.

If the lender determines that a mortgage secured by a homestead property in Texas is classified as a cash-out refinance per this Guide but is not subject to Article XVI, Section 50(a)(6), of the Texas Constitution (i.e., is not a Texas Section 50(a)(6) mortgage), then the mortgage should be delivered as a standard (non-Texas Section 50(a)(6) mortgage) cash-out refinance transaction but should not be identified with SFC 304. (See B2-1.2-03, Cash-Out Refinance Transactions.)

At delivery, all Texas Section 50(a)(6) mortgages that are classified as cash-out refinance transactions are subject to the loan-level price adjustments applicable to cash-out refinance mortgages per this Guide, as may be amended from time to time.

SERVICING

A lender that delivers a Texas Section 50(a)(6) mortgage to Fannie Mae may either service the mortgage, enter into a subservicing arrangement with another lender, or assign the servicing concurrent with its delivery to Fannie Mae, provided that the assignee servicer is approved by Fannie Mae to sell and service Texas Section 50(a)(6) mortgages.

Except as otherwise noted in the Servicing Guide, standard Fannie Mae servicing requirements apply to Texas Section 50(a)(6) mortgages.

FREDDIE MAC DELIVERY:

While the majority of loans will be delivered to Fannie Mae, Freddie Mac guidelines are available for review. Guidelines and requirements will align with Fannie Mae guidelines.

TEXAS 50(A)(6) SECURITY PROPERTY

A Texas Section 50(a)(6) mortgage must be secured by a single-unit principal residence constituting the borrower's homestead under Texas law. Mortgages secured by two- to four-unit properties, investment properties, or second homes are not eligible. The security property may be:

- a detached dwelling,
- an attached dwelling,
- a unit in a PUD project,
- a unit in a condo project, or
- a manufactured home. (A manufactured home is eligible only if it is classified as real property under Texas law, and satisfies all special Fannie Mae eligibility criteria for manufactured homes.)

The borrower's property may not exceed the applicable acreage limit as determined by Texas law when the Texas Section 50(a)(6) mortgage is originated.

A borrower that owns adjacent land must submit appropriate evidence, such as a survey, that the mortgaged homestead property is a separate parcel that does not exceed the permissible acreage.

413.0 Texas – Owner Occupied, Homestead Property

GENERAL REQUIREMENTS

Refer to Texas Refinances for general product requirements.

LIMITED CASH-OUT REFINANCES

In addition to standard limited cash-out refinance guidelines, the following guidelines apply to all limited cash-out refinances secured by owner occupied, homestead properties in the state of Texas:

- Total financed closing costs are limited to 10% of the new loan amount. 10% is deemed reasonable.

- Prepaid items ("Prepaids") are defined as funds collected for the current or future payment of:
    - real estate taxes*, including non-delinquent taxes that are due and payable, and
    - hazard insurance premiums, flood insurance premiums, and other lender required insurances and
    - private mortgage insurance premiums.

    *Note: Past due or delinquent taxes cannot be included as part of the loan amount. Taxes must be paid with any funds that are part of the maximum cash back to the borrower of 2% or $2,000, whichever is less.

        - If the maximum cash back to the borrower does not cover the past due or delinquent taxes,
            - Any remaining balance must be paid from the borrower on funds/assets, OR
            - The loan must be treated as a Cash out refinance.
        - Payment for the taxes must be disbursed to the taxing authority through the closing transaction, with no funds used for the taxes disbursed to the borrower.

- Special title insurance coverage must be obtained when impounds for prepaid expenses are included in the new loan amount. The following must be included as a Schedule B Exception:
    - "Possible defect in lien of the insured mortgage because of the Insured's inclusion of reserves or impounds for taxes and insurance in the original principal of the indebtedness secured by the insured mortgage."

UHM RECOMMENDS, BUT DOES NOT REQUIRE THE TITLE POLICY INCLUDE THE FOLLOWING P-39 EXPRESS INSURANCE COVERAGE ENDORSEMENT:

"Company insures the Insured against loss, if any, sustained by the Insured under the terms of this Policy by reason of a final, non-appealable judgment of a court of competent jurisdiction that divests the Insured of its interest as Insured because of this right, claim or interest. Company agrees to provide the defense to the Insured in accordance with the terms of this Policy if suit is brought against the Insured to divest the Insured of its interests as Insured because of this right, claim or interest."

INCIDENTAL CASH BACK

Incidental cash back to the borrower at closing is not allowed.

OPTIONS WHEN POCS ARE CREDITED TO CLOSING COSTS

- The amount of paid outside closing (POC) costs up to $1,000 may be applied as a principal reduction at closing. However, the principal and interest payment on the loan may not be adjusted and the loan may not be re-amortized. If the amount to be credited exceeds $1,000 the loan amount must be reduced and the closing documents redrawn.
- The amount of the POC may be applied as a credit towards closing costs, reducing the amount of cash needed to close.
- The borrower's POC items may be applied as a credit to closing costs resulting in reimbursement to the borrower of not more than the amount paid prior to closing. Please note this is the only circumstance when the Closing Disclosure may reflect any cash back to the borrower on a limited cash-out refinance transaction of a Homestead property in Texas.

Although not mandatory, UHM recommends a certification be obtained from the borrower acknowledging that any refund received at settlement is reimbursement of funds paid prior to closing and does not constitute proceeds from the new loan.

SUBORDINATE LIENS

Certain restrictions apply to Limited cash-out refinance transactions that include subordinate liens. These restrictions include:

- Only one loan subject to Section 50(a)(6) provisions may be secured by the subject property at any given time, regardless of lien position.
- When the subordinate lien is subject to Section 50(a)(6) provisions, the maximum LTV/TLTV/CLTV is the lesser of 80% or the maximum allowed by product or loan amount.

PAY OFF OF SUBORDINATE LIEN(S)

Subordinate liens used entirely to purchase the subject property may be eligible for payoff as a limited cash-out refinance, subject to the following requirements:

- The Closing Disclosure from the transaction must be provided evidencing all funds were used to purchase the subject property.
- The commitment for title insurance may not reflect that the loan was originated as a home equity/cash-out Section 50(a)(6) loan.
- The financing may be paid off, paid down or re-subordinated with the refinance.
- The borrower may not have received any cash back from the subordinate financing. If the borrower received cash back and the loan is being paid off or paid down, the lien is subject to Section 50(a)(6) provisions and considered a home equity/cash-out transaction, and therefore, ineligible for purchase.

Refer to subordinate lien requirements as published by the Agencies for Cash-out Refinance transactions if the subordinate lien does not meet the above parameters.

414.0 Resale Deed Restrictions

UHM follows Agency guidelines regarding Resale Deed Restrictions.

415.0 REO Contracts

Real Estate Owned (REO) properties are acceptable for financing when Secondary and Investor Guidelines are met.

416.0 Subordinate Financing

Subordinate financing is permitted on most UHM loan programs. There are two types of subordinate financing:

- Home Equity Line of Credit (HELOC): a mortgage loan that allows the borrower to obtain multiple advances from a line of credit at his/her discretion and that is typically in a subordinate position.
- Closed End Loan: a mortgage providing a single advance of funds at the time of loan closing and that is not eligible for additional draws.

TERMS

For transactions including subordinate financing, the following requirements apply for both HELOC and Closed End Loans:

- The subordinate financing must be recorded and clearly subordinate to UHM's first mortgage.
- The maximum LTV/ CLTV may not exceed the guideline limits for the product and occupancy type shown in the applicable product guide.
- If there is/will be an outstanding balance at the time of closing, the payment on the subordinate financing must be included in the calculation of the borrower's debt-to-income ratio(s).
- Negative amortization is not allowed; scheduled payments must be sufficient to cover at least the interest due.
- Equity share or shared appreciation is not allowed.
- Subordinate financing from the borrower's employer may not include a provision requiring repayment upon termination.

Note: The HCLTV ratio is calculated by adding the HELOC credit line limit (rather than the amount of the HELOC in use) to the first mortgage amount, plus any other subordinate financing, and dividing that sum by the value of the mortgaged premises.

For new Closed End subordinate financing the following also applies:

- Maturity date or amortization basis of the junior lien must not be less than five years after the Note date of the first lien Mortgage, unless the junior lien is fully amortizing
- The loan cannot have a balloon or call option within five years of the date of the Note.

The terms of a HELOC may provide for a balloon or call option within the first five years after the Note date of the first Mortgage.

ACCEPTABLE DOCUMENTATION

The terms of any subordinate financing must be verified. The following sources of verification are acceptable:

Existing subordinate loans (loans that will be re-subordinated):

- A copy of the credit report, or
- A copy of the mortgage note, or
- A direct verification from the lender, or
- A copy of the loan statement

Reminder for home equity lines of credit (HELOC): If an existing HELOC is reduced without modifying the original Note, the original line limit must be used to calculate the Combined-Loan-to-Value ratio.

New subordinate loans obtained prior to or at closing:

- A copy of the mortgage note, or
- A direct verification from the lender, or
- A copy of the commitment letter from the lender or
- A copy of the Closing Disclosure evidencing proceeds

Note:

- Whether the subordinate financing is existing or new, a full underwrite of the documentation provided is required to ensure the subordinate financing meets the requirements identified in this TPO Lending Guide.
- If the subordinate lien's terms cannot be verified in their entirety with a single source of verification, the use of a combination of the above documentation options is acceptable.
- If the subordinate financing is a community second it is ineligible for financing with UHM.

417.0 New Construction and End Loans

BORROWER IN CONSTRUCTION INDUSTRY

The borrower cannot act as his/her own builder (general contractor or sub-contractor), even if his/her primary occupation is in the construction industry.

CONSTRUCTION-TO-PERMANENT FINANCING

Construction to Permanent is not available for TPO financing.

BUILDING PERMITS AND OCCUPANCY PERMITS

Building Permits are automatically required for FHA/VA and USDA loans but not automatically required for Conventional End-Loans. A copy of the occupancy permit is required.

418.0 Cooperative Share Loans

No Mortgage Loan may be secured by a Cooperative.

419.0 Manufactured Home Mortgage Loans

Union Home Mortgage Corp. shall not deliver any Mortgage Loans secured by a Manufactured Home that has not been permanently affixed and converted to real property, has not had its title certificate cancelled or surrendered as applicable, or has not met all applicable Agency Requirements. For full details please review the Manufactured Housing Requirements in this Lending Guide.

Section 500 DOCUMENTATION REQUIREMENTS

501.0 Age of Documents

Information used to make the credit decision must be current. The maximum age of documents at closing is 120 days.

502.0 Required Submission Documents

All files submitted by UHM for purchase must include:

- Tax Return Transcripts
- Verbal Verification of Employment

  A verbal verification of employment is required for all borrowers that are using income to qualify for the loan. This policy applies to all income types with the exception of passive income.

  - For salaried borrowers, the verbal verification of employment must be completed within 3 business days prior to note date.
  - For self-employed borrowers, the verbal verification of employment must be completed within 30-days prior to note date with supporting documents, i.e. Good Standing with the Secretary of State, Professional License.
  - For military income, a military Leave and Earnings Statement dated within 30-days prior to note date is acceptable in lieu of a verbal verification of employment.

- Credit History

  - Tri-merged credit report for all borrowers
  - Only traditional credit histories are acceptable; all borrowers must have traditional credit established with valid credit scores.

  All Conventional Loans require a credit score for each Borrower. Each Credit Bureau offers a product which scores the applicant's credit report using the Fair, Isaac and Company ("FICO") model. Trademark names include The Experian Fair Isaac Credit Score, Trans Union Emperica Score and Equifax Beacon Score. All are acceptable to UHM and are referred to as the "Credit Score."

  UHM has adopted the term Loan Score to refer to the overall credit score applicable to a specific Loan as determined using the Agencies' "middle/lower, then lowest" credit score selection methodology. UHM's Loan Score is equivalent to Fannie Mae's Representative credit score.

- Minimum Loan Score

  The minimum credit score is based on product parameters.

  Exception: Fannie Mae No Score Borrowers (new offering with DU 10.0) and Freddie Mac No Score Borrowers in LP. Also, FHA No Score Borrowers are permitted as a limited scope exception.

  No score Borrowers may be permitted following Fannie Mae, Freddie Mac and Ginnie Mae Guidelines and UHM Overlays. Please review UHM Overlays for Fannie Mae, Freddie Mac and Ginnie Mae Delivery in this guide for full program requirements.

- Credit Score Methodology

  The following criteria may be used to determine each individual borrower's Credit Score using the "middle/lower" method:

    - If there are three valid credit scores for a borrower, the middle score (numerical middle of the three scores) is used.
    - If there are three valid scores for a borrower but two of the scores are the same, the duplicate score is used.
    - If there are two valid scores for a borrower, the lower of the two scores is used.
    - If there is one valid score for the borrower, that score is used.

- Loan Score Selection
    - After selecting the appropriate Credit Score for each borrower, the Loan Score must be determined.
    - If there is more than one borrower, the lowest selected Credit Score among all borrowers is the Loan Score.
    - When there is only one borrower, the selected Credit Score for that borrower is the Loan Score.

- A fully completed Loan Submission and Document Checklist

- Desktop Underwriter® (DU) Findings

503.0 Standard Documentation Requirements

ELIGIBILITY CRITERIA

Documentation for all Loans should follow Agency documentation requirements for all transactions.

GENERAL REQUIREMENTS

Documentation provided in lieu of Verification of Employment and Verification of Asset forms must be legible originals or certified true and exact copies. The documentation cannot contain any alterations, erasures, or whiteouts.

Note: Fax or email copies, in lieu of original documents or certified copies, are acceptable subject to the following:

- Verification transmitted directly from an employer, depository institution or Mortgagee/Landlord. The employer, depository institution or Mortgagee/Landlord must transmit the verification directly back to Union Home Mortgage Corp.
- Photocopies, faxes or scanned/emailed items received from the borrower are acceptable.
- Copies, faxes or scanned/emailed items from a builder, real estate agent, property seller or other third party are not acceptable with exception to the contractual documents.
- The original credit report remains a required document.

BLANKET CERTIFICATION FORM

Certification of Original Documents may be used in lieu of stamping the certification on every document page. If additional documentation is obtained after submission to underwriting, either an additional blanket certification form is required, or each page must reflect a certification with at least the first initial and full surname of the individual signing.

The blanket certification form must be completed in its entirety identifying each document and the total number of each type of document, as well as the full name of the person making the certification, their title and the date signed.

TRANSLATION OF DOCUMENTS

All documents must be completed in English, or a complete and accurate translation must be provided for each document.

Documents in a language other than English should be translated by an Operations Partner (translations are not accepted from individuals in Sales roles) using one of the options below:

- The document may be submitted to a UHM Operations Partner listed in the UHM Partner Language Skills (Bi-Lingual and Multi-Lingual list on PartnerNet, or as designated by the General Manager - National Operations), or
- A UHM Operations Partner may use Google translation to create a document in English that matches the foreign language document.

The translated document should indicate who prepared it and be attached/saved with the original document in the eFolder.

When the above options are not available, such as for languages that do not use the English alphabet, the broker is responsible for finding a reputable third party to provide a translation of the document. The translation must be provided on the letter head of the third party or the translation must be accompanied by a letter, on letterhead, that confirms the document was translated by the third party. The third party cannot have an interest in the transaction.

INTERNET DOCUMENTATION

Internet documents/downloads of credit reports as well as income, employment and asset verification are acceptable. This allowance for Internet documents does not change the required content or level of documentation needed. The information must be easy to read, understandable, and have no evidence of alterations, erasures or white-outs, and must make sense based on the borrower profile and transaction terms.

The following source validation criteria apply to all documents obtained via the Internet:

- Identify the borrower as the employee or owner of the applicable account.
- Identify the credit reporting agency, employer, or depository/investment firm's name and source of information.
    - Headers, footers, and the banner portion of the printout of the downloaded web page(s) must reflect the appropriate firm.

Conventional, USDA, and VA loans also require that internet documentation display the Internet uniform resource locator (URL) address and the date and time printed. If faxing an Internet download, make sure the fax header does not cover URL information. FHA no longer has this requirement.

Online Bank Statements

All bank statements, including electronic copies, must meet the following requirements:

- Clearly identify the name of the financial institution,
- Clearly identify the borrower as the account holder,
- Include at least the last four digits of the account number,
- Include the time period covered by the statement,
- Include all deposits and withdrawal transactions (for depository accounts),
- Include all purchase and sale transactions (for financial portfolio accounts),and
- Include the ending account balance.

Screenshots of Bank Account Activity

Screenshots of bank account activity and balances may be used when supplemental statement information is needed due to the age of the bank statement in the loan file. They may also be used in certain instances when a bank statement is not available, such as to document an Earnest Money Deposit. For additional information, ask 'Can an account Transaction History be used in place of OR in combination with a Bank Statement?'.

Screenshots must meet the following guidelines, according to agency requirements:

Conventional, VA & USDA:

- Show at least the last four digits of the account number, balance, and date,
- Clearly identify the name of the depository or investment institution and the source of information,
- Cover all transaction history with no gaps in dates within the history, between pages, or from the last Statement/Transaction History supplied,
- Display the Internet uniform resource locator (URL) address.

FHA only:

- Show at least the last four digits of the account number, balance, and date
- Clearly identify the name of the depository or investment institution and the source of information
- Cover all transaction history with no gaps in dates within the history, between pages, or from the last Statement/Transaction History supplied.

Note: A URL is not required for FHA. If there is no URL in the screenshot, other documentation must be present in the file to tie the account screenshot to borrower, such as a prior bank statement showing account number information that matches screenshot.

BORROWER NAMES AND NAME AFFIDAVIT

Name Requirements

A borrower must provide UHM their full name at application that will be used on the mortgage documents.

- The name on the application will be used on all closing documents and must be reasonable as described throughout this guidance.
- The name must be consistent with the name or name versions shown on documents provided by the borrower.
- CAIVRS Check: The legal name used on the mortgage documents must be able to pass with clear search results for all products where a CAIVRS (Credit Alert Verification Reporting System) check is required.
- Middle initials or middle names are not required unless for a CAIVRS check or for fraud alerts.
- Special attention should be paid to any suffixes that may appear in a borrower's name. If a borrower has an inherited suffix attached to their name, it should be included when taking application for a mortgage loan. Examples include Jr., Sr., II, III, etc.. If the suffix was not used on the documents, it must be shown on the Name Affidavit signed at closing.

Loan Officers must advise the borrower of these important factors as part of the application process.

When a name discrepancy is noted, escalate to an Underwriting Team Lead for further assessment and direction on how to proceed.

Accurate Credit Report Requirement

The name used must produce an accurate credit report. Nicknames should never be used for credit verification purposes (i.e.: Mike vs Michael).

The names on the credit report must support that the information is for the borrower names on the application. If the names are not substantially the same, supporting documentation may be needed to ensure the credit report is reflecting our borrower's information.

For additional information, check Ask Alice by entering: "Do you have to re-pull credit when there's an error in the borrower's information on the credit report?"

Documentation Review

When taking a Loan Application, it is important to be sure that the borrower's name(s) on the mortgage application and closing documents aligns with the name information on the credit, income, and asset verifications.

Confirm the name to be used on the loan documents corresponds with one or more of the following, in addition to the requirements above:

- Driver's License[1]
- Social Security Card (refer to Social Security Number Verification section)
- Passport[1]
- Permanent Resident Card[1]
- Non-Permanent Resident Card[1]
- Eligible U.S.-issued VISA[1]
- Tax Returns
- W-2/1099 Forms
- Paystubs
- Bank Statements

[1]Document must be valid and cannot expire prior to closing (if applicable). If the name provided for the loan application varies between the above noted documentation items, additional documentation may need to be obtained from the borrower.

Name Affidavit

All names reflected in the loan documents must be added to the Name Affidavit and signed by the borrower(s) at closing. This includes, but is not limited to, variations used on the credit report, income, and asset documentation.

The underwriter must condition for all name variations reflected in the loan file to be shown on the Name Affidavit to be signed at closing. This includes, but is not limited to, when any one or more of the following appears on a document:

- The use of a middle initial or middle name,
- Jr, Sr, I, II etc., or Esquire,
- Various spellings of a first, middle, surname, or family name, and
- Various order of the names, such as Marybeth Ann Smith Jones and Ann Jones Smith.

Ensuring all name variations are shown on the Name Affidavit is a technicality that is important in the enforcement of the Deed of Trust Note/Note. The Name Affidavit is also critically important in confirming the borrower's identity.

Fraud Detection

Dramatically different names on loan documents may be a red flag that one or more documents may contain false information. Partners remain responsible for identifying when one or more red flags requires escalating to a team lead and/or redflags@uhm.com for additional review.

Example 1: First Name and Middle Name Variations

Name on Driver's License: Jane M. Smith

Name on Loan Application: Marie Smith

Name used to run Credit Report: J. Marie Smith

AUS was successful

This scenario is acceptable. All names must be reflected on the Name Affidavit.

Example 2: Multiple Family Names

Name on ID: Horacio Cortez Sanchez

Name on paystub: Horacio Sanchez

Name on Loan application: Horacio Diego Cortez

The name on the loan application is not shown on the credit report.

The name on the ID and the paystub are shown on the credit report.

Name on the loan application must be changed to either the name on the paystub or the ID name.

All names must be reflected on the Name Affidavit.

Example 3: Hyphenated Names

Name on paystub: Maria Romano

Name based on SSN: Maria Romano - Altos

Name on Loan application: Maria Romano

The name on the loan application is shown on the credit report.

This scenario is acceptable, as long as the Name Affidavit includes all variations.

Example 4: Jr./Sr. Mix Up

Name on paystub: Charles Windsor

Name based on SSN: Charles Windsor, Jr.

Name on loan application: Charles Windsor

Names shown on credit report: Charles Windsor, Charles Windsor Jr, and Charles Windsor Sr.

Assuming all documentation in the file shows Charles Windsor or Charles Windsor Jr, the loan can close without the Jr.

The accuracy of the credit report is established if the name in encompass is the name used to pull credit and matches the AUS findings.

All names must be reflected on the Name Affidavit.

Example 5: Nick Name & Invalid Findings

Name on paystub: Chuck Peters

Name on loan application and credit pulled as: Chuck Peters

Income, asset, ID all show: Michael C. or Michael Charles Peters

Update Encompass to show his legal name of Michael C. or Michael Charles Peters. If the findings are confirmed, after changing the name in encompass and the credit report showed Chuck as an AKA a new report would not need to be pulled. However, if the findings are not valid a new credit report would be necessary.

All names must be reflected on the Name Affidavit.

Example 6: Nick Name & Invalid Application

Name on application and MyUHM app: Skip Sparky Pants

Documents and legal name show John Smith.

All his documents including income, assets, and ID are listed as John Smith.

There is no AKA for Skip Sparky Pants on the credit report.

In this case the application, AUS and credit report all need to be updated to John Smith and run again.

-If the Loan Application is not properly taken in the Legal Name(s) of the borrower(s), and it is determined that the credit file may be complete and/or inaccurate, a new credit report may be required to be ordered.

-When a Legal Name discrepancy is noted, escalation to an Underwriting Team Lead will be required for further assessment and direction on how to proceed.

SOCIAL SECURITY NUMBER VERIFICATION

If provided, verify the Borrower's Social Security Number (SSN) using W-2s, tax returns, tax transcripts, or the Social Security card.

Verification and validation through SSA must be ordered if:

- Fraud Guard returns an alert that cannot be verified using the documentation in the file,
- There is an alert/notification on the credit report, and/or
- There is an alert/notification on the Automated Underwriting System (AUS) findings.

An SSA-89, a form authorizing the SSA to verify the connection between a person's name and Social Security Number to a third party, may be e-signed or wet signed by the borrower.

Note: For Borrowers who are in the process of obtaining or have recently obtained U.S. Citizenship, additional restrictions apply when there are multiple SSNs present in the file. Refer to the guidance outlined in Section 403.0, Citizenship and Residency Requirements.

CREDIT REPORT

UHM accepts any of the following credit report options:

- Residential Mortgage Credit Report
- Tri-Merged in-file credit report

Any of these options must comply with Agency requirements, including, but not limited to:

- Public records search in each location where the borrower has lived in the last two years
- Any credit and legal activity that has occurred in the last seven years and bankruptcies within the last ten years.
    - Public record/legal activity includes but may not be limited to:
        - judgments
        - foreclosures
        - tax liens
        - bankruptcies
- Credit Scores
- OFAC Search

BUSINESS CREDIT REPORT

FHA requires a business credit report for all Corporations or S Corporations under the following circumstance:

- Loan is subject to manual underwriting, and
- Borrower has 25% or greater ownership interest in the Corporations or S Corporations.

UHM requires the Borrower to provide the business credit report from one of the three major business credit bureaus: Dun & Bradstreet, Equifax, or Experian. The report must include, at a minimum:

- Company legal name, address, incorporation details, number of employees, sales, ownership, and subsidiaries,
- Public filings (liens, judgments, and UCC filings), and
- Trade Line payments, past payment history, and collections

The business credit report is valid for 120 days.

REVERIFICATION AUTHORIZATION

A Borrower's Consent for Credit Check Notice must be completed to permit subsequent reverification as required by Quality Control or Investors.

VERIFICATION OF FUNDS AVAILABLE FOR CLOSING

Complete bank/asset statements are always required for verification of funds. The number of months will be determined by AUS feedback or Manual Underwriting requirements.

Bank statements and asset statements must meet all other guidelines outlined in Standard Documentation Requirements. The sources of other funds such as home equity, gift letters, stocks, etc., must be verified in accordance with Agency guidelines.

BANK OR BROKERAGE STATEMENTS (CHECKING, SAVINGS, MONEY MARKET, OR CERTIFICATE OF DEPOSIT ACCOUNTS):

Verification of Funds consists of account statements for the most recent two months or quarter. The source of any large deposits, excluding paychecks, must be verified.

The borrower's bank or brokerage statements must be computer-generated or typed and identify clearly:

- Depository institution
- Account holder(s)
- Account number
- Time period covered by the statement
- Deposit and withdrawal transactions
- Ending account balance

If there is a sudden increase or decrease in the balances of these accounts, investigate further to determine whether any funds were borrowed.

When the date of the borrower's most recent bank or brokerage statement is more than 45 days earlier than the date of the borrower's application, the borrower must supply a supplemental statement that shows a machine-printed account number, balance, and date. Any bank-generated forms, such as deposit or withdrawal slips or bank machine inquiries and must reflect account history.

CHECKING, SAVINGS, MONEY MARKET, OR CERTIFICATE OF DEPOSIT ACCOUNTS

Verification of Funds consists of account statements for the most recent two months or quarterly statement. The source of any large deposits, excluding paychecks, must be verified.

EARNEST MONEY DEPOSIT

If the canceled check does not appear on the bank statement, the earnest money should be deducted from the account balance.

BITCOIN AND OTHER CRYPTOCURRENCY:

Conventional Requirements:

For the proceeds from a bitcoin or other digital currency exchange to be considered as an eligible asset, it must be converted to U.S. currency and deposited into an eligible asset account.

The source of a large deposit may be from bitcoins or another digital currency, provided there is documentation to show the funds coming from the digital currency amount that was owned by the borrower.

Note: Bitcoin or other digital currency must be liquidated and in the account prior to approval. A loan cannot be approved subject to the liquidation of the currency to US dollars. This policy is based on the private nature of digital currency's ownership and access structure as well as the fluctuating value of the currency.

Requirements:

- Income paid in the form of virtual currency may not be considered when qualifying a Borrower
- For income types that require evidence of sufficient remaining assets to establish likely continuance (e.g.: Retirement account distributions, trust income, and dividend and interest income, etc.), those assets may not be in the form of cryptocurrency
- Cryptocurrency may not be included in the calculation of assets as a basis for repayment of obligations
- Monthly payments on debts secured by cryptocurrency must be included in the Borrower's debt-to-income ratio and are not subject to the Guide provisions regarding installment debts secured by financial assets
- Virtual currency that has been exchanged into U.S. dollars is acceptable for the down payment, closing costs, and financial reserves, provided:
    - There is documented evidence that the virtual currency was exchanged into U.S dollars and is held in a U.S. or state regulated financial institution, and
    - The funds are verified in U.S. dollars prior to the loan closing
- The purchase price of the property, and any earnest money deposit, may not be designated in virtual currency
- The payment used as rental income must be in U.S. Dollars

VA Requirements:

Asset statements that show the owner of the account for at least two months will be required for cryptocurrency on VA loans, verifying:

- The borrower had ownership of the funds over the last two months, and
- Conversion of the asset to cash
- A complete paper trail of documentation to support a liability was not incurred that would impact the ability to repay

FHA Requirements:

Cryptocurrency can be used. To be used, it must be:

- Liquidated into US Dollars
- The mortgagee must document that the assets belong to the borrower and that the funds are in the borrower's bank account.

USDA Requirements:

- Verify the funds belong to the borrower and are readily liquidated
- Documentation must be provided to confirm the asset belonged to the borrower. Also provide verification of liquidation and transfer.

VERIFICATION OF EMPLOYMENT

A Verification of Employment (VOE) is required for each Borrower, including self-employed Borrowers. UHM follows Agency guidelines for VOEs.

A Verbal Verification of Employment (VVOE) is acceptable in most cases. To determine whether a VVOE can be used, or whether an initial full written Verification of Employment (WVOE)/Third Party Verification will be required, please refer to Ask UHM.

RE-VERIFICATION OF EMPLOYMENT

For Conventional, FHA and USDA loans, a final VOE or recertification must be completed within ten business days of closing, regardless of the AUS findings or documentation type. If the initial verification was completed within ten business days of closing, recertification is not required.

The Processor/LOA is responsible for obtaining the Final VOE if the clear-to-close is obtained within 5 business days or less from the closing. The Closer is responsible for obtaining the Final VOE if the clear-to-close is obtained six or more business days from closing. Options for obtaining reverifications of employment for closing can be found in Ask UHM.

OVERTIME AND BONUS INCOME

Overtime and bonus income will be reviewed and calculated by the UHM income desk, and may be verified by documentation provided that all of the following conditions are met:

- Borrower has been receiving overtime or bonus income for at least two years*, and
- The income must be stable and reasonably likely to continue, and
    a. Note: FHLMC requires that the income be expected to continue for at least 3 years.
- W-2 forms and payroll earnings statements indicate an earnings level that is consistent with the total income that is being considered, and
- Verification requirements are the same as salaried employees above.

*If less than two years, refer to Agency guidelines.

COMMISSIONS

Borrowers who receive commissions equal to or greater than 25% of their total income will be reviewed and calculated by the UHM income desk, and must provide:

- Federal tax return for the most recent year per AUS Findings and/or Manual Guidelines as applicable to verify commissions earned and expenses incurred, and
- Current paystub, and
- Most recent two year's W-2's.
- Verbal Verification of Employment.

For borrowers who receive commissions less than 25% of their total income follow standard document guidelines.

SELF-EMPLOYED BORROWERS

Self-employed documentation includes:

- All self-employed borrowers are required to provide copies of individual (and business if appropriate) tax returns, including all applicable schedules. AUS findings will determine whether one or two years of transcripts* are required.
    - Fannie Mae and Freddie Mac require only one year of tax returns under the following circumstances:
        - All self-employed businesses have been in existence for five years, and
        - The Borrower has had a 25% or greater ownership interest for the last 5 consecutive years.
- Verbal Verification of Employment (VVOE).
- A year-to-date Profit & Loss (P&L) statement and balance sheet may be required based on Agency requirements, the application date, and when the last tax return was filed. Refer to Section 3007.0 (Tax Return, W-2, & P&L Requirements) for product specific requirements.

* If tax transcripts are obtained, the copies of the individual (and business, if appropriate) tax returns do not need to be signed; however, if the tax transcripts are not in the file, the tax returns must be signed.

UW Help Desk IncomeGenius Calculation Note: Income can be calculated by the UW Help Desk, without the P&L, however, the P&L will be an outstanding condition to be cleared by Underwriting.

Self-Employed Borrowers with Less Than a Two-Year Employment History

Fannie Mae and Freddie Mac may consider Borrowers with less than a two-year history of self-employment, provided:

- The most recent personal and/or business tax returns reflect a full 12 months of self-employment income from the current business, and
- At least a two-year history of receipt of prior income at the same or greater level is provided, and
- The Borrower is in a similar occupation or field that provides the same products or services as the current business, or the Borrower has had a position with similar experience/responsibilities to those undertaken in connection with the current business.

LESS THAN 25% OWNERSHIP IN A BUSINESS

Borrowers who have less than 25% ownership in a business are not considered self-employed by Agency definition. See the guidelines below for circumstances within which a Borrower who owns less than 25% of a business may use that income for qualifying, and the corresponding documentation requirements for each Agency.

Fannie Mae, FHA, VA, and USDA:
For Fannie Mae, FHA, VA and USDA Loans, income from business tax returns may not be used for Borrowers who have less than 25% ownership in a business. Business tax returns are not required and cannot be accepted, even if provided. Underwriting can only use the Borrower's standard income (base pay, salary, commission, bonus, etc.) and K-1 earnings to qualify.

Freddie Mac Only:
For Freddie Mac loans, Underwriting may use the Borrower's standard income (base pay, salary, commission, bonus, etc.) and K-1 earnings, and consider the Borrower as non-self-employed. However, if the Borrower wishes to provide additional documentation that is consistent with the requirements for self-employed Borrowers, income from business tax returns (depreciation, meals and entertainment, etc.) may be included in the income calculation used to qualify. The amount of additional business income that may be used must directly correspond to the percentage of ownership that the Borrower has in the company.

TAX RETURN REQUIREMENTS
U.S. Federal Tax Returns are required.
Conventional and FHA Only: For Borrowers who are or were not required to file U.S. Federal Income Taxes because they reside(d) in Puerto Rico, Guam, The Virgin Islands, The Commonwealth of the Northern Mariana Islands, or American Samoa, a U.S. Territory Tax Return (or equivalent tax filing) may be used.

TAX RETURN SIGNATURES
Agencies require UHM to validate that any tax return being used is the same one that was filed with the IRS. To meet this requirement, UHM adopts the specific Agency policy, without overlays. The Agencies require that tax returns are signed by all borrowers/taxpayers. There are alternatives to meet the signed tax returns as outlined below:

Conventional
There are 3 options to satisfy the "signed" tax returns. Obtain one of the following:

1. Evidence tax returns were filed electronically, i.e., IRS e-file signature authorization, or
2. Tax transcripts in file that validate the unsigned tax returns, or
3. Completed 8821 signed by the borrower that authorizes release of tax information to a third party.

Therefore, as long as we have the 8821 in the file signed at closing, wet signatures would not be required on tax returns in the file.

FHA

Obtain one of the following:

1. Tax transcripts in file that validate the unsigned tax returns, or
2. Completed 8821 signed by the borrower that authorizes release of tax information to a third party.

Therefore, as long as we have the 8821 in the file signed at closing, wet signatures would not be required on tax returns in the file.

VA

Taxpayer signatures are required on the tax return. There are no alternatives.

USDA

Obtain tax transcripts for the file that validate the unsigned returns.

Private Investors and Housing Finance Agency Loans

Obtain signed tax returns unless alternatives are specifically permitted based on their current guide.

PROPERTY DOCUMENTATION REQUIREMENTS

Appraisal Exhibits

In addition to standard exhibits required to be included as part of the appraisal report, at minimum interior photographs of the following areas of the subject is required:

- Kitchen
- All bathrooms
- Main Living area
- Physical deterioration, if present
- Recent updates, such as restoration, remodeling, and renovation if present. Recent is defined as any improvement with a material impact to the market value within the lesser of 12 months or the effective date of the appraisal or since the transfer date or the property from an unrelated party.

Section 600 INSURANCE

601.0 UHM Insurance Requirements (Hazard and Flood)

The TPO Lending Guide defers to the Hazard Insurance and Flood Insurance Policies as excerpts of UHM's full Compliance Policy Manual. Please review the full policy guides available in UHMGo! within the Documents tab, in the Policies & Procedures drop-down or on uhwholesale.com.

602.0 Mortgage Insurance

Mortgage Insurance serves as a method of guarantee to protect lenders from losses and defaults that occur on mortgage loan transactions. VA loans do not, currently, require mortgage insurance. The mortgage insurance requirements for conventional, FHA, and USDA loans can be found below.

602.1 Private Mortgage Insurance – Conventional Loans

Mortgage insurance is required for Conventional Loans as specified by product type, LTV (subject to state law), and applicable Agency and UHM requirements. Union Home Mortgage Corp. is responsible for remittance of all PMI payments for all Loan payments they collect. If the Loan is amortized, UHM is also responsible for remitting the mortgage insurance for any Loan payments received. UHM permits borrower paid monthly and lender paid upfront single premium mortgage insurance.

Monthly mortgage insurance policies require monthly premiums to be paid, beginning the month that the Loan closes, and continuing every month thereafter.

UHM encourages the use of the Zero Up-Front premium PMI (LPMI) policies. There are no intermediate MI premiums due, so less money is required from the borrower at closing.

PRIVATE MORTGAGE INSURANCE WITH A NON-PERMANENT RESIDENT BORROWER/CO-BORROWER

If a non-permanent resident is named as a borrower or co-borrower in the loan, the UHM approved visas may not match the list of approved visas as issued by some private mortgage insurance companies. For example, not all PMI companies may be accepting a C-33 visa. Partners are to confirm that the private mortgage insurance company will accept the applicable visa type, prior to conditional approval.

602.2 FHA Mortgage Insurance – FHA Loans

Mortgage insurance is required on FHA loans. The upfront Mortgage Insurance Premium (MIP) must be paid by Union Home Mortgage Corp. In cases where the MIP is paid on a monthly basis, an escrow account must be established at closing.

UHM will collect escrowed funds and remit these payments to HUD.

602.3 USDA Mortgage Insurance – USDA Loans

Mortgage insurance is required on USDA loans. The upfront Mortgage Insurance Premium (MIP) must be paid by Union Home Mortgage Corp. In cases where the MIP is paid on a monthly basis, an escrow account must be established at closing.

UHM will collect escrowed funds and remit these payments to the agency.

603.0 Tax and Insurance Escrows

See Tax and Insurance Escrows.

604.0 Mine Subsidence

Mine subsidence insurance is provided to cover a loss suffered when the land on which improvements are located "subsides" due to the collapse of mining tunnels below the surface.

If mine insurance is required, the policy obtained by the Borrower must equal 80% of the value of the structure comprising a part of the property or the maximum insurance available. UHM will accept the following items as evidence of insurance:

- A hazard insurance policy that includes mine subsidence insurance.
- If the Loan is a refinance, the original or a photocopy of an existing mine subsidence insurance policy and an Assignment of Interest Endorsement form.
- A signed Request for Mine Subsidence Insurance Information form and an Assignment of Interest Endorsement form.
- A signed Request for Mine Subsidence Insurance Information form, an Assignment of Interest Endorsement form and a town map which shows the location of the property.

605.0 Additional Insurance Coverages

Follow Agency guidelines for additional insurance coverage requirements such as Earthquake, Builder's Risk and other risks.

Appraiser Quality and Requirements

701.0 Appraiser Qualifications

All appraisal reports must be completed by an Appraiser in good standing, duly licensed or certified in the state in which the subject property is located. Appraisers holding a "Trainee" or similar license may not be utilized.

No appraisal report may be completed by an Appraiser on any of the industry exclusionary list, including but not limited to; Limited Denial Participation (LDP) List, Excluded Parties List System (EPLS).

701.1 Appraiser Monitoring Procedures

In compliance with UHM Quality Control Procedures, Appraiser performance will continue to be monitored through the Collateral Underwriting, Risk, and Quality Control Departments.

Quality Control continually reviews a 10% sampling of all production including all lending types. Key deficiencies to appraiser qualifications, determined through the Quality Control Process, in addition to additional items of importance include:

- Investor Audits and Deficiency Reports
- Fraud or Misrepresentation
- Discrepancies found during Desk or Field Reviews
- Customer, Referral Partner and Partner Complaints
- Appraiser Customer Service Complaints
- Productivity and Turn-Times in excess of expectations
- Response Times
- Underwriting requests based on negative appraisal trends (quality of work, ongoing repetitive requests relative to comparable property selection and the size of adjustments, continual errors, etc.)

All notifications of Appraisal deficiency or misconduct, as determined by the Collateral Underwriting Team, Appraisal Department, or upon request from an internal Partner or external source (Customer, Referral Partner or Investor), must be investigated thoroughly by Collateral Team Lead and UW Regional Manager for recommendation to the Senior Risk Team (National Operations Manager and National Risk Manager).

Based on the type of deficiency and results of the investigation, Appraisers will either receive a verbal warning, written warning, or notification of removal from our Panel Roster from the Senior Underwriter.

The review process includes the following characteristics:

- Serious Deficiency, Fraud, Misrepresentation requires immediate dismissal.
- Production Standard Deficiencies and Complaints will be reviewed by the group and issued a verbal or written warning.
- In the event an Appraiser has received a verbal and written warning, that Appraiser will be immediately removed from our panel.

701.2 Appraiser Exclusionary List

UHM Appraisal Management will continually monitor Agency and Investor Approved and Exclusionary Lists and will comply with Agency and Investor requirements. In the event an Appraiser is removed from the Approved list due to performance or Agency/Investor requirements, the list will be continually monitored to ensure the Appraiser remains inactive until such time as a remedy as determined by UHM or by the Agency/Investor has been appropriately documented and approved.

701.3 Real Estate Appraisals, General Guidance

Each appraisal conducted in connection with a Loan must comply with applicable federal and state law, and applicable Agency requirements; and with respect to any appraisal requirements imposed by or pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), as amended from time to time, the related Loan is eligible for purchase by a financial institution subject to FIRREA, and, in the case of Conforming Balance Loan sizes, by the Agencies.

Each appraisal is made by an Appraiser who meets all of the following requirements:

- Is either a licensed or certified residential Appraiser or a certified general Appraiser, by the state, as required for the particular appraisal;
- Is in good standing with the applicable state appraisal licensing agency;
- Is independent of UHM and UHM's affiliates and subsidiaries, and is not involved in the Loan transaction in any way except as the Appraiser;
- Does not have any present or prospective direct or indirect interest, financial or otherwise, in the property or transaction that is the subject of the appraisal report;
- Has no personal bias, or interest with respect to any of the parties involved in the transaction relating to the appraisal, including but not limited to UHM or UHM's directors, officers, employees or agents;

- Has made a personal inspection of the property that is the subject of the appraisal report;
- Was not assigned the appraisal based on any required or expected minimum or specific valuation of the appraised property, and whose compensation was not based upon reporting a predetermined value of the appraised property or any other information contingent upon some event which, at the time of the appraisal, had not occurred;
- Was not assigned the appraisal by the same person responsible for the sole approval authority for granting the loan request, and
- Demonstrates sufficient experience and education in the appraisal of properties similar to the subject property.

701.4 Appraiser Independence

Appraiser Independence must be followed for all loan types. The Appraiser Independence policy can be found in the UHM Compliance Policy Manual.

All VA Loans must comply with the VA Appraiser guidelines.

701.5 Appraiser Policy and Requirements

UHM reserves the right to deem an appraiser unacceptable due to appraisal or quality concerns.

Union Home Mortgage Corp. expects all Appraisers and the reports they provide to meet the Uniform Standards of Professional Appraisal Practice (USPAP) and applicable FNMA, FHLMC, FHA, VA, USDA-RD and UHM policies and requirements. The value for property pledged as collateral for all loans must be accurately assessed and fully supported. Analyzing property values and appraisal reports is a critical part of ensuring the soundness of loans funded and delivered by UHM.

All appraisals must be provided by qualified, independent, disinterested Appraisers licensed and certified in accordance with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) of 1989. Appraisals are expected to be completed in accordance with USPAP in addition to any other UHM product requirement. Any party having an interest in the transaction is prohibited from applying pressure or influence on the Appraiser to encourage providing specific results or findings. UHM is not prohibited from questioning the Appraiser’s findings or requesting additional information from the Appraiser, if deemed necessary in UHM’s sole judgment.

UHM continually monitors and evaluates its quality standards and requirements. As a result, UHM reserves the right to choose to accept, or not, appraisals completed by Appraisers that do not meet its standards and guidelines.

Upon notification to UHM Partners, steps must be taken to ensure that no appraisal or other third-party service is delivered to UHM if prepared by an Appraiser or other provider that is unacceptable. UHM may take disciplinary action with the appropriate bodies (up to and including legal action) against any Appraiser or other third-party vendor. UHM maintains business controls in place to ensure Partners or other interested parties do not compromise the accuracy and integrity of appraisal reports.

UHM appraisal standards prohibit the development of a property value that is based on race, color, religion, sex, handicap, familial status or national origin.

Appraisal Quality and Requirements

702.0 Mortgaged Property Undamaged; No Condemnation

The Mortgaged Property must be undamaged by waste, fire, earthquake or earth movement, windstorm, flood, tornado, or other casualty so as to affect adversely the Mortgaged Property's value as security for the Loan or the use for which the premises were intended. The Mortgaged Property must be in good repair. It is required that no condemnation proceedings by any federal, state, or local authority are pending or, to the best of the Seller's knowledge, are threatened against the Mortgaged Property.

702.1 Environmental and Other Hazards

If UHM determines that the mortgaged property or neighborhood is or may be exposed to Environmental Hazards, hazardous wastes, toxic substances, radon gas, asbestos-containing materials, urea-formaldehyde insulation, sulfur-containing drywall (also known as Chinese drywall) not covered by fire and extended coverage insurance or other available insurance, UHM, in such an event, will not close the loan until the hazard(s) are remediated per Agency guidelines.

703.0 Improvement Locations; No Encroachments

All improvements the underwriter considered in determining the Mortgaged Property's appraised value at origination must lie wholly within the Mortgaged Property's boundaries and building restriction lines and no improvements on adjoining properties encroach upon the Mortgaged Property (except those encroachments which the title insurer has affirmatively insured over). Improvements located on or being part of the Mortgaged Property cannot be in violation of any applicable zoning law or regulation. All Mortgaged Property improvements, including new construction, must be completed in full compliance with any applicable laws, regulations or building codes and standards, and the improvements must comply with the laws, regulations, or building codes and standards as of the Funding Date.

704.0 <u>Final Inspections & Occupancy Certifications</u>

The Mortgaged Property must be lawfully occupied under applicable law. Union Home Mortgage Corp. has made or obtained from the appropriate authorities all inspections, licenses, and certificates required to be made or issued with respect to all occupied Mortgaged Property portions, or with respect to the Mortgaged Property's use and occupancy (including, without limitation, certificates of occupancy and fire underwriting certificates).

WARRANTY OF COMPLETION

Overview:

The following content covers when a Warranty of Completion of Construction is permitted in lieu of an Appraisal Update and/or Completion Report, form 1004D for Fannie Mae loans and form 442 for Freddie Mac loans.

Requirements:

For appraisal reports marked "subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed," UHM is not required to obtain a satisfactory completion report so long as the following requirements are met:

A. The AUS findings must be either
    i. Loan Product Advisor (LPA) Accept, or
    ii. Desktop Underwriter (DU) Approve/Eligible
B. A UHM's Warranty of Completion of Construction form Exhibit A must be completed and signed by the Borrower and builder
C. A Certificate of Occupancy, or its equivalent, is required when using the Warranty of Completion of Construction
D. By using this process, UHM represents and warrants that:
    i. The Mortgaged Premises have been satisfactorily completed; **and**
    ii. The appraiser has been notified of material or significant changes to the improvements occurring after completion of the appraisal.

Freddie Mac Only: ULDD Data Point Investor Feature Identifier "J59," must be noted by underwriting indicating the loan is being delivered with the Warranty of Completion of Construction in lieu of Form 442 (Completion Report).

Government Loans: FHA, VA, and USDA cannot use the above policies. Refer to Agency requirements and Ask UHM for information regarding final inspection requirements.

705.0 Adverse Market Conditions

The level of collateral risk associated with housing trends indicating values are unstable or declining combined with the risk of specific loan products, purposes, and occupancy may require a reduction in the LTV/CLTV/HCLTV.

Adverse Markets: Special requirements apply to appraisals that identify adverse market conditions for the subject property (for example, declining values, an over-supply of properties, or marketing times in excess of six months). These appraisals need to be documented and reviewed carefully. Required documentation includes:

- At least two of the three comparables must be dated within 90 days of the appraisal date.
- A minimum of one listing or pending sale is required. Ideally, and when possible, at least two additional comparable listings or pending sales should be provided.
- The Appraiser must address the impact on marketability and value of both favorable and unfavorable factors and avoid using subjective, racial or stereotypical terms, phrases or comments within the report.
- Days-on-market must be reported for the subject property and each comparable sale. This must support the average marketing time listed on page 1 of the appraisal.
- If the Appraiser is unable to provide two comparables within 90-days and/or current listing(s), the Appraiser must provide a detailed explanation and identify whether value adjustments resulted. The explanation from the Appraiser must be consistent with other tools utilized to review the appraisal. When the Appraiser is unable to provide this (or other) information, second level reviews through UHM escalation process may be required.
- The maximum LTV/CLTV on any property located in a soft or declining market is limited to the lesser of 95% or the maximum LTV/CLTV for the specific product and loan type.
- Time adjustments, when deemed appropriate by the Appraiser must reflect the difference in market conditions between the date of sale of the comparable and the effective date of appraisal for the subject property.

706.0 New Construction

All new construction transactions regardless of market conditions: Appraisals for properties located in a new construction subdivision or development must include at least one current sale from the subject development/builder and either one closed sale from a competing development/builder OR one closed sale from the subject development that has closed within 30-days of the date of the appraisal.

- Appraisals on new construction properties cannot be dated more than 120-days from the Note Date. If the appraisal is dated more than 120-days from the note date, a recertification of value will be required supporting the original appraised value.

707.0 General Guidelines

- All requirements, as determined by AUS, must be followed. UHM overlays may apply.
- UAD (Uniform Appraisal Data) compliant appraisals are required.
- All conventional appraisals must be AIR compliant.
- If the appraisal indicates that the subject property was previously sold within the last 12 months, the Underwriter is required to determine the change in value. If the value has increased 20% or more, UHM must document improvements that support the increase and/or the Appraiser must document rapid increases in value within the market.
- If the subject property is located in a FEMA Disaster Area, see the "Disaster Requirements" section of this TPO Lending Guide.
- All appraisals must reflect the current transaction information.
- The 1004MC Market Conditions Addendum is only required on FHA and USDA loans.
- A full appraisal is required when the subject property is mixed-use, regardless of AUS findings.
  - Property Appraisals with Correspondent Investors (Does not apply to Agency Direct): UHM requires a full second appraisal on all investment occupancy transactions with a sales price or appraised value less than $100,000.
- Generally, refinances which the most recent transaction was the purchase of an REO property requires a new appraisal. In the event of a UHM to UHM transaction, the appraisal may be utilized if completed within 12 months of the note date; an appraisal update will be required if in excess of 4 months from the note date.
- When the appraisal indicates the property has a privately owned and maintained street, a Private Road Maintenance Agreement may be required, regardless of LTV, by the Agency. UHM follows agency requirements. Please see the note, below.
  - If a Private Road Maintenance Agreement is required by the Agency, the agreement must include the following terms and should be recorded in the land records of the appropriate jurisdiction:
    - Responsibility of payment of repairs, including each party's representative share,
    - Default remedies in the event a party to the agreement or a covenant fails to comply with obligations,
    - The effective term of the agreement, in most cases should be perpetual and binding on any future owners.

> **Note:** If the property is located within a state that has statutory provisions that define the responsibilities of property owners for maintenance and repair of a private street, no separate agreement is required.

- Utilities must be on at the time of inspection by the Appraiser to ensure safety and soundness of the subject property for government loans and should be on for all conventional appraisals. If the Utilities are off, on a conventional appraisal only, the borrower must sign a hold harmless letter at closing acknowledging this fact.
- Bedroom count must be captured on all 1-4 unit investment properties and all owner-occupied 2-4 unit properties regardless of the AUS, appraisal type and regardless of whether the borrower uses rental income to qualify.
  - Bedroom count information can be obtained from one or more of the following sources:
    - Lease agreements
    - Tax returns
    - Single Family Comparable Rent Schedule (Form 1007)
    - Appraisal
    - Public record data that does not provide current property valuation
- See High Balance Mortgage Loans, within this section.

AGE OF APPRAISAL:

Conventional:

UHM will not accept appraisals dated more than 12 months prior to the note date. The property must be appraised within the 12 months that precede the date of the note and mortgage.

- An Appraisal Update is required on all appraisals dated more than 120-days prior to the note date, regardless of whether the property was appraised as proposed or existing construction.
- The appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on *Appraisal Update* and/or *Completion Report* (Fannie Mae Form 1004D / Freddie Mac Form 442)
- If the appraiser indicates that the property value has declined, then UHM must obtain a new appraisal for the property
- If the appraiser indicates that the property value has increased, the appraiser must notate on the appraisal the reason for the change. The underwriter may request a new appraisal.
- If the appraiser indicates that the property value has not declined, then the lender may proceed with the loan in process without requiring any additional fieldwork
- A new UCDP is not required when using an on *Appraisal Update* and/or *Completion Report* (Fannie Mae Form 1004D / Freddie Mac Form 442)
- The appraisal updated must occur within the four months that precede that date of the note and mortgage date.

FHA

The initial appraisal validity period is 180 Days from the effective date of the appraisal report.

- Where the initial appraisal validity period is inadequate to meet the Disbursement date, an appraisal update may be performed prior to the original 180-day expiration.
- Where the initial appraisal is updated, the updated appraisal is valid for a period of one year after the effective date of the original appraisal report that is being updated. For additional information, refer to **HUD Mortgagee Letter 2022-11**.

USDA

The appraisal must have been completed within 180 days of closing. Appraisals that are older than 180 days prior to loan closing are eligible for an appraisal update as indicated below.

- The validity period of an appraisal report can be extended only one time with an Appraisal Update Report. The appraisal may be expired at the time the appraisal update is requested. However, when the original appraisal is subsequently updated, the appraisal is valid for no greater than one year from the effective date of the original appraisal report at loan closing. The purpose of an appraisal update request is to determine if the property has declined in value since the effective date of the original appraisal. An update is not eligible to support a higher appraised value of the property.
- Uniform Standards of Professional Appraisal Practice (USPAP) considers the term "Appraisal Update" as a business term, but regardless of the nomenclature used, when a client seeks a more current value or analysis of a property that was the subject of a prior assignment, this is not an extension of that prior assignment that was already completed; it is simply a new assignment.
    - USPAP (Advisory Opinion 3) states that there are three ways that the reporting requirements can be satisfied for this type of assignment:
        1. Provide a new report without incorporation of the prior report.
        2. Provide a new report that incorporates, by attachment, specific information/analysis from the prior report.
        3. Provide a new report that incorporates, by reference, specified information/analysis from the prior report
    - The appraiser may use a pre-printed form or a narrative report to provide the appraisal update, but whichever reporting format is used must be in compliance with USPAP.
- Fannie Mae Form 1004D/Freddie Mac Form 442, Appraisal and/or Completion Report may be utilized by the lender to report the completion of a repair and/or satisfaction of requirements and conditions noted in the original appraisal report.

VA:

A VA appraisal report requires approval by the UHM underwriter who is approved as a Staff Appraisal Reviewers (SARs). The SAR issues a Notice of Value (NOV) based on the appraisal report. The NOV is valid for six months.

If a veteran is under contract during the validity period, processing may continue until that transaction is either completed or terminated.

On a case-by-case basis, VA may extend validity periods when requests for such actions are reviewed and found to be appropriate under prevailing conditions. The SAR would need to contact the VA Regional Loan Center (RLC).

708.0 Appraisal Waivers

- Fannie Mae Value Acceptance option (previously called a Property Inspection Waiver/PIW) and Freddie Mac Automated Collateral Evaluation (ACE) waivers must be dated within 120 days of the note.
  - Allowed with DU/LP approval
  - Price Adjustments may apply
- Escrow Holdbacks are not permitted
- Not eligible for properties located in disaster areas or for new construction
- If the appraisal has already been obtained, the Value Acceptance/ACE Waiver is not valid, and the appraisal must be used. If the appraisal has been ordered but not yet received, the order can be cancelled.

709.0 Appraisal Orders, Communication and Anti-Coercion

Union Home Mortgage Corp. has adopted an Appraisal Anti-Coercion Policy as a result of the adopted Home Buyer's Protection Act & other state Predatory Lending Laws.

TPO partners are strictly prohibited from any contact with an Appraiser. All requests and communications relevant to an appraisal are completed through the Appraisal Management Team and Underwriting Department.

APPRAISAL ORDERS

Appraisal requests are ordered through the AMC of the TPO Partners choice. The following information should be forwarded to the AMC:

- Contact information for all relevant parties
- The Sales Contract (Purchases)
- Evidence of Real Estate Taxes
- Evidence of the Property Transfer History

COMMUNICATION

- All direct communication between UHM and the Appraiser is completed by the Appraisal Department, Underwriter or National Risk Manager, and AMC.
- The National Operations Manager and National Risk Manager may communicate with Appraisers directly in the event of a performance concern.

PROHIBITIONS

- No TPO Partner may, at any time, speak to or communicate with an Appraiser.
- For refinances, an estimated value may not be forwarded to or communicated to the Appraiser in any way.
- UHM Partners may not compensate, instruct, induce, coerce or intimidate, or attempt to compensate, instruct, induce or coerce, or intimidate a person licensed or certified under Chapter 4763 of the Revised Code for the purpose of corrupting or improperly influencing the independent judgment of the person with respect to the value of the dwelling offered as security for repayment of a mortgage loan.
- Further, UHM Partners may not communicate any inference of value directly with the Appraiser prior to or after forwarding an appraisal request form.

710.0 Appraisal Forms

Standard interior/exterior appraisal forms, for the property type required, are to be utilized. Union Home Mortgage Corp. must ensure all applicable appraisals have been completed in compliance with Agency Guidelines.

Condition of Improvement requirements

The appraisal report must contain an accurate description of the improvements and any factors that may affect the marketability of the subject property.

The appraisal report must identify and describe physical deficiencies that could affect a property's safety, soundness, or structural integrity. If the appraiser has identified any of these deficiencies, the property must be appraised subject to completion of the specific repairs or alterations. In these instances, the property condition and quality ratings must reflect the condition and quality of the property based on the hypothetical condition that the repairs or alterations have been completed.

Properties with Condition Ratings of C5 or C6 are not eligible for delivery to UHM in 'as is' condition; deficiencies that caused the rating and/or hypothetical condition must be completed prior to Loan delivery to UHM.

Notice of Right to Copy of Appraisal (ECOA)

Borrower should receive the most recent version of appraisal, confirming value/method used to calculate value, at least 3 days prior to closing. If the condition is not met, the Notice of Right to Copy of Appraisal (ECOA) must be resent to the borrower waiving their rights to receive the appraisal within 3 days prior to close. Borrower(s) must initial, date and send back.

711.0 Appraisal Requirements – High Balance Mortgage Loans

- Any Jumbo loan or High Balance conforming loan will require a signature from a second Underwriter.
- An Underwriting Team Lead will sign off.
- Any collateral that Underwriting Team Leads or Wholesale Operations Manager may find questionable can be escalated to Senior Management.
- Management, at its discretion, can approve as submitted or require supplemental information (i.e. Desk Review, Field Review or Secondary Appraisal).

711.1 Appraisal Requirements – Higher Priced Mortgage Loans as Defined by Regulation Z

RULE BASICS:	
Effective Date	The new rule is effective with applications taken on or after January 18, 2014
Covered Transactions	• High Priced Mortgage Loans (HPML) that are not Qualified Mortgages (QM)
Disclosure Requirement	• UHM must provide the applicant with a statement that any appraisal or statement of value obtained for the mortgage is for the sole use of the creditor, and that the applicant may choose to have a separate appraisal done for their own use at their expense. The disclosure must be given to the applicant(s) within 3 business days of application, or if the loan was not a HPML loan at application, the disclosure must be given within 3 business days of when it was determined to be a HPML loan.
Appraisal Requirement	• A full appraisal is required on HPML loans (AVM's are not permitted)
Second Appraisal Requirements	• A second appraisal is required for HPML loans that meet the definition of a flip (a) the seller is reselling the property within 90 days of acquiring it and the resale price exceeds the sellers acquisition price by more than 10 percent, or (b) the seller is reselling the property within 91-180 days of acquiring it and the resale price exceeds the seller's acquisition price by more than 20 percent. The second appraisal must be completed by a certified or licensed appraisal that is not affiliated with the first appraiser. The 2nd appraisal must be given to the borrower(s) within 3 business days of the closing. The appraisal must include an analysis of the difference in sales prices (i.e., the sale price paid by the seller and the acquisition price of the property as set forth in the consumer's purchase agreement), changes in market conditions and any improvements made to the property between the date of the previous sale to the current sale. • The cost of the 2nd appraisal cannot be paid for by the borrower(s).
Standard Exemptions:	• Government Streamline Refinances • True Rate/Term Loans, all proceeds from the refinance must be used to satisfy the existing obligations and to pay amounts attributed solely to the costs of refinancing. • Loans =<$25,000.00 • Loans for Manufactured Homes through July 17, 2015

Second Appraisal Exclusions and Exemptions:	A second appraisal is not required when the seller is: • Is a local, state or federal government agency or acquired title: • through foreclosure or other similar judicial or non-judicial procedure as a holder of a defaulted mortgage loan • Is a non-profit entity as part of a local, State or Federal government program under which the non-profit entity is permitted to acquire single family properties for resale from a seller who acquired title to the property through the process of foreclosure or other similar judicial or non-judicial procedure • acquired title to the property by inheritance or pursuant to a court order of dissolution of marriage, civil union, or domestic partnership, or of partition of joint or marital assets to which the seller was a party • from an employer or relocation agency, in connection with the relocation of an employee • from a service member who received deployment or permanent change of station orders after purchasing the property • If the property is located in an area designated by the President as a federal disaster area with regulatory waiver available • If the property is located in a "rural" county, as defined in the CFPB ATR 2013 Final Rule

712.0 Condominium Project Units and Planned Unit Developments ("PUD")

As to each condominium unit located in a condominium project or planned unit located in a PUD:

All Loans secured by units in condominiums or PUDs must comply with the applicable condominium or PUD requirements set forth in this TPO Lending Guide and/or appropriate Agency guidelines. With respect to any lien held by a homeowners association, special district, or similar organization for assessments, maintenance fees or similar charges against the Mortgaged Property which is, or appears to be, equal to or prior to the Mortgage Loan, the homeowners association, special district or similar organization have agreed to give at least 60 days written notice before foreclosing on the lien and UHM will forward such notice to the holder of the Mortgage Loan at least 45 days before foreclosure.

IMPORTANT NOTE: CONDOMINIUM CONCENTRATION MAY NOT EXCEED 15% FOR UHM LOANS IN ANY ONE ASSOCIATION/DEVELOPMENT.

ADDITIONAL REQUIREMENTS WHEN UNIT NUMBER IS PRESENT IN PROPERTY ADDRESS

If the property address includes a unit number, the unit number must be included in the property address on all required application and closing documents including all legal and security documents (i.e., note, mortgage, title commitment, etc.). Partners should make sure that the property address, including the unit number when appropriate, on all application and closing documents match the property address, including the unit number when appropriate, reflected on the title commitment.

713.0 Property Conditions, Basement and Structure Underwriting Guidance

Dampness: If the Appraiser does not comment or if there is a concern relative to the appraisal and structure, the Collateral Underwriter must ask for updated commentary from the Appraiser. If updated commentary does not suffice, a certification from a licensed or certified contractor is required (Licensed or Certified Home Inspector, Contractor, Basement/Waterproofing Company, Structural Engineer).

Ponding or Puddles; obvious signs of water damage: A certification from a licensed or certified contractor is required (Licensed or Certified Home Inspector, Contractor, Basement/Waterproofing Company, Structural Engineer).

Appraisal commentary regarding previous and/or active pest infestation and potential structural hazards: A Pest Inspection is required. Underwriters are to closely review the Appraisal and Pest Inspection to determine if a further certification is required.

- If a property disclosure includes information relevant to the previous infestation and acknowledges the infestation has been remedied, no additional requirements apply.
- If the Appraiser recommends a remedy, the appropriate action must take place.

Repairs: In the event an inspection provides guidance of recommended repairs, repairs must be completed or escrowed for, if acceptable to UHM.

Hold Harmless: In all instances where repairs are required, a Hold Harmless agreement must be signed at closing.

Snow Covered Roof: When the appraiser is unable to provide a clear determination of the roof condition, it is acceptable for the borrower(s) to sign a Hold Harmless agreement in lieu of the appraiser's clear determination.

Condition Rating: Subject property condition cannot be fair or poor, and must be C-4 or better condition. Does not apply to renovation loan products where the condition will be elevated to above fair and at least a C-4 upon completion.

714.0 Appraisal Escalation, Field Review Requirements

This guide has been developed to provide comprehensive instructions relevant to best appraisal review practices. At times, Field Reviews are requested to substantiate value and these simple procedures will assist in the determination, when and if a Field Review is required.

The following items are being noted as examples of potential escalation cases for the purposes of agency appraisal review requirements, UHM appraisal underwriting, and investor requirements:

- Unacceptable Comparable Properties (housing type, outside of market area, distance)
- Excessive Adjustments not properly explained or warranted
- Excessive Acreage and/or Building Structures
- Rapid Increases in Value
- Subject Property greater than the Predominate Value
- Concerns for Safety and Structural Integrity
- AUS Excessive Value Warning
- Combination of Declining Values, Over Supply and greater than Six Month Market Timeframe
- Questionable Property Highest and Best Use

DETERMINATION STEPS:

1. In the event the Automated Underwriting Engine issues an excessive value indicator, only the initial appraisal is to be ordered. The automatic ordering of an initial appraisal and a Field Review simultaneously is prohibited with Investor or Agency Direct loans.
2. The Collateral Underwriter reviews the initial appraisal.
3. Directly engage the appraiser to provide additional comps/commentary, if concerns are noted.
4. Review revised appraisal.
5. **PRIORITY REVIEW:** If the Collateral Underwriter is not satisfied with the initial or updated appraisal, escalate a joint review with your Team Leader for a second signature. This is a time sensitive review process.
    a. **If the appraisal is approved by the Team Leader**, the Collateral Underwriter is to proceed with appraisal and to document conversation log that the appraisal was reviewed with the Team Leader and approved to proceed without additional documentation.

    – OR –

   b. **If the Collateral Underwriter and Team Leader are not satisfied with the appraisal**, a PRIORITY REVIEW must be escalated to the Appraisal Manager to determine if a Field Review is to be ordered. This will be a time sensitive situation.

6. The Collateral Underwriter will notify all involved parties when a Field Review is mandatory, referencing the Customer's last name and loan number in addition to an update in the Encompass Conversation Log.
7. The decision to stand or proceed is to be without dispute due to the written policy.
8. Upon notification, the Field Review is to be ordered by the Collateral Team Lead (requested through the Appraisal Management Team). The TPO Partner/Processor will be notified and the loan is to be conditioned appropriately.
9. The Field Review is to be reviewed with the Collateral Underwriting Team Leader and/or Senior Underwriting Team to verify the Field Review supports the original appraisal valuation. Based on the review of the Field Review, and at the determination of the underwriting team, the original appraisal value may be approved, a 2nd full appraisal may be required, or loan may be denied for insufficient collateral. If the Field Review does not support the original appraisal value and a 2nd appraisal is requested, the request must be reviewed and approved by Sr Management. UHM reserves the right to compare both appraisals upon receipt of the 2nd appraisal. The best appraisal will be utilized in qualifying.

APPRAISAL REBUTTAL/RECONSIDERATION OF VALUE:

All appraisal rebuttals, prior to underwriting review, must be submitted, by the TPO Partner, to the AMC utilized for the appraisal report. When the Borrower is requesting an appraisal rebuttal, the TPO Partner is to send the completed UHM appraisal rebuttal form and the MLS forms to the Collateral Underwriter, along with no more than 5 additional comparable sales to support an increase in value. MLS forms are to be provided for both purchase and refinance transactions.

The TPO Underwriter will review the appraisal as typical. If the Underwriter determines that there is additional information that should be addressed by the appraiser that may impact the outcome of the appraisal, the Underwriter may collect this information and submit to the appraiser for further review and consideration, with the assistance of the TPO HVCC Department.

Collateral Underwriting will confirm with the Broker/NDC and Account Executive in writing when the ROV request has been received, processed, submitted, and returned, along with the results of the request. The Broker/NDC and Account Executive are responsible for communicating ROV status updates in writing with the Borrower.

Production personnel, including MLOs, are not permitted to contact the appraiser to discuss the appraisal or its outcome. All requests are to be submitted through the appropriate AMC. When submitting information to an appraiser for further review and consideration, the Underwriter, TPO Partner, etc. may not cause or attempt to cause the value assigned to the property to be based on a factor other than the independent judgment of the appraiser or to otherwise attempt to influence, coerce, extort, instruct, induce, bribe or intimidate an appraiser to making a targeted value in order to facilitate the making or pricing of the transaction.

FOOTNOTES:

1. Borrower Requests: When an appraisal is acceptable based on UHM standards and the Borrower requests an additional appraisal, the Borrower is 100% responsible for paying the additional appraisal fee in advance of order.
2. Only one Borrower-initiated ROV may be submitted.
3. Desk Reviews: UHM will no longer utilize Desk Reviews in process. Turn-Times for Field Review orders and reviews must be a priority in all departments.
4. The determination to order and utilize a Field Review, in accordance with the aforementioned procedures, will be completed regardless of the loan terms.

714.1 Reconsideration of Appraisal

When parties to a mortgage transaction feel there is a flaw in the original appraisal, please follow these guidelines when requesting a reconsideration of the appraisal:

- Review any concerns presented to determine that they are not in violation of the Appraiser Independence Guidelines. This guideline can be found in the UHM Compliance Policy Manual.
- Focus on errors or professional deficiencies contained in the original appraisal report and provide supporting documentation. Indicating that borrowers, sellers, or realtors do not agree with the valuation is not and will never be considered a valid argument. If the claim that the appraisal is deficient cannot be clearly supported, it follows that the original appraisal will not be adjusted.
- Please acknowledge any valid concerns or questions in writing (bullet point format is very favorable since it is brief and to the point).
- Send the request completed request form to TPOappraisal@UHM.com and your account executive.
- If the Collateral Underwriting Department (CUD) deems a sufficient case, the TPO Appraisal Management Team will submit the request to the AMC for consideration.
- Remember THE TPO APPRAISAL MANAGEMENT TEAM CANNOT DISCUSS VALUE with the Appraiser. The Team CANNOT directly or indirectly point the Appraiser in the direction of the desired value necessary to consummate the transaction.

TPO PARTNERS AND PROCESSORS MAY NOT CONTACT THE APPRAISER.

The process must be handled through the Collateral Underwriting Department. TPO Partner or Processor contact with the Appraiser violates current company policy and also violates state/federal laws.

When questioning comparables, keep in mind the following:

- Appraisers are required to use the best, most recent comparables available.
- When there is a comparable transfer on the same street, similar in style and number of bedrooms, and recently sold … it cannot be ignored.
- An Appraiser cannot decide to use a different style house as a comparable when there are plenty of similar style house transfers.
- There are times when a different style must be used because there is simply nothing else.
- Appraisers must analyze each comparable and find out as much as they can about it. If something looks suspicious, it cannot be used.
- For example, if all of the two-bedroom, ranch style houses are selling for $100,000 with an estimated exposure time of 200 days, and one sold for $120,000 in 10 days and some pertinent MLS information is omitted, it raises a question mark about the validity of the sale.
- The TPO Partner may send comparables that the TPO Partner, the borrower, or the agent thinks should be considered. State laws and the Appraiser Independence Guidelines indicate that lenders cannot directly or indirectly allude to the value desired. Simply provide the Collateral Underwriting Department with the property addresses that justify reconsideration and the information will be given to the Appraiser.
- Generally, Appraisers are looking for comparables sold within the last 90 days and within one (1) mile of the subject when available.

ROOM COUNT & SQUARE FOOTAGE:

Additional bathrooms and rooms below ground level (basement rooms) are not counted in the total room count or square footage.

WHEN QUESTIONING THE VALUE OF UPGRADES:

Some examples include:

Remodeled kitchens, baths, new flooring, windows, roof, furnace, central air, etc. - Just because a house has a newer vanity in the bathroom and the rest of the house is outdated, it does not qualify the property to be considered remodeled. The opposite is also true: if a property has everything new, but two bedrooms have old carpeting, that does not justify a rating of “average condition.”

WHAT HAPPENS IF THE APPRAISER REFUSES TO CORRECT A LEGITIMATE ERROR OR DEFICIENCY?

If the Appraiser fails to make appropriate corrections where errors or professional deficiencies exist, UHM may review the appraisal and supporting documentation to determine if a second appraisal is warranted.

If a reconsideration of value is denied by the Appraiser, a Borrower has the option to request a second appraisal.

LASTLY, THE COLLATERAL UNDERWRITING DEPARTMENT WILL MAKE EVERY EFFORT TO ENSURE THAT YOUR CONCERNS ARE REVIEWED AS QUICKLY AS POSSIBLE.

715.0 Appraisal, Transfers, Recertification and Acknowledgement

Appraisals must comply with all applicable (i) laws, rules and regulations including, without limitation, the Uniform Standards of Professional Appraisal Practice ("USPAP") as published by the Appraisal Standards Board of the Appraisal Foundation, the Dodd-Frank Wall Street Reform and consumer Protection Act ("Dodd-Frank"), the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) of 1989, (ii) Agency rules, regulations, announcements, notices, directives and instructions including, without limitation, appraiser independence and the Uniform Appraisal Dataset (UAD), and (iii) Union Home Mortgage Corp. appraisal guidelines. For purposes of this Agreement, "Agency" shall mean Fannie Mae, Ginnie Mae, FHA, USDA-RD, as applicable.

APPRAISALS MUST COMPLY WITH THE UNIFORM APPRAISAL DATASET (UAD) REQUIREMENTS.

Each appraisal report must be submitted through the Uniform Collateral Data Portal ("UCDP") and have a successful Submission Summary Report ("SSR") from Fannie Mae for every conventional loan transaction, with no outstanding errors, warnings, or hard stops.

TRANSFER OF APPRAISALS

UHM will accept reassigned appraisals with FHA and VA transactions in accordance with FHA and VA guidelines provided the appraisal is deemed acceptable to the Collateral Underwriter. The appraisal must meet all guideline requirements and must be current in age.

Transferred appraisals with Conventional Financing are accepted on an exception basis. Exception must be requested by Account Executive and approved prior to submission of the Loan to Union Home Mortgage).

In order to accept a Conventional Appraisal from another lender, HVCC would need the following items:

- Full color PDF (to be obtained by the prior lender)
- Appraisal XML File
- Copy of the paid invoice
- Evidence that the appraisal was ordered within Appraiser Independence Requirements Compliance
- Copies of the FNMA/FHLMC UCDP/SSR that contain the FNMA Collateral Underwriter Score and the LP Risk Scores

Once all items have been collected, do not upload any appraisal information to UHMGo!. Rather, e-mail the above documents to TPOappraisal@uhm.com.

BORROWER APPRAISAL ACKNOWLEDGMENT

All Loans with an appraisal must include written acknowledgement from the borrower that either they received all appraisal reports three days prior to close or waived their right to receive such reports within the time frame set out in the regulation.

RECERTIFICATION AND UPDATE REQUIREMENTS

In accordance with changes to USPAP with regard to recertification of property valuations, this policy is effective for all conventional loan products.

A recertification of value is normally required on appraisals dated more than 120 days prior to closing. The Form 442 – Satisfactory Completion Certificate has been utilized in the past to provide the recertification of value but is no longer acceptable.

Appraisals are effective for 120-days from the date of the initial inspection. The acceptable appraisal form for a recertification of a property's value is 1004D (Rev 3/05). A Full appraisal – using the appraisal form initially required – will be required if the recertification indicates a decline in the property's value from the initial appraisal.

Form 442 or 1004D (Rev 3/05) will be acceptable to certify the completion of work performed on appraisals made "subject to" the completion of escrow holdbacks.

Purchase Agreement Guidance

716.0 Sales Contract Changes and Seller Property Disclosure

SALES CONTRACT CHANGES

UHM will accept a re-negotiated purchase agreement subsequent to the completion of the appraisal. The loan-to value will be based on the lower of the original purchase price or the appraised value, unless:

- Re-negotiation of only seller paid closing costs and/or prepaids transpired, when seller paid closing costs/prepaids are common and customary for the market and supported by the comparables; or
- An amended purchase agreement for new construction property is obtained due to improvements that have been made that impact the tangible value of the property. In the event of such changes, an updated appraisal must be obtained to verify the value of the modifications/changes.

IMPORTANT NOTE: Renegotiated purchase agreements that increase the sales price after the original appraisal has been completed will not be accepted if the following apply:

- the appraised value is higher than the contracted sales price provided to the Appraiser; and
- the new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received; and
- the only change to the purchase agreement is an increase in sales price.

Change in Closing Date:

Generally, UHM does not require an amendment/addendum to the contract in scenarios where the closing date will be changed (earlier or later). In the event that the parties have confirmed a new closing date (i.e.: closing is scheduled with UHM & closing agent), an amendment/addendum is not required. If the closing is not yet scheduled and more than 30 days has lapsed since the original closing date, an addendum should be obtained to confirm the revised closing date.

SELLER'S PROPERTY DISCLOSURE

The Seller's Property Disclosure is not a required document for conventional and government loans. If the disclosure is in the loan file, it should be reviewed to confirm the condition of the home is not substantially different from the condition rating assigned by the appraiser. Special programs such as jumbo, bond loans, and non-QM, should be checked to verify if this is a required document.

717.0 Employee or Third-Party Originator Seller Policy

See Employee or Third Party Originator Seller Policy.

718.0 Purchase Agreement Signatures, Terms, and Date

SIGNATURES

The purchase/sales contract and addendum, including FHA and VA specific addendums (Agreement), must be signed by all Borrowers and Sellers.

UHM follows Agency requirements when determining if a party on the purchase agreement must be a borrower on the loan.

All parties who have signed the purchase agreement must be on title. The Agencies require UHM to guarantee first lien position. Title companies require the parties who have signed the purchase agreement match the names of the parties who will hold title and therefore sign the security instrument.

TYPE OF MORTGAGE FINANCING

UHM does not require the Agreement to reference the specific type of mortgage financing. For example, if the mortgage financing is shown to be conventional and the loan changes to an FHA product, it is not necessary to have the Agreement changed to show FHA.

SELLER RENTING AFTER CLOSING:

FNMA, FHA, and USDA will allow the borrower to rent the property back to the seller as long as the following requirements are met:

- Borrower occupies the property within 60 days of closing.
- Any rent credits received are not included in reserves or down payment and are not applied toward closing costs.
- Documentation is provided confirming that the Borrower meets minimum investment requirements from their own funds.
- The rental agreement must be reflected on the sales contract.
- The rental agreement must appear on the closing disclosure.
- For Condos, not permitted between the borrower and the builder/developer.

Note: Freddie Mac and VA will not allow a seller rent back.

Specific Property Guidance

719.0 Specific Property Types

CONDOMINIUM PROJECTS

This section provides guidelines for evaluating new and existing condominium projects. Intent of the project review is to assess the marketability and long-term stability of the project. Current market conditions and comparable sales on the appraisal provide information on the subject property's marketability. Condominium project guidelines and documentation requirements are applied in addition to the standard property appraisal review guidelines.

INELIGIBLE CONDOMINIUM PROJECT REVIEWS

The following condo project review options and guidelines are not acceptable for Loans delivered by UHM:

- Fannie Mae Exempt Florida Condo Project

COOPERATIVES

UHM does not offer financing for Cooperative Projects.

MODULAR HOMES

On-frame modular homes will be built to state or local building codes. Modular homes do not need to meet manufactured home requirements for inspection and underwriting purposes.

All factory-built units (On-frame and Off-frame) must be permanently attached to a foundation that meets the standards for local building codes where the unit will be placed and in accordance with the recommendations prescribed by the unit's manufacturer (when applicable). If the unit had axles, wheels, tow hitch, or other hardware to facilitate ease of transportation to the site, the lender is responsible for ensuring that all such hardware is removed prior to selling the loan to Fannie Mae.

One-time close construction is not eligible for multi-unit buildings.

720.0 Manufactured Housing Requirements

Mortgage Loans secured by manufactured housing are eligible providing they meet all applicable Agency requirements.

GENERAL – CONVENTIONAL, FHA, VA AND USDA

Agency; Product	Transaction Type	Maximum LTV/CLTV/HCLTV	Minimum FICO	Maximum Term
Freddie Mac; all, including Home Possible	Primary - Purchase; Rate and Term Refi	95%	620	30 yr.
Freddie Mac	Second Home - Purchase; Rate and Term Refi	85%	620	30 yr.
Fannie Mae	Primary - Purchase; Rate and Term Refi	95%	620	30 yr.
Fannie Mae	Second Home - Purchase; Rate and Term Refi	90%	620	30 yr.
Freddie Mac	Primary - Cash out refinance (multi-width only, no single-wides)	65%	620	**20 yr.**
Fannie Mae	Primary - Cash out refinance (multi-width only, no single-wides)	65%	620	30 yr.
Fannie Mae MH Advantage	Primary - Purchase; Rate and Term Refi	97%[2]	620	30 yr.
FHA	Primary - Purchase	96.5%[1]	580	30 yr.
FHA	Primary - Rate and Term Refinance	97.75%[1]	580	30 yr.
FHA	Primary - Cash out Refinance	80%	620	30 yr.
VA	Primary - Purchase	100% (Base loan amount)	580	30 yr.
VA	Primary – Cash Out	100% (Base loan amount)	620	30 yr.
VA	Primary - IRRRL	Per IRRRL Worksheet	NA	30 yr.
USDA	Primary - Purchase and Refinance	100%	620	30 yr.

Footnotes:

1. Or lower LTV as may be required by FHA under certain circumstances.
2. MH Advantage only in combination with Homestyle Renovation: 97% maximum LTV.

General Requirements

- Land Contract conversions not permitted.
- Cash Out Refinances may be permitted depending on the LTV and how long the borrower has owned the home. Please reference the agency guidelines for requirement details.

- Single-Width vs. Multi-Width Units:
  - Freddie Mac – Will permit a single-width unit under specific guidelines:
    - Must have closing date of September 11, 2023, or after
    - Primary residence only
    - Purchase or limited/no cash-out refinance only; cash out refinances are not permitted.
    - A single-width manufactured home must be manufactured on or after June 15th, 1976.
    - The manufactured home must be at least 12 feet wide and have a minimum of 600 square feet of gross living area.
  - FNMA (Non-MH Advantage Program) Only: Will permit a single-width unit under specific guidelines:
    - Primary residence only
    - Purchase or limited/no cash-out refinance only; cash out refinances are not permitted.
    - A single-width manufactured home must be manufactured on or after June 15th, 1976.
  - The manufactured home must be at least 12 feet wide and have a minimum of 400 square feet of gross living area. Fannie Mae does not specify other minimum requirements for size, roof pitch, or any other specific construction details for HUD-coded manufactured homes, except for MH Advantage properties. Please note that single-width units are not permitted under the MH Advantage program, nor are they permitted as second homes or on cash-out refinance transactions.
  - FHA: Manufactured Housing refers to structures that are transportable in one or more sections. Manufactured Housing may also be referred to as mobile housing, sectionals, multi-sectionals, double-wide, triple-wide, or single-wide. To be eligible for FHA mortgage insurance as a Single-Family Title II Mortgage, all Manufactured Housing must have a floor area of no less than 400 square feet.
  - VA: The manufactured home must have a floor area of not less than 400 square feet for a singlewide, or 700 square feet for a double wide manufactured home.
  - USDA: Manufactured homes are single-or multi-width units constructed partially off-site and transported to a site to be completed and anchored to a permanent foundation. Manufactured homes are structures built to the Federal Manufactured Home Construction and Safety Standards (FMHCSS) and are not the same as a modular home. A manufactured home must have a floor area of no less than 400 square feet.

- Owner Occupied or Second Home* only. No Investment Properties.

  ***Note**: Second homes are only available for Fannie Mae & Freddie Mac and must be multi-width.

- Freddie Mac only: The square footage and room dimensions must be acceptable to typical purchasers in the market area.

- The Manufactured Home Appraisal Report (Form 1004C) must show evidence of both the HUD Data Plate/Compliance Certificate and the HUD Certification Label.

  Note: Fannie Mae and Freddie Mac Existing Construction Only – The Manufactured Home Appraisal Report (Form 1004C) must show evidence of either the HUD Data Plate/Compliance Certificate OR HUD Certification Label. If only one of these is available to the appraiser, this will satisfy compliance with the FNMA and FHLMC Selling Guides. Both are still required for FNMA and FHLMC new construction.

  See "HUD Data Plate/ Compliance Certificate is Missing" heading, below, if either interior or exterior certs are missing.

- Evidence of the Surrender of Title is required with all transactions. Refer to the UHM Manufactured Homes Affixation & Surrender of Title link, located in the Policies & Procedures tab, within the Documents & Forms section, of UHMGo!.

- All units must be built on a permanent chassis according to applicable HUD Codes for manufactured homes in effect as of the date the manufactured home was constructed.

- USDA Only, Existing Manufactured Home Eligibility by State: Colorado, Iowa, Louisiana, Michigan, Mississippi, Montana, Nevada, New Hampshire, New York, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming

- (FHA Refinances only) The manufactured home must have been permanently erected for at least 12 months.

- The Manufactured Home can only be moved from the dealership to the initial lot, when purchased, if the Manufactured Home is brand new. It is unacceptable, for all loan types except for VA, for the Manufactured Home to move once it is placed on the initial lot. VA is the only loan type that considers accepting a Manufactured Home that has been moved after its placement on the initial lot. All loan types require the Manufactured Home to be brand new in order for the move from the dealership to the initial lot, when purchased, to be acceptable.

- FNMA, FHA, VA, and USDA Only: Manufactured Home must be affixed to permanent foundation in compliance with HUD Codes. If the manufactured home was installed prior to October 20, 2008, the permanent foundation must be designed for the site conditions, home design features and the loads the home was designed to withstand in accordance with the manufacturer's instructions or a design by a licensed (registered) professional engineer. The foundation must meet all applicable local, State, or federal codes.

- Freddie Mac Only: The requirement that the Mortgage file must contain evidence that the installation was completed in compliance with HUD Codes for Manufactured Homes applies only to newly installed Manufactured Homes. An appraisal report completed on an existing Manufactured Home can serve as evidence the installation was in compliance with HUD Codes and the foundation was designed for the site conditions and home design features and meets local, State and federal codes, as applicable.
    - For purchases where the Manufactured home is not located in a Manufactured Home Subdivision and has been affixed for less than 12 months, the lower of the purchase price/appraised value, OR the lowest price at which the Manufactured Home and land was previously sold during that 12-month period, will be used for value.
    - For purchases where the Manufactured Home is in a Manufactured Home Subdivision and is being sold by a builder or developer, or a manufacturer acting as a developer as part of a new or existing Manufactured Home Subdivision, the lower of the purchase price or current appraised value of the manufactured home and land will be used to determine value.
    - For additional guidance please see Section 5703.4 of the Freddie Mac Sellers Guide.
- Year Built: Manufactured home must have been built on and after June 15, 1976. Loans on mobile/manufactured homes produced before that date are unacceptable.
    - USDA Only: Manufactured Homes built prior to January 1, 2006 are not eligible for financing.
- The unit must be constructed in conformance with the HUD codes for Manufactured Homes in effect as of the date the Manufactured Home was constructed, as evidenced by a permanently affixed "HUD Certification Label". If the HUD Certification Label has been removed, the HUD Data Plate located near the main electrical panel (or in another readily accessible and visible location) may be used as evidence of compliance with HUD Codes. The HUD certification number appears on each HUD Certification Label in each section of the Manufactured Home, and all HUD certification numbers for the Manufactured Home are found on the HUD Data Plate.
- The manufactured home must have a pitched roof and assume the characteristics of site-built housing, including permanent utilities.
- The home must be a single-family dwelling that is legally classified as real property and taxed as real estate by the local taxing authority.
- The towing hitch, wheels, and axles must be removed (including tongues, axles, brakes, wheels, and lights) and the dwelling must assume the characteristics of site-built housing, permanently affixed to a permanent foundation. The land on which the manufactured home is situated must be owned by the borrower in fee simple.
- Mortgages secured by manufactured homes located in condominium projects, PUD projects, or leasehold estates may be permitted according to Agency guidelines.

- UHM does not permit the use of Community Land Trusts unless an exception has been approved by the Legal department and the loan meets Agency guidelines:
  - FNMA allows one-unit single-width, multi-width, and MH Advantage manufactured homes subject to a community land trust.
  - FHLMC does not allow community land trusts with a Manufactured Home.
- Must be permanently connected to a septic tank or sewage system and to other utilities (including power and water) in accordance with HUD Codes.
- The mortgage premises must conform to all applicable use restrictions and must be zoned for residential use.
- All improvements must be completed prior to closing. Specifically, the following must be completed:

    Site preparation for delivery of the manufactured home, attachment of the manufactured home to the permanent foundation system, permanent connection to all necessary utilities (water, electricity, gas service, etc.). Exceptions to the foregoing may be only for minor items that do not affect the ability to obtain an occupancy permit (e.g. landscaping, a driveway, a walkway, etc.). Mortgages secured by existing manufactured homes that have incomplete items, such as a partially completed addition or renovation, defects, or needed repairs that affect livability, are not allowed until the necessary work is completed.
- The mortgage amount cannot include the financing of furniture or mortgage life insurance.
- The value of appliances, air conditioning, and carpeting, normally included in the value of site-built homes, may be Included in the appraised value. At least two comparable sales used in the appraisal must be similar permanently attached manufactured housing units.
- The security instrument must accurately describe both the land and the manufactured unit in such a way as to be considered a fixture filing under the UCC. At a minimum, the unit description should include the Manufacturer's Name, Model Year, Model Name, Model Number, Serial Number and the length and width of the unit.
- The Certificate of Title must be surrendered to the state. Documentation must be included in the loan file showing that the Certificate of Title has been surrendered. If the Certificate of Title has not been surrendered, the loan is not eligible for sale. Please review the Manufactured Homes Affixation & Surrender of Title, available in the Policies & Procedures tab, within the Documents & Forms section, of UHMGo!, for additional state guidance.
- The title policy must identify the manufactured unit as part of the real property and contain an ALTA Form 7 or equivalent endorsement.

- The borrower must sign a written statement (such as Affidavit of Affixation) to acknowledge their intent that the manufactured home is a part of the real property that secures the mortgage.
- An Insured Closing Protection letter is required, unless prohibited by state law or regulation.
- A mortgage/deed of trust must be recorded in the land records and must identify the encumbered property as including both the home and the land. It must also include the VIN, Serial numbers from HUD Data Plate of the manufactured home along with the description of the land.
- **Structural Engineer Report:** Manufactured homes must meet all FHA/HUD codes including a foundation inspection by a licensed professional engineer. Refer to the structural certification information, in this section of the guide, below.
- **Prior Certificates:** The lender may obtain a copy of the foundation certification from a previous FHA-insured Mortgage, showing that the foundation met the guidelines published in the Permanent Foundations Guide for Manufactured Housing (PFGMH) that were in effect at the time of certification, provided there are no alterations and/or observable damage to the foundation since the original certification.

STRUCTURAL CERTIFICATION

Structural Certification – No modifications

Fannie Mae/Freddie Mac:

No inspection is required as long as the Collateral Underwriter confirms there have been no modifications and the mortgage premises conform to all other requirements.

The person reviewing the appraisal will verify if any decks, patio covers, or additions were noted. If any of these were noted, a condition is added that a structural certification is needed or evidence obtained, from a third party who is regulated by the state and is qualified to make the inspection, specifying the modification was inspected with a passing status, at the time it was added, and that the modification did not affect the structural integrity of the home. If that evidence can't be obtained, then, a structural cert. is needed. If the appraiser requires an inspection, UHM will require an inspection.

FHA

The appraisal must be conditioned upon the certification of an engineer or architect that the foundation is in compliance with the Permanent Foundations Guide for Manufactured Housing (PFGMH).

HUD FAQ (06/15/2018) The lender may obtain a copy of the foundation certification from a previous FHA-insured mortgage, showing that the foundation met the guidelines published in the PFGMH that were in effect at the time of certification, provided there are no alterations and/or observable damage to the foundation since the original certification.

Note: If the appraiser notes additions or alterations to the manufactured housing unit (including installations of solar panels or wind technologies), UHM must ensure the additions were addressed in the foundation certification. If the additions or alterations were not addressed, the following must be obtained:

- an inspection by the state administrative agency that inspects manufactured housing for compliance; or
- certification of the structural integrity from a licensed structural engineer, if the state does not employ inspectors.

HUD FAQ (06/15/2018) An Engineer's Certification on Foundation Compliance is not required in the loan file or insuring binder for:

- Any FHA-to-FHA transaction, provided that no modifications have been made to the foundation or structure from the date of the effective certification.
- FHA/HUD Real Estate Owned (REO) Division sales

For more information see Handbook 4000.1 II.A.1.b.iv.(B)(5)(c)(ii)

VA

Not required unless the appraiser requires the inspection.

Structural Certification – modifications or additions

Fannie Mae/Freddie Mac

If the state in which the property is located requires inspection by a state agency to approve modifications to the property, then the lender is required to confirm that the property has met the requirement. However, if the state does not have this requirement, then the structural modification must be inspected and deemed structurally sound by a structural engineer or a third party who is regulated by the state and is qualified to make the inspection.

FHA

Same as for Structural Certification – No modifications.

VA

Not required unless the appraiser requires the inspection.

APPRAISAL

- The Appraiser must be knowledgeable and experienced, including education/training, in appraising Manufactured homes.
- The Appraiser must have access to appropriate data sources to establish an opinion of value.
- Manufactured Home Appraisal Report (FNMA Form 1004C or FHLMC 70B) must be completed. No alternative appraisal forms will be accepted when the subject property is a Manufactured Home, regardless of LP findings.
- For Purchase Money Transactions, the lender must provide the Appraiser copies of:
    - Executed contract(s) for sale of manufactured home and land, as applicable.
    - Dealer invoice for manufactured home, if home is new.
- The Appraiser must support the opinion of market value based on the sales comparison approach and further support by the cost approach to value. Solely using the cost approach is unacceptable.
- The Manufacturer's serial number(s) and the HUD Certificate Label number(s) on the dwelling must match the numbers on the contract for sale, manufacturer's invoice, and any other documentation provided.
- At least two comparable sales used in the appraisal must be similar permanently attached manufactured housing units.
- See Streamline Refinances, below, for additional appraisal requirements, if applicable.

NOTE: When the borrower has owned the land for less than 12 months, the following will be used to determine the final value:

- Fannie Mae (FNMA) will use the lesser of the purchase price of the land + cost of the new home, OR the appraised value
- Freddie Mac (FHLMC) will use the lesser of ANY purchase price of the land in the last 12 months + cost of the new home, OR the appraised value

FNMA Examples

Example 1:

$10,000 purchase price of land
+ $100,000 cost of new home
= $110,000 total cost

$110,000 total cost, vs. $150,000 appraisal value: the lesser value of $110,000 should be used.

Example 2:

$10,000 purchase price of land
+ $100,000 cost of new home
= $110,000 total cost VS $105,000 appraised value

$110,000 total cost, vs. $105,000 appraisal value: the lesser value of $105,000 should be used.

FHLMC Examples

Example 1:

$5,000 previous purchase price of land, vs. $10,000 borrower's purchase price of land: lesser purchase price of $5,000 will be used.

$5,000 previous purchase price
+$100,000 cost of new home
=$105,000 total cost

$105,000 total cost, vs. $150,000 appraised value: the lesser value of $105,000 will be used.

Example 2:

$15,000 previous purchase price of land, vs. $10,000 borrower's purchase price of land: lesser purchase price of $10,000 will be used.

$10,000 borrower's purchase price
+$100,000 cost of new home
=$110,000 total cost

$110,000 total cost, vs. $105,000 appraised value: the lesser value of $105,000 will be used.

IBTS REPORTS:

- **LABEL VERIFICATION LETTER*-**

  IBTS provides a verification letter by fax or email to verify the following information on manufactured homes:

  - Label Number
  - Serial Number
  - Date of Manufacture
  - Name of the Manufacturer and Plant Location
  - Location of First Destination (usually the retailer)

  Note: this letter does NOT contain wind zone, roof load or thermal information.

- **DATA PLATE / PERFORMANCE VERIFICATION CERTIFICATE*-**

  IBTS may be able to provide a copy of the data plate/compliance certificate, if the home has certification numbers. If a copy is not available, IBTS can provide a substitute Performance Verification Certificate based on the original destination of the home.

  IBTS provides a data plate or substitute performance verification certificate by fax or email to verify the following information on manufactured homes:

  - Serial Number
  - Date of Manufacture
  - Name of the Manufacturer and Plant Location
  - Wind Zone, Roof Load Zone and Thermal Zone for which the home is designed.

*****IBTS performance verification certificate is based on production reports provided by the home manufacturer. The certificate is based on the zone requirements in effect at the time the home was manufactured, for the location of the home's final destination (usually the retailer). IBTS is not liable for changes to the home's construction, or subsequent home moves that may affect the home performance information verified.

HUD DATA PLATE/COMPLIANCE CERTIFICATE AND HUD CERTIFICATE LABEL REQUIREMENTS

The following information reflects the circumstances in which a resolution to a missing plate/certificate or label must be acquired, if not located in the appraisal, and by which means a resolution should be obtained.

HUD Data Plate/ Compliance Certificate is Missing

Fannie Mae/Freddie Mac

The appraiser must include a picture of the data plate within the appraisal and report the information on the data plate within the appraisal, including the manufacturer name, serial number, model, and date of manufacture, as well as wind, roof load, and thermal zone maps.

Contact Customer Care to obtain a duplicate HUD data plate/compliance certificate. One may be available from IBTS or by contacting the In-Plant Primary Inspection Agency (IPIA) or the manufacturer. (A list of IPIA offices is posted on HUD's website.)

FHA

The appraiser must include a picture of the data plate (if present) within the appraisal and report the information based on the data plate within the appraisal, including the manufacturer name, serial number, model and date of manufacture, as well as wind, roof load, and thermal zone maps.

If the data plate is missing or the appraiser is unable to locate it, the appraiser must report this in the appraisal. Itis not required to secure the data plate information from another source such as IBTS.

Handbook 4000.1, II.D.5.g.

VA

The appraiser must report the information on the data plate within the appraisal, including the manufacturer name, serial number, model, and date of manufacture, as well as wind, roof load, and thermal zone maps.

The appraisal must include a picture of at least one of the HUD certification labels (aluminum plate) or the HUD data plate (paper verification located inside).

If the data plate is missing or the appraiser is unable to locate it, the appraiser must report this in the appraisal.

HUD Certification Label (Aluminum Plate) is Missing

Fannie Mae/Freddie Mac

The appraiser must include a picture of the data plate(s) within the appraisal and report the information on the data plate within the appraisal, including the manufacturer name, serial number, model, and date of manufacture, as well as wind, roof load, and thermal zone maps.

Contact Customer Care to obtain a verification letter with the same information contained on the HUD certification label from the Institute for Building Technology and Safety (IBTS).

FHA

The appraiser must include a picture of the HUD certification label for each section on the home within the appraisal and report the information on the certification. Each label will be marked with a 6-digit number which the label supplier shall furnish. The labels shall be stamped with numbers sequentially. If the appraisal indicates the HUD certification label is missing from the manufactured housing unit, the lender must obtain label verification by contacting Customer Care to order from the Institute for Building Technology and Safety (IBTS).

VA

The appraisal must include a picture of at least one of the HUD certification labels (aluminum plate) or the HUD data plate (paper certification located inside). If the HUD certification label is missing or the appraiser is unable to locate it, the appraiser must report this in the appraisal.

HUD Data Plates and Certification Label are Missing

Fannie Mae/Freddie Mac

For Fannie Mae and Freddie Mac files, an IBTS is required when both of these sections are marked as NO, or if not all of the certification labels (exterior metal tags) are provided.

FHA/USDA

For FHA and USDA files, an IBTS is only needed when the HUD Certification labels are missing. FHA does not require the HUD data Plate/compliance cert like conventional files, and USDA follows FHA guidelines.

VA

For VA files, IBTS reports are only required if the HUD data plate/compliance cert is missing, and they don't have at least one HUD certification label.

Example: If the HUD data plate is missing but we have one certification label, an IBTS is NOT needed.

SURRENDER OF TITLE

- The surrender of title must be approved by the Collateral Underwriter (customercare@unionhomemortgage.com), to receive a clear to close.
- All Manufactured Home transactions require documentation as evidence that the original chattel title certificate was surrendered. In the event of a future foreclosure, this documentation is absolutely required.
- Evidence of the Surrender of Title is required with all transactions. Refer to the UHM Manufactured Homes Affixation & Surrender of Title link, located in the Policies & Procedures tab, within the Documents & Forms section, of UHMGo!.

STREAMLINE REFINANCES:

- A full appraisal is not required with FHA Streamline Refinances. No appraisal is required with VA IRRRL Refinances, unless discount points are charged, and an appraisal is triggered as part of the VA net tangible benefit test requirements in Circular 26-18-13.

FANNIE MAE MH (MANUFACTURED HOME) ADVANTAGE PRODUCT

- Maximum 95% LTV/CLTV. All above requirements apply. Refer to the Fannie Mae MH Advantage product information in the Policies & Procedures tab, within the Documents & Forms section, of UHMGo!.

721.0 Payoffs of Installment Land Contracts or Contracts for Deed

Each Agency has unique determinations and requirements regarding whether paying off a land contract is treated as a purchase or a refinance. Refer to each Agency's guides.

Disaster Guidance

722.0 Disaster Policy

Any adverse event (including, but not limited to: fire, earthquake, landslide, hurricane, flood, tornado, thunderstorm, etc.) that may have impacted a subject property must be evaluated in terms of its effect on the subject's habitability, marketability and value. An adverse event does not specifically require a federal or state disaster declaration.

Information on Declared Disaster Areas:

Once the federal government has declared a disaster with individual assistance, FEMA will issue a disaster notification. However, a disaster declaration may occur at a time significantly later than the occurrence of the adverse event. UHM may implement disaster procedure requirements prior to a formal disaster declaration by FEMA if it has knowledge or reason to believe such action is appropriate.

Important Disaster Dates

Date	Definition
Incident Date	The date the disaster event first occurred.
FEMA Declaration Date	The date that FEMA declared the disaster and individual assistance is available.
FEMA Incident End Date	The date the disaster ended
UHM End Date	30 Days after the FEMA Incident End date. Underwriting conditions will populate in loan files up until this date.

Ongoing Disaster Events without an End Date:

Once a disaster notification is issued by FEMA, UHM will determine the date it is acceptable to obtain a disaster inspection. Disaster inspections cannot be ordered until this date is announced. For FHA loans, disaster inspections cannot be obtained until FEMA has provided an incident end date or a waiver is provided by FHA.

Lender Disaster Inspection Requirements:

- May only be completed by a manager or underwriter.
- Must use the Disaster Incident Certification Form
- Must include street photo, front photo and rear photo
- Borrower must sign the Disaster Incident Borrower Certification Form at closing.

Appraiser Disaster Inspection Requirements:

- The disaster inspection must be performed by a licensed appraiser.
- The disaster inspection can be on Form 1004D or Fannie Form 2075.
- The disaster inspection must address the specific disaster and indicate any apparent damage.
- The appraiser must indicate whether:
  - He or she was able to view the property, and
  - Property has obvious damage that is visible as viewed from the street, and
  - There are damaged properties on the street/in the neighborhood, and
  - There is roof damage, and
  - There is structural damage.
- The disaster inspection must include the following photos:
  - Front of subject,
  - Address verification (house number and street sign),
  - Subject property visible damage,
  - Street scene, and
  - For condos, a photo of the lobby and a photo of the building.

FHA Only: Remote Disaster Inspections

A Remote Observation is a technology-based method that allows the Appraiser to directly observe the property characteristics, concurrently and in coordination with another individual at the property. A remote observation may be performed by a licensed appraiser under certain circumstances.

Requirements:

- The inspection report must identify and quantify any dwelling damage.
- The inspection report must be completed by an FHA Roster Appraiser, even if the inspection shows no damage to the property.
- The inspection report must be dated after the disaster incident period as defined by FEMA, or 14 days from the start date of the disaster incident period, whichever is earlier.
- The technology must provide data capture of the observation and include metadata with geocoding for location confirmation.
- The appraisal report must include a certification that states the visual inspection was performed with Remote Observation and the technology verified the location of the property.

FHA Streamline Refinances Without Appraisal:

UHM-to-UHM FHA streamline transactions will not require property inspections. Non-UHM to UHM FHA streamline transactions will require a lender inspection; refer to the FHA table below for further information.

VA Interest Rate Reduction Refinance Loan (IRRRL) without Appraisal:

In order to obtain VA loan guaranty, properties located in a FEMA declared county must be inspected by a property inspector or state licensed appraiser to determine if the property sustained damage. The Veteran may not be charged for the inspection.

If the property sustained damage, it must be repaired and restored to its pre-disaster condition or better with a final inspection prior to Final Approval. Additionally, a Veteran Certification, completed and signed by the Veteran, must be obtained.

VA Full Documentation Loan Transactions

VA will no longer issue a circular for specific disasters. VA has posted a policy regarding natural disasters on their website that can be accessed at:

https://www.benefits.va.gov/homeloans/documents/docs/va_policy_regarding_natural_disasters.pdf

In addition to the VA policy, the following are required:

- Lender Certification must be completed and signed;
- Veteran Certification must be completed and signed;
- VA Summary Sheet (26-0286) must contain the following in the remarks section: "Lender and Veteran Disaster Certifications Enclosed";
- If local law requires the property to be inspected and approved by the local building inspection authority, a copy of the appropriate local report(s) must be provided. Neither VA nor the veteran purchaser shall bear the expense of any disaster-related inspection or repairs.

Fannie Mae/Freddie Mac

Loan is in process and not closed as of the FEMA disaster declaration date	Loan is closed but not delivered to FNMA/FHLMC as of the FEMA disaster declaration date
If the appraisal was completed on or before the FEMA disaster declaration date, the loan cannot close until receipt of: • Disaster inspection by UHM manager and completion of Disaster Incident Certification Form ("Lender Disaster Inspection") to confirm that the property was unaffected. **If the effective date of the appraisal is after the FEMA disaster declaration date**: nothing additional is required. The appraiser would address any damage caused by the disaster event. A Lender Disaster Inspection and/or Appraiser Disaster Inspection is not required. **Procedures:** • The National Operations, Senior Management or designee will identify loans in process and not closed as of the FEMA disaster declaration date and are in the impacted counties. • The National Operations, Senior Management or designee will distribute the list to the loan processors. • All loans will be moved back to the Approval Milestone. • Processors will add a PTD condition for the disaster inspection. • Either the MLO or Processor will order the disaster inspection (if from licensed appraiser) or coordinate with manager if lender disaster inspection. The Processor is expected to coordinate with the MLO to determine the type of disaster inspection	**If the appraisal was completed on or before the FEMA disaster declaration date, the loan cannot be delivered/sold until receipt of:** • Disaster inspection from licensed appraiser; or • Disaster inspection by UHM manager and completion of Disaster Incident Certification Form ("Lender Disaster Inspection"). **Procedures:** • The VP of Secondary Marketing or designee will identify loans in process and not closed as of the FEMA disaster declaration date and are in the impacted counties. • The VP of Secondary Marketing or designee will distribute the list to the VP of Risk Management and Mitigation, Senior Management or designee and the HVCC Team Lead or designee. • The HVCC Team Lead or designee will order the disaster inspection (if from licensed appraiser) or coordinate with manager if lender disaster inspection. • The VP of Risk Management and Mitigation, Senior Management or designee will maintain the list of loans closed but not eligible for delivery to FNMA/FHLMC. • After receiving a satisfactory disaster inspection, the HVCC Team Lead or designee will notify the VP of Risk Management and Mitigation, Senior Management or designee and The

to be obtained and confirm who will order the disaster inspection. • After receiving a satisfactory disaster inspection, the processor will clear the PTD condition and move to the Clear to Close milestone.	National Operations, Senior Management or designee. The National Operations, Senior Management or designee will confirm the disaster inspection is acceptable. • Once the disaster inspection is cleared, The VP of Secondary Marketing or designee can deliver the loan and the loan can be removed from the list.
Timing of disaster inspection: • UHM will specify that date in which disaster inspections can be obtained once the extent of impacted areas and damage is fully understood. Disaster inspections obtained prior to this date will not be accepted.	**Timing of disaster inspection:** • UHM will specify that date in which disaster inspections can be obtained once the extent of impacted areas and damage is fully understood. Disaster inspections obtained prior to this date will not be accepted.
Cost of disaster inspection: • If the disaster inspection is completed by a licensed appraiser, the cost must be paid by the borrower. • There is no cost associated with the lender disaster inspection.	**Cost of disaster inspection:** • UHM will pay any costs associated with these disaster inspections.
Borrower Certification and Hold Harmless: • The Disaster Incident Borrower Certification Form must be signed by all borrowers at or prior to closing.	**Borrower Certification and Hold Harmless:** • Not required.
Specific Guidance for Fannie Mae/Freddie Mac Loans: • If the loan qualified for a non-standard appraisal prior to the disaster (Property Valuation Update; Value Acceptance/ACE Waiver, 1075, 2055, 2075, 2095) and a disaster has been declared prior to closing or sale in the secondary market, the transaction may continue with the non-standard appraisal as long as a lender disaster inspection is completed and indicates the condition of the property has not been materially impacted by the disaster. • DU High LTV Refi and LP Open Access transactions with or without Value Acceptance/appraisal waivers are not subject to these requirements.	**Specific Guidance for Fannie Mae/Freddie Mac Loans:** • If the loan qualified for a non-standard appraisal prior to the disaster (Property Valuation Update; Value Acceptance/ACE Waiver, 1075, 2055, 2075, 2095) and a disaster has been declared prior to closing or sale in the secondary market, the transaction may continue with the non-standard appraisal as long as a lender disaster inspection is completed and indicates the condition of the property has not been materially impacted by the disaster. • DU High LTV Refi and LP Open Access transactions with or without Value Acceptance/appraisal waivers are not subject to these requirements.

FHA

Loan is in process and not closed as of the FEMA disaster declaration date	Loan is closed but not insured by FHA as of the FEMA disaster declaration date
If the appraisal was completed on or before the FEMA disaster declaration date, the loan cannot close until receipt of: • An exterior inspection from an FHA-approved appraiser.	**If the appraisal was completed on or before the FEMA disaster declaration date, the loan cannot be insured until receipt of:** • An exterior inspection from an FHA-approved appraiser.
Procedures: • The National Operations, Senior Management or designee will identify loans in process and not closed as of the FEMA disaster declaration date and are in the impacted counties. • The National Operations, Senior Management or designee will distribute the list to the loan processors. • All loans will be moved back to the Approval Milestone. • Processors will add a PTD condition for the disaster inspection. • Either the MLO or Processor will order the disaster inspection (if from licensed appraiser) or coordinate with manager if lender disaster inspection. The Processor is expected to coordinate with the MLO to confirm who will order the disaster inspection. • After receiving a satisfactory disaster inspection, the processor will clear the PTD condition and move to the Clear to Close milestone.	**Procedures:** • The Post Closing and Final Docs Manager or designee will identify loans in process and not closed as of the FEMA disaster declaration date and are in the impacted counties. • The Post Closing and Final Docs Manager or designee will distribute the list to the VP of Risk Management and Mitigation, Senior Management or designee and the HVCC Team Lead or designee. • The HVCC Team Lead or designee will order the disaster inspection. • The VP of Risk Management and Mitigation, Senior Management or designee will maintain the list of loans closed but not eligible for FHA insurance. • After receiving a satisfactory disaster inspection, the HVCC Team Lead or designee will notify the VP of Risk Management and Mitigation, Senior Management or designee and The National Operations, Senior Management or designee. The National Operations, Senior Management or designee will confirm the disaster inspection is acceptable. • Once the disaster inspection is cleared, the loan can be insured and the loan can be removed from the list.
Timing of disaster inspection: • Disaster inspections cannot be obtained until an Incident End Date is announced by FEMA or a waiver is provided by FHA.	**Timing of disaster inspection:** • Disaster inspections cannot be obtained until an Incident End Date is announced by FEMA or a waiver is provided by FHA.
Cost of disaster inspection: • The cost must be paid by the borrower.	**Cost of disaster inspection:** • UHM will pay any costs associated with these disaster inspections.

<u>Borrower Certification and Hold Harmless:</u> • The Disaster Incident Borrower Certification Form must be signed by all borrowers at or prior to closing. **<u>Specific Guidance for FHA Loans:</u>** • Non-UHM to UHM FHA Streamline loans without an appraisal will require an exterior lender inspection. • UHM to UHM FHA Streamlines do not require a disaster inspection.	**<u>Borrower Certification and Hold Harmless:</u>** • Not required. **<u>Specific Guidance for FHA Loans:</u>** • Non-UHM to UHM FHA Streamline loans without an appraisal will require an exterior lender inspection. • Non-UHM to UHM FHA Streamlines do not require a disaster inspection.

VA

Loan is in process and not closed as of the FEMA disaster declaration date	Loan is closed but not insured by VA as of the FEMA disaster declaration date
<u>If the appraisal was completed on or before the FEMA disaster declaration date, the loan cannot close until receipt of:</u> • Disaster inspection from licensed appraiser <u>and</u> Processor signature on the VA Certification on the Disaster Incident Certification Form; or • Disaster inspection by UHM manager and completion of Disaster Incident Certification Form ("Lender Disaster Inspection"). **<u>Procedures:</u>** • The National Operations, Senior Management or designee will identify loans in process and not closed as of the FEMA disaster declaration date and are in the impacted counties. • The National Operations, Senior Management or designee will distribute the list to the loan processors. • All loans will be moved back to the Approval Milestone. • Processors will add a PTD condition for the disaster inspection. • Either the MLO or Processor will order the disaster inspection (if from licensed appraiser) or coordinate with manager if lender disaster inspection. The Processor is expected to coordinate with the MLO to determine the type of disaster inspection to be obtained and confirm who will order the disaster inspection.	**<u>If the appraisal was completed on or before the FEMA disaster declaration date, the loan cannot be delivered/sold until receipt of:</u>** • No disaster inspection required. **<u>Procedures:</u>** • N/A

• The Processor must complete and sign the VA Certification on the Disaster Incident Certification Form. • After receiving a satisfactory disaster inspection, the processor will clear the PTD condition and move to the Clear to Close milestone.	
<u>Timing of disaster inspection:</u> • UHM will specify that date in which disaster inspections can be obtained once the extent of impacted areas and damage is fully understood. Disaster inspections obtained prior to this date will not be accepted.	**<u>Timing of disaster inspection:</u>** • N/A
<u>Cost of disaster inspection:</u> • If the disaster inspection is completed by a licensed appraiser, the cost must be paid by the borrower. • There is no cost associated with the lender disaster inspection.	**<u>Cost of disaster inspection:</u>** • N/A
<u>Borrower Certification and Hold Harmless:</u> • The Disaster Incident Borrower Certification Form must be signed by all borrowers at or prior to closing. • The Borrower must also sign the VA Certification on the Disaster Incident Borrower Certification Form.	**<u>Borrower Certification and Hold Harmless:</u>** • Not required.
<u>Specific Guidance for VA Loans:</u> • If the property was appraised on or before the date of the declared disaster and not closed prior to that date, the Lender Certification and Veteran Certification must be completed and submitted with the VA Guaranty request. • If the property was appraised after the date of the declared disaster, the inspecting appraiser must comment regarding the effect on the property the disaster had. If not effect, the appraiser must comment as such. • VA Loan Summary Sheet (VA Form 26-0286) – The Remarks section of this form must be annotated "Lender and Veteran Disaster Declarations Enclosed." Additionally, if local law requires the property to be inspected and approved by the local building inspection authority, a copy of the appropriate local report(s) must	**<u>Specific Guidance for VA Loans:</u>** • If the property was appraised on or before the date of the declared disaster and not closed prior to that date, the Lender Certification and Veteran Certification must be completed and submitted with the VA Guaranty request. • If the property was appraised after the date of the declared disaster, the inspecting appraiser must comment regarding the effect on the property the disaster had. If not effect, the appraiser must comment as such. • VA Loan Summary Sheet (VA Form 26-0286) – The Remarks section of this form must be annotated "Lender and Veteran Disaster Declarations Enclosed." Additionally, if local law requires the property to be inspected and approved by the local building inspection authority, a copy of the

be provided. Neither VA nor the veteran purchases shall bear the expense of any disaster-related inspection or repairs.	appropriate local report(s) must be provided. Neither VA nor the veteran purchases shall bear the expense of any disaster-related inspection or repairs.

USDA

Loan is in process and not closed as of the FEMA disaster declaration date	Loan is closed but insured by USDA as of the FEMA disaster declaration date
If the appraisal was completed on or before the FEMA disaster declaration date, the loan cannot close until receipt of: • Disaster inspection from licensed appraiser; or • Disaster inspection by UHM manager and completion of Disaster Incident Certification Form (“Lender Disaster Inspection”). **Procedures:** • The National Operations, Senior Management or designee will identify loans in process and not closed as of the FEMA disaster declaration date and are in the impacted counties. • The National Operations, Senior Management or designee will distribute the list to the loan processors. • All loans will be moved back to the Approval Milestone. • Processors will add a PTD condition for the disaster inspection. • Either the MLO or Processor will order the disaster inspection (if from licensed appraiser) or coordinate with manager if lender disaster inspection. The Processor is expected to coordinate with the MLO to determine the type of disaster inspection to be obtained and confirm who will order the disaster inspection. • After receiving a satisfactory disaster inspection, the processor will clear the PTD condition and move to the Clear to Close milestone.	**If the appraisal was completed on or before the FEMA disaster declaration date, the loan cannot be delivered/sold until receipt of:** • Disaster inspection from licensed appraiser; or • Disaster inspection by UHM manager and completion of Disaster Incident Certification Form (“Lender Disaster Inspection”). **Procedures:** • The Post Closing and Final Docs Manager or designee will identify loans in process and not closed as of the FEMA disaster declaration date and are in the impacted counties. • The Post Closing and Final Docs Manager or designee will distribute the list to the VP of Risk Management and Mitigation, Senior Management or designee and the HVCC Team Lead or designee. • The HVCC Team Lead or designee will order the disaster inspection (if from licensed appraiser) or coordinate with manager if lender disaster inspection. • The VP of Risk Management and Mitigation, Senior Management or designee will maintain the list of loans closed but not eligible for USDA insurance. • After receiving a satisfactory disaster inspection, the HVCC Team Lead or designee will notify the VP of Risk Management and Mitigation, Senior Management or designee and the National Operations, Senior Management or designee. The National Operations, Senior Management or designee will confirm the disaster inspection is acceptable. • Once the disaster inspection is cleared, the loan can be insured and the loan can be removed from the list.

Timing of disaster inspection: • UHM will specify that date in which disaster inspections can be obtained once the extent of impacted areas and damage is fully understood. Disaster inspections obtained prior to this date will not be accepted. **Cost of disaster inspection:** • If the disaster inspection is completed by a licensed appraiser, the cost must be paid by the borrower. • There is no cost associated with the lender disaster inspection. **Borrower Certification and Hold Harmless:** • The Disaster Incident Borrower Certification Form must be signed by all borrowers at or prior to closing. **Specific Guidance for USDA Loans:** • None	**Timing of disaster inspection:** • UHM will specify that date in which disaster inspections can be obtained once the extent of impacted areas and damage is fully understood. Disaster inspections obtained prior to this date will not be accepted. **Cost of disaster inspection:** • UHM will pay any costs associated with these disaster inspections. **Borrower Certification and Hold Harmless:** • Not required. **Specific Guidance for USDA Loans:** • None

JUMBO, NON-QM, BOND AND OTHER INVESTOR LOANS

Loan is in process and not closed as of the FEMA disaster declaration date	Loan is closed but insured by USDA as of the FEMA disaster declaration date
Subject to investor guidance and requirements.	Subject to investor guidance and requirements.

Any item not addressed in the above procedures will defer to Agency guidelines.

Section 800 UNDERWRITING (All Lending Types)

Loans delivered to Fannie Mae, Freddie Mac and Conventional Loans delivered to correspondent Investors are eligible and supported by Union Home Mortgage Corp. Unless otherwise stated, all Conventional Agency Loans sold by UHM must conform to applicable Fannie Mae, Freddie Mac or Investor one-to-four family housing requirements.

801.0 UHM Underwriting Philosophy

Loans delivered by Union Home Mortgage Corp. are prudently underwritten to the standards and guidelines of the Agency unless guidelines indicate otherwise. UHM relies on the standards established by the Agencies and encourages "common sense" underwriting. It is important that files are documented to support the Underwriter's decisions.

UHM is responsible for the validity of each Borrower's social security number and requires that all Social Security numbers be validated for accuracy according to Fannie Mae LQI requirements.

In the event that a borrower does not obtain Loan approval, UHM is responsible for issuing the applicant the denial notice required by the Equal Credit Opportunity Act (ECOA).

We understand that because of the multitude of factors involved in a Loan transaction, no Product or Lending Guide or set of guidelines can contemplate every potential situation. Therefore, each case is weighed individually on its own merits.

UHM's underwriting philosophy requires Underwriters to weigh all risk factors inherent to the Loan file. This entails giving consideration to the individual transaction, borrower profile, the level of documentation provided, and the property used to collateralize the debt. Our commitment to fairness and equal opportunity is clear and unequivocal. UHM mandates the application of fair and consistent underwriting practices and is reflected in the underwriting guidelines outlined in this TPO Lending Guide.

802.0 Investment Quality

Loans delivered by UHM should be readily salable on the secondary market and have reasonable likelihood of timely repayment. UHM considers an investment quality Loan to be one that:

- Has been prudently underwritten to UHM guidelines (and Agency guidelines as required by product);
- Contains adequate documentation to support the Underwriter's decision;
- Has been reviewed with a diligent approach to any questionable elements of the transaction;
- Is able to be sold into the secondary market without a discount, and is not later subject to a demand for repurchase;

Loans must not have multiple risk characteristics or layered risks without compensating factors to offset the risk.

803.0 General Guidelines: Government Loans

Loans insured by the Federal Housing Administration (FHA), guaranteed by the Department of Veterans Affairs (VA) or guaranteed by the US Department of Agriculture Rural Development Program (USDA – RD), are eligible and supported by Union Home Mortgage Corp.

Unless otherwise stated in this Lending Guide, all FHA, VA and USDA Loans sold to UHM must conform to applicable FHA, VA or USDA one-to-four family housing requirements. All FHA Loans must be insurable by FHA, VA Loans must be guaranteed by VA, RD Loans must be guaranteed by USDA and all Loans must be eligible for inclusion in pools of mortgage-backed securities fully guaranteed by the Government National Mortgage Association (Ginnie Mae). UHM will not approve any Loan which does not meet these guidelines.

All Loans must be prudently underwritten and be of sound investment quality.

804.0 PreApp Express Desk

The PreApp Express Desk (formerly known as Risk Committee) is a resource for Account Executives to submit a loan in TBD status for an exception.

805.0 Use of an Automated Underwriting System (AUS)

GENERAL INFORMATION

Union Home Mortgage Corp. utilizes approved Automated Underwriting Systems, Fannie Mae's Desktop Underwriter (DU), Freddie Mac's Loan Prospector (LP), and USDA's Guaranteed Underwriting System (GUS) to obtain appropriate Agency guidance.

DESKTOP UNDERWRITER (DU)

UHM will accept the underwriting and documentation differences specified in the Lenders Handbook for applications evaluated by DU, applicable to the Desktop Underwriter Software License and User Agreement.

DU SPECIAL CIRCUMSTANCES FHA

- DU Recommendation of Approve/Eligible is required.
- DU Recommendation of Approve/Eligible is required. DU Recommendation of Approved/Ineligible is allowed only when the program is a Good Neighbor Next Door and/or $100 Down HUD REO and the reason for ineligibility is due to LTV.

LOAN PROSPECTOR (LP)

UHM will accept the underwriting and documentation differences for applications evaluated by LP, applicable to the Loan Prospector Lenders Handbook for applications evaluated by LP, applicable to the Loan Prospector Software License and User Agreement.

LP SPECIAL CIRCUMSTANCES FHA

- LP Credit Risk Classification of Accept is required
- LP Credit Risk Classification of Accept/Ineligible is allowed only when the program is a Good Neighbor Next Door and/or $100 Down HUD REO and the reason for ineligibility is due to LTV.

GUARANTEED UNDERWRITING SYSTEM (GUS)

UHM will accept the underwriting and documentation differences specified in the Lenders Handbook for applications evaluated by GUS, applicable to USDA User Agreement.

All USDA loans must be run through GUS.

GUS Findings will maintain Accept or Refer acknowledgements. Refer Findings will require a manual underwrite and the appropriate compensating factors for a credit or ratio waiver as defined by USDA. Please review the USDA Underwriting and Closing Guide link, available on UHM's TPO Website.

GENERAL AUS FHA REQUIREMENTS

- Loans must be processed and closed in accordance with HUD guidelines.
- Loans must comply with HUD's policy as well as UHM's requirements for FHA loans.
- A complete copy of the most recent AUS findings must be included in the closed loan file in order to be eligible for purchase.
- Terms and conditions of the closed Loan and underwriting information in the Loan file will match the data on which the classification is based, and other conditions specified in the governing section of the AUS verification messages were based.
- The subject Mortgage must pass all the eligibility and underwriting tests performed by Desktop Underwriter, Loan Prospector or GUS and any verification message or approval conditions specified on the Finding Report/Feedback Certificate must be satisfactorily resolved before closing.
- HUD Form 92900-LT (FHA Loan Underwriting and Transmittal Summary must reflect ZFHA for the CHUMS ID# when the Loan receives a DU "Approved/Eligible" or "Approved/Ineligible" or LP "Accept" or "Accept/Ineligible" Credit Risk Classification.
- Except for underwriting and documentation differences specified in the Lender's Handbook for applications evaluated by an AUS, UHM maintains responsibility for assuring that all HUD requirements are met for all Loans.

LOAN DELIVERY REQUIREMENTS

Loans delivered to UHM for purchase must include:

- All documents as indicated by the most recent Desktop Underwriting Findings, Loan Prospector Feedback Certificate, including all conditions or GUS Findings
- DU Underwriting Findings report, LP Feedback Certificate or GUS Findings.

805.1 Fannie Mae Desktop Underwriter

Union Home Mortgage Corp. primarily utilizes Desktop Underwriter to deliver Conforming Loans submitted through Fannie Mae's Desktop Underwriter program.

UHM complies with all Condominium and PUD project requirements, unless the DU Findings Report permits the UHM to perform a Limited Review. Any condominium transaction not eligible for Limited Review may be documented and warranted to comply with appropriate UHM Project Review Option or Fannie Mae's other published guidelines.

UHM WILL ACCEPT THE FOLLOWING LOANS UNDERWRITTEN WITH DESKTOP UNDERWRITER:

- Desktop Underwriter is available on standard Fannie Mae products currently offered by UHM.
- Loans with LTV >= 95% and <= 97% are eligible with the following criteria
  - One-unit properties
  - Principal residences
  - Purchase
  - Fully amortizing fixed-rate products
    - As a reminder, UHM will not accept cash-out refinance Loans for Owner Occupied Homestead properties located in Texas, or Loans with financed mortgage insurance even if permitted by Desktop Underwriter.

THE FOLLOWING FANNIE MAE OFFERINGS ARE NOT ELIGIBLE FOR PURCHASE BY UHM:

- Manual underwriting
- Interest-Only loans
- MyCommunityMortgage (MCM) - (product phased out by FNMA)
- Any loan receiving a "Refer"* or "Refer with Caution" from DU
- Any loan receiving an Expanded Approval* or Out of Scope recommendation
- Loans with LTV > 97%
- Loans with LTV/CLTV > 97% when combined with subordinate financing
  - Note: An exception is made for state bond programs where the higher CLTV is permitted by the housing finance authority.
- Loan term exceeding 30 years

- Homestyle Home Improvement Mortgages
- Less than Standard MI Coverage
- Minimum Level Mortgage Insurance option
- Financed MI
- Split Premium MI
- Timely Payment Rewards
- Streamlined Purchase Money Mortgage program
- HomePath® Renovation Program
- Lease-Purchase
- Community Land Trust
- Loans with a temporary interest rate buydown
- Loans delivered with Fannie Mae Special Feature Code 162
- Loans from a Housing Finance Agency not formally approved through UHM.

***Refer recommendations and Expanded Approval recommendations are no longer offered with DU 9.0.

> **Note:** UHM must ensure that the final submission to DU accurately reflects the closed loan terms, loan amount and all borrower information. Prior to delivering the closed loan package, UHM must confirm that the most current DU submission Findings reflect the loan as it was closed.

LOANS WITH AN "APPROVE/ELIGIBLE" RECOMMENDATION THROUGH DESKTOP UNDERWRITER

- The subject Mortgage Loan must pass all the eligibility and underwriting tests performed by Desktop Underwriter and any verification messages or approval conditions specified on the Desktop Underwriter Findings report must be satisfactorily resolved before closing.
- Terms and conditions of the closed Loan and underwriting information in the Loan file must match the data on which the Desktop Underwriter recommendation/verification messages are based.

LOANS WITH A "REFER"* AND "OUT OF SCOPE" TO LENDER'S UNDERWRITER RECOMMENDATION THROUGH DESKTOP UNDERWRITER

- UHM does not deliver any Loan scoring a "Refer" or "Refer with Caution" recommendation from DU.
- UHM will not accept conventional manually underwritten loans. Manually underwritten loans are defined as loans that receive one of the following responses due to insufficient or invalid credit only:
    - Fannie Mae DU Response:
        - Refer/Eligible Refer/Ineligible
        - Refer/w/Caution
        - Out of Scope
        - Loan manually underwritten and not entered into DU

*Refer recommendations and Expanded Approval recommendations are no longer offered with DU 9.0.

805.2 Fannie Mae's Early Check

Union Home Mortgage Corp. requires that each conventional loan be submitted through Fannie Mae's Early Check and receive a successful submission, with no warnings or fatal errors prior to closing the loan. Pre-funding review cannot be started without a successful Early Check.

806.0 Qualifying Ratios

According to the Approve/Eligible or Accept recommendations on the AUS Findings.

PRE-CLOSING VALIDATION OF THE MORTGAGE PAYMENT:

To validate a borrower's payment in accordance with QM, reception of the insurance quote, binder or declaration page early in process is critical. Along the same lines, it is also important to obtain evidence of any and all applicable homeowner's association fees applied to a specific property.

Conservative Payment Estimate Best Practices:

- It is recommended that TPO Partners are to add 10% to the estimated insurance and association fees at application, in the event actual figures are not available.
- TPO Partners are to work to obtain evidence as early, in the process, as possible.
- Operations Staff are to review and validate estimated insurance and association fees.
- In the event the Underwriter has not viewed the insurance or association fee documentation, the Underwriter will condition for a payment "not to exceed" to ensure the file does not have to come back through underwriting once evidence has been obtained.

The faster and more diligent we can be up-front, the more accurate and efficient we can be when the file is underwritten.

806.1 Maximum Debt to Income Ratios

Maximum debt-to-income ratio for all Loan products is determined by the AUS findings and the underwriting review based on the strength of the loan package. Please review UHM Overlays for Conventional and GNMA Delivery for specific requirements.

807.0 Freddie Mac, Alternate Investors/Products

Union Home Mortgage Corp. maintains a direct relationship with Fannie Mae but supports Freddie Mac products and non-agency products through various investors.

808.0 Identity of Interest Transactions

UHM defers to Agency or Investor Guidelines.

809.0 Relocation

The Relocation Program is not offered through TPO.

810.0 Prefunding Quality Control Reviews

UHM conducts Prefunding Quality Control (PFQC) Reviews on loans originated in all channels. Random PFQC reviews may be conducted at any time, however, the following parameters require a mandatory PFQC Review.

Note: PFQC review is initiated at Conditional Underwriting Approval. Loans that receive a "Suspended" determination from underwriting are not reviewed for PFQC until they receive a Conditional Approval. Loan files that are reviewed in PreApp Express Desk are not required to go through PFQC review.

PARAMETERS THAT REQUIRE A MANDATORY PFQC REVIEW

- **Multiple Rental Properties**: The borrower(s) owns more than 1 Non-Owner Occupied, Rental/Investment Property – when rental income is being considered for qualification of any.
- **High DTI**: Any loan with a DTI greater than 45%.
- **Self-Employed**: Any loan with Schedule C Income; all other self-employed income is calculated by Income Genius and, therefore, is not required to have a PFQC review.
- **New Brokers**: Ant loans submitted to UHM from a New Broker.
- **FHA Loans with Low Credit Scores and Payment Shock**: Credit Scores of less than 660, with payment shock of 50% or higher.
- **Non-Agency Jumbo Loans.**

811.0 Homeownership Education & Housing Counseling

For Conventional loans, evidence of at least one borrower completing homeownership education prior to loan closing is required in the following circumstances:

- All borrowers on the loan are relying solely on nontraditional credit to qualify, regardless of the loan product or whether the borrowers are first-time homebuyers.
- The transaction is a HomeReady or Home Possible purchase where all occupying borrowers are first-time homebuyers.
- Purchase transactions with LTV, CLTV, or HCLTV ratios greater than 95% when all borrowers are first-time homebuyers.

Documentation to evidence completion of the required training will be indexed within the loan eFolder. Underwriters must review to ensure the completed education or counseling meets agency requirements.

Requirements for providing the list of homeownership counseling organizations to the borrower is located within the Compliance Policy Manual.

UHM Overlays

820.0 UHM Overlays for FNMA/FHLMC Delivery

Exclusions

- Manual underwriting is not permitted.
- No Co-Ops.
- High Balance Investment Property

Minimum Loan Amount

Wholesale/Correspondent
$50,000 (due to ATR/QM Qualifications)

Underwriting

- **Extenuating Circumstances**: Extenuating circumstances to comply with shorter wait periods for serious delinquencies must go to Fannie Mae. No exceptions for Freddie Mac
- **Property Condition:** Subject property condition cannot be fair or poor and must be C-4 or better condition.
- **High Balance Loans:** The minimum credit score for high-balance loans is 640.

Maximum Number of loans per borrower(s):
UHM Overlay limits the number of financed investment properties with UHM to 6 total properties for any one borrower.

Credit Scores

- **FNMA Minimum FICO:** 620 with AUS Approve/Accept.
- **FHLMC Minimum FICO:** 620 with AUS Approve/Accept.
- No Score Borrowers may still be allowed with an AUS Approve/Eligible.

Credit Score Methodology

The following criteria may be used to determine each individual borrower's Credit Score using the "middle/lower" method:

- If there are three valid credit scores for a borrower, the middle score (numerical middle of the three scores) is used.
- If there are three valid scores for a borrower but two of the scores are the same, the duplicate score is used.
- If there are two valid scores for a borrower, the lower of the two scores is used.
- If there is one valid score for the borrower, that score is used.

821.0 UHM Overlays for GNMA Delivery

GENERAL: REQUIREMENTS FOR ALL GINNIE MAE LOANS

Exclusions

- Subject property condition cannot be fair or poor and must be C-4 or better condition.
- Co-Op Properties

Minimum Loan Amount

Wholesale/Correspondent
$50,000 (due to ATR/QM Qualifications)

Credit Score Requirements – Loans that do not meet the criteria below those listed require review by the PreApp Express Desk prior to application.

Purchase & Rate/Term Refi	
FHA 203b & VA	• Loans with any AUS Risk Rating: 580 • Manually Underwritten Loans: 580 • Manufactured Homes: 580 Note: This section excludes cash-out refinances, USDA, and high balance loans as shown below.
Cash-Out Refinance	
FHA 203b & VA	• Approve Eligible Recommendation Required • FHA: 600 • VA: 600 • High Balance Minimum: 640 • Manufactured Homes: 620
Purchase	
USDA	• 600 minimum credit score required. o Credit score requirement does not apply for streamline refinances. • Manufactured Homes: 620

Maximum Number of Loans per Borrower(s)

UHM Overlay limits the number of financed investment properties with UHM to 6 total properties for any one borrower.

High Balance Loans

- No manual underwriting for High Balance loans (must receive AUS Approve/Accept/Eligible)
- High Balance (Purchase/RT/Streamline): Minimum Fico Score 620 for High Balance Loans with satisfactory credit and an Approve/Eligible.
- High Balance (Cash-out): Minimum Fico Score 640 for High Balance Loans with satisfactory credit and an Approve/Eligible.
- Loan amounts above $2 MM require Senior Management approval and UW Team Lead 2nd review prior to final loan approval.

PreApp Express Desk

USDA:

USDA loans with Refer AUS Findings require PreApp Express Desk review prior to application if any one of the following combinations apply:

- Bankruptcy 7: < 4 years since discharge and < 660 Credit Score
- Bankruptcy 7: < 4 years since discharge and 100% Payment shock
- < 660 Credit score and > 50% DTI

Note: No score borrowers do not require prior approval or UHM exception review, as they are simply required to meet the agency requirements.

VA:

Escrow waivers are not permitted for loans with LTVs higher than 90% and may not be obtained post-closing. A PreApp Express Desk review prior to application, or review by an Underwriting Team Lead, is required for approval of an escrow waiver. Refer to Section 904.2, Escrow Waiver Policies, for additional Escrow Waiver guidelines.

822.0 Compensating Factors List

Compensating Factors provide a means to strengthen loan files by exhibiting riskier loan characteristics and counterpoising with areas of the loan that are stronger.

> **Note**: Compensating Factors cannot be used to offset a negative credit history.

FHA'S COMPENSATING FACTORS

FHA Compensating Factors are as follows:

- Payment shock is no more than $100 or 5%, whichever is less.
- Verified Cash Reserves are documented (3-months for 1 – 2 units and 6-months for 3-4 units),
- Residual Income is >=120% based on VA Residual Income calculation standards.
- Additional Income received at least 1 year that and is not being counted towards the effective income calculation.
- No Discretionary Debt or nonmortgage accounts in at least the past 6 months, when the DTI ratios are less than or equal to 40%/40%.

> **Note**: Authorized User Accounts are considered Discretionary Debt.

UHM'S COMPENSATING FACTORS

- Borrower's current housing expense is >= the proposed housing expense and has been paid current for the past 12- 24 months. (Zero payment shock)
  - Borrower(s) with recent, prior mortgage history reflecting a minimum of 12 or more payments can be considered in determining amount of potential payment shock, or lack thereof.
- Borrower's down payment =>10% and coming from their own funds.
- Borrower has a conservative practice with their use of credit.
- The Borrower receives documented compensation that directly affects ability to pay mortgage. (ex. Clergy income, car allowance, section 8)
- Borrower has documented cash reserves (at least 6 months PITI after closing).
- Borrower has substantial 25% or more nontaxable income currently not being considered in qualifying ratios or effective Income calculation.
- Borrower has Residual Income that greater than or equal to 120%
- Payment shock is less than or equal to 120%

  Note: USDA no longer allows payment shock to be used as a compensating factor (effective with loan approvals on or after October 5th, 2022).
- Borrower's prior credit history illustrates the ability to pay a greater portion of their income towards the housing expense.

823.0 Additional Credit Overlay Criteria

- Minimum 3-4 trade-lines for all government loans (including housing) where possible with Refer/Eligible Manually underwritten loans
- Collection Accounts and Judgments applicable to manually underwritten FHA loans must contain documented reasons for approving the mortgage per Mortgagee Letter 2013-24 effective with case numbers assigned 10-15-13 and after.

Documentation Requirements

830.0 Government Eligibility Requirements

See Government Eligibility Requirements.

830.1 Age of Documents

See Age of Documents.

830.2 Standard Documentation Requirements

See Standard Documentation Requirements.

831.0 Additional Investment Property Delivery Requirements

Although an Operating Income Statement (Form 998/Form 216) is not required at underwriting when rental income is not used for qualifying, the gross monthly rent per unit remains mandatory when selling conventional loans on 2-4 unit primary residences and all investment properties. Regardless of whether rental income is used in qualifying the Borrower, the Gross Monthly Rent for each 1-4 unit Investment Property, and each non-owner-occupied unit in a 2-4 unit Primary Residence, must always be completed on Mortgage Submission Schedule.

To avoid delays in underwriting, please be sure these files include evidence of the gross monthly rent for each non-owner-occupied unit. When an Operating Income Statement isn't required, UHM will review for this information on the loan application, separate statement from the borrower, or appraisal. If the necessary information is not found in the file UHM will suspend for an Operating Income Statement.

Credit / Liabilities

840.0 Foreign Debt

Borrowers must disclose if they have debt in a foreign country and this debt must be included in qualifying ratios, as applicable, following Agency guidelines (i.e.: revolving or installment; less than 10 payments remaining etc.).

Loan documents must be checked for indication of foreign debt, such as rental income from another country showing on the tax returns, or recurring payments to a foreign bank on the bank statement.

The terms, conditions, and payment history of foreign debt must be documented. This can be done with alternative documentation or a foreign credit report.

Manual downgrade is required for all products when the foreign debt is used as a non-traditional credit reference to support an adequate credit history.

841.0 Credit, Validation and Supplements

A credit supplement is a service process in which our credit vendor will verify and update the particulars for an item providing a comprehensive and up-to-date understanding of that item traditionally with third-party verification. A supplement can be an addition, correction or an update to a trade-line, public record, employment record, address, landlord inquiry, to name a few of the items involved.

The use of credit supplements has increased significantly which, in turn, can lead to cost increases for our borrowers. It is our goal to provide proper guidance when the use of a supplement is required and when the use of a credit supplement may be deemed unnecessary. Providing Borrower supplied documentation deemed acceptable to UHM may be able to save time and money, so please review the following basic guidelines related to the most common forms of supplements.

1. Revolving debt paid off to qualify and source of funds is verified:
   - UHM does not require a credit supplement provided we retrieve an accurate statement from the Creditor showing the balance is paid to zero.
   - In the event the aforementioned cannot be obtained and validated, a credit supplement is required.
2. Installment debt paid off to qualify and source of funds is verified:
   - UHM does not require a credit supplement provided we retrieve an accurate statement from the Creditor showing the balance is paid in full.
   - In the event the aforementioned cannot be obtained and validated, a credit supplement is required.

3. Current Housing Mortgage Paid Current Refinance (all lending types):
    - UHM does not require a credit supplement provided one of the following items can be obtained:
        - Payment history is current as of the date of the credit report. In the event the credit report is dated in excess of 30 days of the date of closing, one of the following are required:
            - UHM obtains cancelled check(s) validating the current month's payment is paid or;
            - UHM obtains the current monthly Creditor's statement(s) showing the payment has been made (validate by next payment due date) or;
            - UHM obtains a current bank statement(s) showing the ACH withdraw for that month or;
            - In the event of a refinance, the pay-off statement validates clearly the most recent payment has been made. Otherwise, a supplement is required.
    - In the event any one of the options above cannot be obtained and validated, a credit supplement is required.
4. Current Housing Mortgage Paid Current Purchase (all lending types)
5. UHM does not require a credit supplement provided that the payment history is current as of the date of the credit report. Verifying all REO mortgages are paid to current
    - In the event REO mortgages include a clear payment history and the credit report is current date is valid (within 120 days), further validation is not required.
6. Standard Verification of Rent (VOR) when required (Refer to Rental History Verification section below).
    - UHM does not require a credit supplement provided one of the following items can be obtained:
        - UHM obtains twelve (12) month's cancelled checks validating the timely payments,
        - UHM obtains twelve (12) month's bank statements validating the timely payments via check distribution or automatic withdraw, or
        - UHM obtains a valid Verification of Rent (VOR) from the Landlord reviewing the past twelve months to current.
    - In the event any one of the options above cannot be obtained and validated, a credit supplement is required.

7. Student Loans-Terms
    - A credit supplement, by exception only, is required only if UHM cannot obtain accurate payment information per individual student loan.
        a. Noite: USDA does not accept credit supplements as a second validation of the payment.
    - Need to confirm an approval for a limited scope exception order through the Underwriting Team Leads.
8. Adding Non-Traditional Credit
    - In some cases where the history on a Borrower's credit report is insufficient, the Agencies may accept non-traditional credit sources or non-credit references to provide a history of the Borrower paying their debts or obligations. The instances in which non-traditional credit is accepted, along with acceptable types of references and documentation requirements, vary slightly by Agency. Refer to the Ask UHM question, "What are examples of non-traditional credit and how to document it?" for requirements by Agency.
    - Alternative Credit Reminders:
        - All original alternative credit letters must be signed by the individual who wrote the letter and must appear on letterhead or must clearly indicate the company name, address, access phone number and title of the signing party.
        - If working with a company that refuses to sign a credit letter such as Columbia Gas, a Processor certification may be acceptable as a "Limited Scope Exception." Printouts showing the borrower's payment history must include additional company information, blank printouts are not acceptable. As a last resort, in lieu of, Processors may assist with certifications with major utility companies only.
9. Judgments Paid-In-Full (PIF)
    - A credit supplement is not required provided UHM obtains irrefutable evidence a judgment is paid-in-full.
    - In the event the aforementioned cannot be obtained and validated, a credit supplement is required.
10. Credit Report expiration, New Credit Report required
    - UHM will not require updated credit supplements with the new report provided the Underwriter is comfortable that the previous supplements include accurate and final documentation.
11. An inquiry that resulted in new debt not appearing on the credit report
    - A credit supplement is not required provided UHM obtains the most recent statement or loan note from the borrower and accounts for the liability on the application. The account may appear on the Loan Review Report.

    - In the event the aforementioned cannot be obtained and validated, a credit supplement is required.

RENTAL HISTORY VERIFICATION REQUIREMENTS

Conventional

A formal Verification of Rent (VOR) is required when indicated by the AUS.

Manually underwritten loans also required a formal VOR; however, Manual Underwriting is not permitted for Conventional loans. Exceptions must be reviewed and approved by the National Sales Manager and National Operations Manager prior to application.

FHA & VA

A formal Verification of Rent is required when:

- AUS requires one,
- The loan is manually underwritten, or
- There is a need to accommodate non-traditional credit requirements as per published Investor/Agency and/or UHM overlays.

For more information regarding using Rent Payment History in DU for Fannie Mae and how to verify rental payment history for No Score Borrowers or Borrowers using Non-Traditional Credit, refer to the Ask UHM question, “What are the requirements for a Verification of Rent (VOR)?”

USDA

<u>BORROWERS WITH RENTAL HISTORY</u>

Rental history verification requirements differ depending on the AUS recommendation received from GUS.

- GUS Accept/Eligible:
    - When a file receives a GUS Accept/Eligible and a housing or rent payment was entered into GUS, provide verification of the Borrower’s current housing payment. Acceptable documentation includes, but is not limited to, a copy of the lease agreement, or a cancelled rent check.
    - A full 12-month payment history or VOR is not required if acceptable documentation of the current housing payment is provided.
- GUS Refer/Eligible (Manual Underwrite)
    - For refer/manually underwritten loans where rental history has been indicated, a minimum of 12 months’ rental history is required. If 12 months of rental history is not available, verify that timely rental payments were made for the period of time that the Borrower has rented.
    - A formal VOR must be provided if GUS indicates that one is required, or if there is a need to accommodate non-traditional credit requirements per published Investor/Agency or UHM published overlays.

In all cases, one rent or mortgage payment within the previous 12 months that was 30 days or more overdue is considered significant derogatory credit and will require a credit exception.

BORROWERS WITH NO RENTAL HISTORY

Applicants with no verifiable history of housing payments are not automatically ineligible; the Underwriter must review the available documentation to determine if the applicant has an acceptable credit history and meets program guidance.

A rent-free letter is only needed if GUS requires one and/or per Underwriter discretion. If no housing payment information has been entered, GUS will not return the need for a rent-free letter. If a rent-free letter is required, it must be written and signed by the individual with whom the borrower resides, and include:

- The property owner's relationship to the Borrower,
- A statement that the Borrower lives rent free,
- The amount of time that the Borrower has resided with the property owner,
- The address of the property owner's residence, and
- Proof that the individual who wrote the letter owns the home in which the Borrower lives rent free. Acceptable verification includes:
    - Checking LoanSafe/CoreLogic,
    - A Tax Bill, or
    - An online county search.

BORROWERS RELYING ON NON-TRADITIONAL CREDIT

For Borrowers relying on non-traditional credit, refer to the Ask UHM question, "What are examples of non-traditional credit and how to document it?"

841.1 Debt Payments

PAYOFF OR PAYDOWN OF DEBT

Payoff or paydown of debt solely to qualify must be carefully evaluated and considered in the overall loan analysis. The borrower's history of credit use should be a factor in determining whether the appropriate approach is to include or exclude debt for clarification. Accounts may be paid off, or paid down to 10 months or less, to allow the borrower to qualify, using the following policies:

Conventional Installment Debt

- Installment debts that are being paid off or paid down to 10 months or fewer remaining monthly payments do not need to be included in the borrower's long-term debt. The source of funds must be verified and meet agency requirements as an acceptable source of funds.
- Information on the credit report or other mortgage file documentation must show that there are 10 or fewer months of payments remaining.

Conventional Revolving Debt

If a revolving account balance is to be **paid off** at or prior to closing, a monthly payment on the current outstanding balance does not need to be included in the borrower's long-term debt, i.e., not included in the debt-to-income (DTI) ratio.

Revolving debt cannot be paid down to under 10 months in order to omit the debt from the DTI.

The Government Agencies do not allow paydown of debt to qualify.

LOANS SECURED BY RETIREMENT ACCOUNTS

Payments on loans secured by the borrower's 401(k) or SIP (Savings Investment Plan) are not included in long term debt because they are voluntary payments. However, the Underwriter should consider these payments in terms of their possible impact on cash flow and debt ratios. The borrower should indicate plans for debt repayment if the inclusion of a 401(k) or SIP loan payment in the monthly debts results in very high total obligations to income ratio or negative cash flow.

LONG TERM DEBT/HELOC PAYMENT

The monthly payment on every revolving and open-end account with a balance, regardless of the apparent number of payments remaining, must be included in the borrower's long-term debt and ratio calculation. If the credit report does not reflect a payment on a currently reporting liability, and the actual payment cannot be determined, a minimum payment may be calculated as follows:

- HELOC: If not shown on the credit report payments on a home equity line of credit with an outstanding balance may be calculated at 1% of the outstanding balance or the payment reflected on the Borrower's billing statement.

DEFERRED PAYMENTS

Some debts may have deferred payments or be in a period of forbearance. These debts must be included in the qualifying ratio(s). When payments on an installment debt are not given on the credit report or are listed as deferred, documentation supporting the required payment must be provided.

Examples of acceptable documentation include, but are not limited to:

- Direct verification from the creditor (statement or credit supplement)
- Copy of the installment loan agreement
- For a deferred student loan, if the actual payment cannot be determined, a payment may be calculated using 1% of the original student loan balance or outstanding balance, whichever is higher. Refer to the Student Loan Payment Matrix located in the Policies & Procedures tab, within the Documents & Forms section, of UHMGo!.

CONTINGENT LIABILITIES

Contingent liabilities are debts the borrower is not currently required to pay but may be required to pay in the future (e.g., co-signed loans, court ordered payments, previous residence sold on assumption of Mortgage).

COSIGNED LOANS

The monthly payment on a co-signed loan may be excluded from long term debt only with evidence of timely payments being made by someone other than the borrowers and with evidence the account is not simply a joint obligation. Copies of canceled checks for the last twelve (12) months are required.

ASSUMPTION

The debt on a previous residence may be excluded from long term debt with evidence that the borrower no longer owns the property. The following documents are required:

- Copy of documents transferring ownership of the property
- The assumption agreement executed by the transferee

COURT ORDER

If the obligation to make payments on a debt has been assigned to another person by court order, such as a divorce decree, the payment may be excluded from long term debt provided the history includes timely payments with no evidence of foreclosure.

Consideration of Payment History for Assigned Debt:

The agencies do not require UHM to evaluate the payment history for the assigned debt after the effective date of the assignment. The Borrower’s payment history for the debt before its assignment cannot be disregarded.

Documentation Requirements:

- Copy of the final, court-signed and recorded court order, divorce decree, or legal separation agreement.
- If a transfer of ownership has not taken place, any late payments associated with loan on the property should be taken into account when reviewing the borrower's credit profile.

For additional requirements for USDA loans, please refer to the following Ask UHM question: “If there is a court order assigning the borrower's mortgage or debt to another person, can that debt be excluded from the debt-to-income ratio?”

LEASE PAYMENTS

The monthly payment associated with a lease must be included in total monthly obligations regardless of the number of payments remaining until the end of the lease term. If the lease is near the end of its term the new lease payment should be determined and included in the total monthly debts.

SOLAR PANEL LEASE

Fannie Mae and Freddie Mac require inclusion of the lease payment for solar panels in the DTI when the payment does not meet specific requirements related to providing energy. Refer to the Fannie Mae Selling guide B2-3-04 and Freddie 5401.2.(b).v.

841.2 Credit, Disputed Accounts

Below you will find general guidance and procedures for Underwriting Disputed Accounts:

CONVENTIONAL:

Generally, follow DU & LP findings. Please note that in many instances the dispute must be removed by the consumer and you must then run a new credit report with the dispute removed. This action is required regardless of whether the account is paid off or paid as agreed.

FHA:

AUS APPROVAL:

If the credit report utilized by TOTAL Mortgage Scorecard indicates that the Borrower has $1,000 or more collectively in Disputed Derogatory Credit Accounts, the mortgage must be downgraded to a Refer and manually underwritten.

Exclusions from the $1,000 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 lender must include a copy of the police report or other documentation from the creditor to support the status of the accounts.
- Accounts of a non-borrowing spouse in a community property state
- Non-derogatory disputed accounts

NON-DEROGATORY DISPUTED ACCOUNTS AND DISPUTED ACCOUNTS NOT INDICATED ON THE CREDIT REPORT.

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

If a Borrower is disputing non-derogatory accounts or is disputing accounts that are not indicated on the credit report as being disputed, UHM is not required to downgrade the application to a Refer. However, UHM 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 used in computing the Debt-to-Income being less than the amount indicated on the credit report, the Borrower must provide documentation of the lower payments.

MANUAL APPROVAL:

If the credit report indicates that the Borrower is disputing derogatory credit accounts, the Borrower must provide a letter of explanation and documentation supporting the basis of the dispute. If the disputed derogatory credit resulted from identity theft, credit card theft or unauthorized use balances, the mortgagee must obtain a copy of the police report or other documentation from the creditor to support the status of the accounts. If the Borrower has $1,000 or more collectively in Disputed Derogatory Credit Accounts, the lender must include a monthly payment in the Borrower's debt calculation. The following items are excluded from the $1,000 cumulative balance:

- disputed medical accounts; and
- disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use.
- Accounts of a non-borrowing spouse in a community property state

If a Borrower is disputing non-derogatory accounts or is disputing accounts which are not indicated on the credit report as being disputed, UHM must analyze the effect of the disputed accounts on the Borrower's ability to repay the loan. 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 include the following types of accounts:

- disputed accounts with zero balance;
- disputed accounts with late payments aged 24 months or greater; or
- disputed accounts that are current and paid as agreed.

For additional information, follow guidance in the 4000.1

VA:

Lenders may consider a veteran's claim of bona fide or legal defenses regarding unpaid debts except when the debt has been reduced to judgment. Account balances reduced to judgment by a court must either be paid in full or subject to a repayment plan with a history of timely payments. For unpaid debts or debts that have not been paid timely, pay-off of these debts after the acceptability of applicant's credit is questioned does not alter the unsatisfactory record of payment.

USDA:

When an applicant’s credit report indicates a tradeline or public record is in dispute, an automated underwriting recommendation of ACCEPT may need to be downgraded by the Lender to a REFER. A downgrade is not required if any of the following conditions are met in regard to the disputed items listed on the credit report.

- The tradeline has a zero balance
- The tradeline is marked “paid in full” or “resolved”
- The tradeline has a balance owed of less than $500.00 and is more than 24 months old.

In the event an automated underwriting recommendation is downgraded to a REFER, the Lender must indicate the downgrade on the Credit/Underwriting page in GUS and remit a fully underwritten case file to the Agency.

842.0 Undisclosed Debt Notification (UDN) When a Credit Freeze is in Place

When a Borrower has a freeze placed in their credit report, follow the policy outlined by each Agency below. This policy also applies when the credit freeze is identified on the Undisclosed Debt Notification.

FNMA

The Credit report is acceptable if:

- credit data is available from at least 2 repositories,
- a credit score is obtained from at least 1 of those 2 repositories, and
- UHM requested a tri-merge report.

FHLMC

No more than 1of the credit repositories can have a credit freeze in place.

FHA, VA, & USDA:

Frozen credit repository data must be unlocked, and a new credit report ordered.

843.0 Derogatory Credit

When significant derogatory credit is identified in a borrower's credit history, documentation must be provided evidencing whether the derogatory information was due to extenuating circumstances or financial mismanagement, and that an acceptable credit history has been re-established.

Note: Extenuating Circumstances, for Conventional Loan Transactions, are permitted ONLY with Fannie Mae.

SHORT SALE OR RESTRUCTURED MORTGAGE LOAN REQUIREMENTS

A Short Refinance or a restructured loan occurs when the terms of the original transaction have been changed resulting in the absolute forgiveness of debt or a restructure of debt through modification or the origination of a new loan that results in:

- Forgiveness of a portion of principal and/or interest on either the first or second mortgage; or
- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness; or
- Conversion of any portion of the original mortgage debt to a "soft" subordinate mortgage; or
- Conversion of any portion of the original mortgage debt from secured to unsecured.

If one or more of the borrowers on the Loan has entered into a Short Refinance or restructured mortgage loan transaction for a property other than the subject property in the past, credit must be reestablished according to the details in this Guide and Agency requirements.

UHM Agency products do not permit a short sale when it applies to the subject property currently owned by the borrower. Refer to Non-QM products.

PREFORECLOSURE/SHORT SALE REQUIREMENTS

Note: The policy outlined below for Pre-foreclosure/Short Sale Requirements is applicable to delegated underwriting.

A Short Sale is the sale of a property for less than the total amount needed to satisfy the mortgage obligation. Under this procedure, when the borrower cannot sell the property for the full amount of their indebtedness, the lender considers accepting a payoff of less than the total amount owed on the mortgage if that enables the lender to reduce the loss it would incur if the lender foreclosed on and acquired the property.

EXTENUATING CIRCUMSTANCES

- At least two (2) years must have elapsed since the completion date of the Short Sale
- The borrower(s) may purchase a property secured by a primary residence, with the minimum down payment required for the transaction.

FINANCIAL MISMANAGEMENT

- At least four years and up to seven years must have elapsed since the completion date of the short sale.
- The borrower(s) may purchase a property secured by a primary residence, with the minimum down payment required for the transaction.
- Evidence on the credit report and other credit documentation that the Borrower(s) has reestablished an acceptable credit history.

SIGNIFICANT INACCURATE CREDIT

All transactions must receive Approval through an acceptable AUS.

Loans with Limited a Limited Credit History will be reviewed on a case-by-case basis.

Loans with no Traditional Credit References and no representative credit score are ineligible.

UHM will not accept manually underwritten Conventional loans.

BANKRUPTCY, FORECLOSURE AND DEED-IN-LIEU OF FORECLOSURE

Delegated - See Agency Handbooks for full detailed requirements for borrowers who have experienced a bankruptcy, foreclosure or Deed-in-lieu of foreclosure event and reestablishment of credit.

Lender Action	Definition	Eligibility Requirements
Foreclosure	Legal proceeding in which a servicer obtains a court ordered termination of a borrower's equitable right of redemption or ownership.	All borrowers with a previous foreclosure will be required to meet a 7-year waiting period to be eligible for a new mortgage loan.
Deed-in-Lieu of Foreclosure	Borrower, failing to satisfy the loan obligation, assigns title to the property through executing a deed to the lender and avoids foreclosure proceedings.	Borrowers which have completed a deed-in-lieu of foreclosure must meet the following seasoning requirements:

		Loans Submitted through DU: • < 80% LTV/CLTV/HCLTV: 2 years • 80.01% - < 90% LTV/CLTV/HCLTV: 4 years • 90.01% - < 95% LTV/CLTV/HCLTV: 7 years Loans Submitted through LP: • < 90% LTV/CLTV/HCLTV: 4 years • 90.01% - < 95% LTV/CLTV/HCLTV: 7 years
Pre-Foreclosure Sale	Servicer agrees to the sale of the property by the borrower to a third party for less than the amount owed to satisfy a delinquent mortgage, as agreed to by the lender, investor, and mortgage insurer.	Borrowers who have entered into a short refinance / restructured debt on the subject property are not eligible.
Short Sale Short Refinance/ Restructured Loans	Short Sales, the servicer agrees to accept a payoff less than the balance owed on the borrower's mortgage that is NOT delinquent. Short Payoff / Restructured Loans are mortgage loans in which the terms of the original transaction have been changed, resulting in either the absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan.	Borrowers who have completed a short sale, short refinance or restructured loan and are purchasing or refinancing a property which is not the subject of the short refinance / restructured loan must follow the below guidelines: • No more than 1 x 30 days late on any mortgage in the past 12 months • 90% LTV/CLTV/HCLTV or less: 4 years • 90.01% - 95% LTV/CLTV/HCLTV: 7 years See Underwriting section for borrowers purchasing a short sale.

FOR FULL AGENCY REQUIREMENTS FOR ALL LOAN TYPES, PLEASE REVIEW THE RESOURCE WAITING PERIOD CHECKLIST REQUIRED FOR SIGNIFICANT DEROGATORY CREDIT EVENTS CHECKLIST AVAILABLE AT WWW.UHWHOLESALE.COM

FHA STUDENT LOANS IN COLLECTIONS OR CHARGE-OFF STATUS

For student loans that are in collection or charge-off status:

- Federal Student Loan Debt
    - If there is a clear CAIVRS, follow delinquent federal debt section of Handbook 4000.1 II.A.1.b.ii.(A)(10). UHM must not rely upon a clear CAIVERS approval, when in possession of independent evidence of delinquent federal obligations and must document the resolution of any conflicting information.
    - If there is not a clear CAIVERS, reach out to FHA and follow the guidance reflected in the 4000.1 II.A.1.b.ii.(A)(10); II.A.5.d.xii.(B)2; II.A.7.b.xi .
- Non- Federal Student Loan Debt
    - Follow the regulations for standard collection guidelines.

OVERDRAFT FEES/NON-SUFFICIENT FUNDS (NSFS)

USDA: Multiple overdraft or NSF fees are not considered significant derogatory credit. However, USDA takes the position that reoccurring overdraft/NSF fees could have a negative impact on the applicant's credit accounts and repayment of the proposed mortgage debt.

USDA requires underwriters to evaluate the frequency of the NSF fee occurrences and the amount of the overdrafts in their credit decision for both GUS Accept and Manually Underwritten loans.

Underwriters should acknowledge that any NSF/Overdrafts were considered as part of their credit decision by including the following comment on the 1008, when the loan is approved:

"NSFs have been reviewed. Borrower's overall credit meets USDA requirements."

FNMA, FHLMC, FHA, & VA: Follow Agency Guidance for overdrafts and NSFs.

843.1 Waiting Periods Required for Significant Derogatory Credit Events

CONVENTIONAL

MUST RECEIVE AN AUS APPROVE/ELIGIBLE INCLUDING THOSE WITH EXTENUATING CIRCUMSTANCES

Previous Loan Modification

Refinance:

- Fannie Mae/Freddie Mac: Permitted with previous modification (restructured mortgage to adjust the principal balance) provided the credit worthiness of the borrower and LTV are acceptable.

Purchase:

- Fannie Mae/Freddie Mac: Acceptable with both agencies, qualification based on payment history and remaining underwriting considerations.

Payment History:

A borrower must have completed their Trial Period Plan to qualify for either a refinance or purchase.

- A Trial Period Plan is a temporary forbearance plan that sets forth in a written notice those terms and conditions which the borrower must comply with during the trial period in order to obtain a permanent modification.
- The Trial Period is normally a 3-to-6-month period during which the borrower makes payments that are an estimate of the anticipated modified payment amount, as one of the preconditions to modification. For borrowers in bankruptcy, the Trial Period may be extended up to an additional 2 months.

If any existing mortgage…	Eligibility requirements	Use of proceeds if the transaction is a refinance
Is in a repayment plan, loan modification Trial Period Plan or Payment Deferral:	The new Mortgage is ineligible unless the amounts outstanding on any existing Mortgage are resolved by meeting the applicable **additional eligibility requirements** below.	N/A

Additional Eligibility Requirements		
Is subject to a repayment plan:	The Borrower must either: 1. Have successfully completed the repayment plan, OR 2. Be performing under the plan (i.e., has not missed any payments due under the plan) and must have made at least three consecutive payments	In connection with the Mortgage being refinanced, proceeds may be used to pay off the remaining payments under the repayment plan
Is subject to a Payment Deferral:	The Borrower must have made at least three consecutive timely payments following the approval of the payment deferral agreement.	In connection with the Mortgage being refinanced, proceeds may be used to pay off the deferred amount under the Payment Deferral.
Is subject to a modification Trial Period Plan:	The Borrower must have successfully completed the Trial Period Plan.	In connection with the Mortgage being refinanced, proceeds may be used to pay off the modified Mortgage.
Is subject to a loss mitigation program not mentioned above:	The Borrower must either: 1. Have successfully completed the loss mitigation program, OR 2. Be performing under the program (i.e. has not missed any payments due under the program) and must have made at least three consecutive full monthly payments	In connection with the Mortgage being refinanced, proceeds may be used to pay off the remaining payments under the program.

Foreclosure

Home was given to the bank – No owner participation

- **7 years** from the date foreclosure completed and transferred back to the bank if they had NO extenuating circumstances.
- **Fannie Mae Only*: 3 years** from the date foreclosure completed and transferred back to the bank with acceptable extenuating circumstances (1) AND 10% Down Payment. Primary home purchase and rate/term refinances only. Non-owner and second homes not allowed.

If the home is a timeshare, please refer to the “Timeshares” section.

Short Sale, Deed in Lieu of Foreclosure, Mortgage Debt Charge-Off Accounts

Short Sale: Home sold but sales price did not cover amount owed.

Deed in Lieu: Home returned to lender in exchange for cancelling loan.

- **4 years** from the date sale closed and transferred to new owner or transferred back to the bank as standard.
- **Fannie Mae Only*: 2 years** from the date sale closed and transferred to new owner or transferred back to the bank, possible with **acceptable** extenuating circumstances**.**

Bankruptcy, Chapter 7

Debts are discharged through BK, therefore, client does not pay any debts owning.

- **4 years** from discharge date.
- **Fannie Mae Only*: 2 years** from discharge date possible with acceptable extenuating circumstances (1).

Bankruptcy, Chapter 13

Debts are paid back on a monthly scheduled payment plan by client.

- **2 years** from discharge date.
- **4 years** from dismissal date.
- **Fannie Mae Only*: 2 years** from discharge date possible with acceptable extenuating circumstances (1).

Bankruptcy Including a Mortgage

Refer to Bankruptcy Guidelines with one exception:

- Refinances: Borrower may refinance a property included in a bankruptcy and not reaffirmed, provided the timely payment history (VOM) can be obtained to current.

Conventional Mortgage Insurance Requirements

THE ABOVE GUIDELINES ARE BASED ON AGENCY GUIDANCE. IN THE EVENT A LOAN REQUIRES PRIVATE MORTGAGE INSURANCE, WAITING PERIODS EXTEND FROM 4 TO 7 YEARS DEPENDING ON THE COMPANY AND MAY INCLUDE ADDITIONAL REQUIREMENTS (REESTABLISHED CREDIT GUIDELINES, RESERVES, ETC.). CHECK WITH EACH MORTGAGE INSURANCE PROVIDER PRIOR TO ORIGINATION, **IF THE LTV IS GREATER THAN 80%.**

***Loans with shorter time frames require verification of extenuating circumstances and must be Fannie Mae only; they must not go to Freddie Mac. The extenuating circumstance must be supported by a letter of explanation and verification of the circumstance.**

FHA (DETERMINED BY DATE OF CASE NUMBER ASSIGNMENT)

Previous Loan Modification

Refinance:

- Standard modifications (interest rate modifications) are acceptable with a 12-month waiting period. Qualification is based on payment history and remaining underwriting considerations.
  - The modification must have taken place at a minimum 12 payments in advance of the refinance and reflect a satisfactory payment history.
  - The modification agreement needs to be reviewed and underwritten with the file. The modification terms may supersede UHM guidelines.
  - Deferred interest (per restructure agreement) may be included in the maximum loan amount calculation for rate and term refinances provided all standard conditions and qualification parameters are met.

Purchase:

- Acceptable with both agencies. Qualification is based on payment history and remaining underwriting considerations. Please note, files will be underwritten with a higher level of scrutiny.
  - The modification must have taken place at a minimum 12 payments in advance of the purchase and reflect a satisfactory payment history.

Foreclosure or Deed in Lieu of Foreclosure

Foreclosure: Home was given back to the bank – No owner participation.

If the home is a timeshare, please refer to the "Timeshares" section.

Deed in Lieu: Home returned to lender in exchange for cancelling loan.

- **3 years** + 1 Day from date foreclosure completed and the deed is transferred back to the bank, for the request of an FHA Case Number.
- **With manual downgrade to Refer: Less than 2 years, but not less than 12 months,** from date foreclosure completed and the deed is transferred back to the bank may be acceptable if the result of acceptable extenuating circumstances (2).

Short Sale

Short Sale: Home sold but sales price did not cover amount owed.

- **3 years** from date sale closed and transferred to new owner.
- **With manual downgrade to Refer: No waiting period** if borrower had no late payments on any mortgages and consumer debts within the 12-month period preceding the short sale AND they are not taking advantage of declining market conditions.

<u>Bankruptcy Chapter 7</u>

General Requirements:

Debts are discharged through BK, therefore, client does not pay any debts owing.

- **2 years** from date of discharge with re-established credit paid as agreed or no new credit obligations occurred.
- **With manual downgrade to Refer: Less than 2 years, but not less than 12 months,** from date of discharge may be acceptable if the bankruptcy was caused by acceptable extenuating circumstances (2) and borrower has since exhibited a documented ability to manage financial affairs in a responsible manner.

<u>Bankruptcy Chapter 13</u>

Debts are paid back on a monthly scheduled payment plan by client.

- **The Borrower must have 2 years or more from the date of discharge.**
- **With manual downgrade to Refer:**
  - A minimum of 1-year within the payout period under the bankruptcy has elapsed, and
  - There is documentation covering the most recent 12 months to support the following:
    - 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 bankruptcy court to enter into the mortgage transaction.
  - Less than 2 years since discharge requires manual downgrade, but The Chapter 13 does NOT require a minimum period since discharge to approve under manual underwrite. Loan just needs to meet all other manual underwriting requirements.

<u>Bankruptcy Including a Mortgage</u>

Assuming No Reaffirmation:

- BK, stayed in home, purchase: Permitted 3 years from the date of deed transfer post-foreclosure.
- BK, stayed in home, refinance: Not permitted.
- BK, stayed in home for a portion of the time-frame, purchase: Permitted 3 years from the date of deed transfer post-foreclosure.
- BK, vacated home immediately after discharge: Permitted 3 years from the date of deed transfer post-foreclosure.
- BK, previous Government Loan: The later of 3 years from the date the CAIVRS claim is paid or 3 years from the deed transfer date.

Assuming Reaffirmation:

- If the home is foreclosed upon after reaffirmation, a 3-year waiting period from the date of deed transfer is required.

*All remaining traditional qualification and underwriting parameters apply in all instances.

Important Note: The dates listed will be based on the new FHA case number assignment, not the application or closing date.

VA (DETERMINED BY DATE OF CREDIT APPROVAL)

Previous Loan Modification

Refinance:

- Not permitted with previous modification (considered restructured mortgage) to adjust the principal balance. Standard modifications (interest rate modifications) are acceptable with no waiting period. Qualification is based on payment history and remaining underwriting considerations.
    - VA requires a reduction of interest rate, for the refinance to qualify.
    - The modification must have taken place a minimum of 12 payments in advance of the refinance and reflect a satisfactory payment history.
    - The modification agreement needs to be reviewed and underwritten with the file. The modification terms may supersede UHM guidelines.

Purchase:

- Acceptable with both agencies. Qualification is based on payment history and remaining underwriting considerations. Please note, files will be underwritten with a higher level of scrutiny.
    - The modification must have taken place a minimum of 12 payments in advance of the purchase and reflect a satisfactory payment history.

Foreclosure or Deed in Lieu of Foreclosure

Foreclosure: Home was given back to the bank – no owner participation.

If the home is a timeshare, please refer to the "Timeshares" section.

Deed in Lieu: Home returned to lender in exchange for cancelling loan.

If the foreclosure or deed in lieu was on a VA-guaranteed loan, then a borrower may not have full entitlement for the new VA loan. Ensure that the borrower's COE reflects sufficient entitlement to meet any secondary marketing requirements of the lender.

- **2 Years** from date foreclosure completed and transferred back to bank.
- **12-23 Months** from date of foreclosure, if credit is re-established and paid as agreed and was caused by acceptable extenuating circumstances (3).

- If the borrower's payment history on the property was not affected before the deed in lieu and the borrower was voluntarily communicating with the servicer or holder, **then a waiting period from the date transfer of the property may not be necessary.**
  - Gain complete understanding of the circumstances in which the borrower voluntarily surrendered the property.

Short Sale

Short Sale: Home sold but sales price did not cover amount owed.

- If the short sale was on a VA-guaranteed loan, then a borrower may not have full entitlement available for the new VA loan. Ensure that the borrower's COE reflects sufficient entitlement to meet any secondary marketing requirements of the lender.
- **No waiting period** if borrower had no late payments on any mortgages and consumer debts within the 12-month period preceding the short sale AND they are not taking advantage of declining market conditions.
- If the borrower's payment history on the property was not affected before the short sale and the borrower was voluntarily communicating with the servicer or holder, **then a waiting period from the date transfer of the property may not be necessary.**
  - Gain complete understanding on the circumstances in which the borrower voluntarily surrendered the property.
- A waiting period of 12 months will apply when there are any derogatory credit events including, but not limited to, late payments on the mortgage prior to the short sale.
  - The borrower must have 12 months of reestablished credit since the date the short sale property was transferred to the new owner.

Bankruptcy Chapter 7

General Requirements:

Debts are discharged through BK, therefore, client does not pay any debts owing.

- **2 years** from date of discharge.
- **12-23 months** from date of discharge, if credit is re-established and paid as agreed and was caused by acceptable extenuating circumstances (3).
- **If a foreclosure, deed in lieu, or short sale process is in conjunction with a bankruptcy,** use the latest date of either the discharge of the bankruptcy or transfer of title for the home to establish the beginning date of re-established credit.
  - If there is a significant delay in the transfer of title, the lender should contact the RLC of jurisdiction for guidance.

Bankruptcy Chapter 13

Debts are paid back on a monthly, scheduled payment plan by client.

- **1-year payout period** under bankruptcy has elapsed and the borrower's payment performance has been satisfactory, and all required payments made on time. If the borrower(s) has satisfactorily made at least 12 months' worth of the payments and the trustee or bankruptcy judge approves of the new credit, the loan can be considered favorably.

- **If foreclosure, deed in lieu, or short sale process is in conjunction with a bankruptcy,** use the latest date of either the discharge of the bankruptcy or transfer of title for the home to establish the beginning date of re-established credit.

  - If there is a significant delay in the transfer of title, the lender should contact the RLC of jurisdiction for guidance.

Bankruptcy Including a Mortgage

- **2 years** from the date of discharge.
- **If a foreclosure, deed in lieu, or short sale process is in conjunction with a bankruptcy,** use the latest date of either the discharge of the bankruptcy or transfer of title for the home to establish the beginning date of re-established credit.
  - If there is a significant delay in the transfer of title, the lender should contact the RLC of jurisdiction for guidance.

USDA (DETERMINED BY DATE OF CREDIT APPROVAL)

Previous Loan Modification

Refinance:

- Not permitted with previous modification (considered restructured mortgage) to adjust the principal balance. Standard modifications (interest rate modifications) are acceptable with no waiting period. Qualification is based on payment history and remaining underwriting considerations.
  - The modification must have taken place a minimum of 12 payments in advance of the refinance and reflect a satisfactory payment history.
  - The modification agreement needs to be reviewed and underwritten with the file. The modification terms may supersede UHM guidelines.

Purchase:

- Acceptable with both agencies. Qualification is based on payment history and remaining underwriting considerations. Please note, files will be underwritten with a higher level of scrutiny.
  - The modification must have taken place a minimum of 12 payments in advance of the purchase and reflect a satisfactory payment history.

Foreclosure or Deed in Lieu of Foreclosure

Foreclosure: Property was given back to the bank – No owner participation.

If the home is a timeshare, please refer to the "Timeshares" section.

Deed in Lieu: Home returned to lender in exchange for cancelling loan.

Loans that receive an Accept from GUS are acceptable and do not require a credit exception. Verification of the waiting period is not required.

- **3 years** from date foreclosure completed and transferred back to bank. A foreclosure discharged, or a repossession reported 36 months prior to the date of loan application is not adverse credit.
- **Less than 3 years** from date the foreclosure was completed and transferred back to the bank may be considered with acceptable extenuating circumstances (4).

Short Sale

Short Sale: Home sold but sales price did not cover amount owed.
Loans that receive an Accept from GUS are acceptable and do not require a credit exception. Verification of the waiting period is not required.

- **3 years** from date sale closed and transferred to new owner.
- **No waiting period** if borrower had no late payments on any mortgages and consumer debts within the 12-month period preceding the short sale AND they are not taking advantage of declining market conditions.

Bankruptcy Chapter 7

Debts are discharged through BK, therefore, client does not pay any debts owing.

Loans that receive an Accept from GUS are acceptable and do not require a credit exception. Verification of the waiting period is not required.

- **3 years** from date of discharge. Note: The 3-year rule does not apply to GUS approval.
- **Less than 3 years** from date of discharge may be considered with acceptable extenuating circumstances (4).

<u>Bankruptcy Chapter 13 - Plan in Progress</u>

Debts are paid back by client, satisfactorily and on time, utilizing a documented monthly scheduled payment plan and the client received written permission to enter into a mortgage transaction, from the bankruptcy court/trustee.

Loans that receive an Accept from GUS are acceptable and do not require a credit exception. Verification of the waiting period is not required.

- **1 year** from the start of the satisfactorily paid debt restructuring plan, with all payments made on time

<u>Bankruptcy Chapter 13 – Completed Plan</u>

Loans that receive an Accept from GUS are acceptable and do not require a credit exception. Verification of the waiting period is not required.

- Plan completed at least 1 year prior to application, do not require a credit exception.

<u>Bankruptcy Including a Mortgage</u>

- **3 years** from the date of discharge
- BK, previous Government Loan: The later of 3 years from the date the CAIVRS claim is paid or 3 years from the discharge date.
- Note: UHM will not provide refinance financing for a borrower who stayed in a home and did not reaffirm the mortgage.

<u>Previous USDA Loss</u>

- A previous USDA loss within seven years prior to the date of submission to the Agency is considered significant derogatory credit. The following information must be provided:
  - Document the circumstances that led to the loss paid on the Borrower's behalf. I.e., in the case of a loss due to reduced wages, IRS tax transcripts are considered sufficient documentation.
  - Explain why the loss is unlikely to recur.
  - Provide supporting documentation and recommendation for loan approval along with the final and complete application submission to USDA.

Note: Medical explanations are not required when submitting private health information.

EXAMPLES OF ACCEPTABLE EXTENUATING CIRCUMSTANCES (CIRCUMSTANCES MUST BE VERIFIED AND DOCUMENTED):

1. **Conventional:** (extenuating circumstances, for Conventional loans, are only acceptable through Fannie Mae.) Nonrecurring events that are beyond the borrower's control that result in a sudden, significant, and prolonged reduction in income or a catastrophic increase in financial obligations.
2. **FHA:** Traditionally, serious illness or death of a wage earner. Divorce and the inability to sell a property due to job transfer or relocation to another area does not qualify as an extenuating circumstance. Refer to FHA's "back to work, extenuating circumstances guidance", found in the 4000.1 handbook, if applicable.
3. **VA:** Unemployment, prolonged strikes, medical bills not covered by insurance, etc. Divorce is not viewed as beyond the control of the borrower and/or spouse.
4. **USDA:** Loss of job; delay or reduction in government benefits or other loss of income; increased expenses due to illness, death, etc. Circumstances surrounding the adverse information must have been temporary in nature and beyond the applicant's control and have been removed so their reoccurrence is unlikely, or the adverse action or delinquency was the result of a refusal to make full payment because of defective goods or services or as a result of some other justifiable dispute relating to the good or services purchased or contracted.

TIMESHARES

All Agencies: A timeshare should be treated as an installment debt regardless of how it is reported on the credit report or other documentation (that is, even if reported as a mortgage loan). The loss of a timeshare is equivalent to adverse credit of a long-term obligation and not a foreclosure. Refer to the Ask UHM question, "How is a timeshare addressed?"

844.0 Community Property States, Non-Purchasing Spouse Requirements

In community property states, UHM must adhere to agency guidance regarding documentation required from a non-purchasing spouse, as well as the information based on the financing type, that will be taken into consideration regarding household debts.

COMMUNITY PROPERTY STATES

Arizona	California	Idaho
Louisiana	Nevada	New Mexico
Texas	Washington	Wisconsin

CREDIT REQUIREMENTS

For Government Loans, the non-purchasing spouse's credit report must be ordered and added to the file (not required for Conventional lending products).

- A separate tri-merge report is required, this report must not be ordered as a joint report with the Borrower to avoid a conflict with the automated underwriting engine.
- Please utilize a separate systemic file in the loan origination system to order the report, print to pdf, then attach to E-Folder.
- Undisclosed Debt Notification (UDN) is not required.

Agency requirements for the evaluation of the NPS' credit differ; see the Credit Evaluation section below for additional information. Government agencies also require the NPS' liabilities to be included in the debt-to-income ratio (DTI), although obligations incurred prior to marriage or specifically excluded by state law may not need to be included in some instances. See the Debt-to Income section below for complete agency guidelines. For complete state-specific guidance, work with the loan Underwriter.

The non-borrowing purchasing spouse will need to be present at the closing & sign only the legal disclosures.

DEBT-TO-INCOME

FHA, VA, and USDA loans require the lender to include the debts of a non-purchasing spouse (NPS) when calculating the DTI.

FHA and USDA: An installment or student loan debt belonging to an NPS can be excluded if it was incurred before the date of the marriage. A copy of the marriage license must be in the file to prove the debt was incurred before that date.

Revolving credit must be included in the DTI regardless of when it was incurred, but may be paid off according to agency guidance.

FHA Only**:** Collection accounts of a NPS (excluding medical) must be included in the $2000 cumulative balance. If documentation verifying the payment of the debt or a payment arrangement cannot be provided, the monthly payment for each collection account should be calculated using 5% of the outstanding balance and included in the DTI.

VA: All debt(s) of the NPS must be included in the DTI and residual income calculation, regardless of when the debt was incurred. VA does not allow state specific laws to override its federal statutory requirement.

Texas FHA only will permit the debt of an NPS to be excluded under the following conditions:

- If the debt was incurred after the date of the marriage, an Attorney Opinion Letter stating the borrower would not be responsible for the debt in the event of delinquency or default can be obtained. The cost for obtaining the letter is typically $125. This request is made by the borrower and is therefore a fee to be passed on to the borrower. The addition of this service is an allowable change of circumstance.
- The Loan Officer or Processor must note the date of the request in the comments in Encompass.
- The new disclosure showing the additional fee must be issued within three business date of the date the fee is entered into Encompass and the date of the borrower request.

OTHER REQUIREMENTS

The Non-Purchasing Spouse's social security number must match the SSA number.

Refer to the job aid for "Underwriting Community Property States" in UHMGo! for further information and Agency guidance.

845.0 FHA, Alimony Utilization for Qualification

Most recurring obligations, including child support and alimony are considered in computing the debt-to-income ratios. Debts lasting less than ten months must be counted if the amount of the debt affects the borrower's ability to make the mortgage payment during the months immediately after loan closing, this is especially true if the borrower will have limited or no cash assets after loan closing.

Because of tax consequences of alimony payments, UHM may treat the monthly alimony obligation as a reduction from the Borrower's gross income in calculating qualifying rations, rather than as a monthly obligation.

For more information, see HUD Handbook 4000.1 II.A.4.c.

846.0 No Credit Score Borrowers

UHM follows agency requirements for No Credit Score borrowers.

Strong compensating factors are required for government loans.

For VA loans a minimum of two non-traditional alternative credit histories are required where one of the two alternative credit sources is a 12+ month satisfactory housing credit history, otherwise, three satisfactory non-traditional alternative credit sources are required with a satisfactory 12+ months' most recent payment history verified. All other manual underwriting guidelines apply.

Divorce, Spousal, & Child Support

850.0 Divorce Decree Requirements

Other than the referenced requirements in the section of this guide labeled Long Term Debt, UHM takes a practical approach when requiring a divorce decree. UHM and its employees will never ask a consumer if he/she/they, is/are divorced.

Upon an Applicant's acknowledgement of the history, a copy of a divorce decree will be required at any time when a Borrower has been divorced <=7 years.

Past 7 years, UHM will not automatically require a copy of a divorce decree unless:

- There remains Alimony/Child Support paid or received
- In the event of a fraud guard alert
- If there are retained shared residences
- If there are retained shared business(es)
- Underwriter Discretion: In the event the Underwriter requests based on other factors noted within the file. Other factors must be related to known facts associated with loan qualifying such as obligations on the credit report belonging to the ex-spouse that need to be excluded, funds needed to close coming from the divorce, or income needed to qualify.

850.1 Separated Borrowers

When the Borrower indicates that he/she is separated, it must be determined whether it is a legal separation.

- If the Borrower is legally separated, a copy of the legal separation agreement must be provided to determine the division of assets, liabilities and potential obligations.
- If there is no legal separation, a letter from the attorneys of both parties involved specifying the proposed settlement terms must be provided.
- If no documentation can be obtained to verify the division of assets and liabilities, the Loan will generally be considered an unacceptable risk.
- If the Borrower states there are no plans for a legal separation, no further documentation is necessary; he/she is legally married and qualified accordingly.

850.2 Legally Binding Documentation Definition

When spousal support is being used as income, legally binding agreements or documentation may be required.* UHM's legal department defines legally binding documentation as follows:

When a written agreement between two parties that is signed and legally binding as recognized by state law is required, the document does not require notarization. If the documentation verifying the obligation is not a court-ordered document, additional documentation verifying 6 months' receipt of consistent, on-time payments (or the number of months the agency requires), must be provided. E-signatures may be accepted if the document was executed when the agreement began.

*Refer to the Ask Alice question, "What are the requirements for using income from voluntary or court ordered child support or alimony?" for further guidance on acceptable documentation for all agencies.

Income

860.0 Borrower Income Commencing After the Note Date (Conventional)

Union Home Mortgage (UHM) will accept income commencing after the note date (i.e., projected income, further income, or expected income), provided that the income is documented and structured in full compliance with agency guides.

Note: If the income begins more than 30 days after the note date, Team Lead 2nd Level review is required and the rate lock must be good through receipt of the first paystub.

Please see below for an outline of the requirements for Fannie Mae and Freddie Mac's requirements. For details on Government agency guidance, refer to the Ask UHM question, "What are the requirements for projected income (includes future income being received after closing)?"

	Fannie Mae Option 1 (Preferred – Paystub Obtained Before Delivery)	Fannie Mae Option 2 (Paystub Not Obtained Before Loan Delivery)	Freddie Mac Option 1 (Preferred)	Freddie Mac Option 2 (Team Lead 2nd Level Review Required)
Eligible Employment and Income	• Income must be from a new primary employment, or a future salary increase with the current primary employer • The Borrower's employer must not be a family member or an interested party to the real estate or Mortgage Transaction	• The borrower is not employed by a family member or by an interested party to the transaction, and • The borrower is qualified using only fixed base income.	• Income must be from a new primary employment, or a future salary increase with the current primary employer • Income must be non-fluctuating and salaried (e.g., **hourly earnings are NOT permitted**) • The Borrower's employer must not be a family member or an interested party to the real estate or Mortgage Transaction	• Income must be from new primary employment • Income must be non-fluctuating and salaried (e.g., **hourly earnings are NOT permitted**) • The Borrower's employer must not be a family member or an interested party to the real estate or Mortgage Transaction • As of the Delivery Date, the income must be no less than that used to qualify the Borrower for the Mortgage

Start Date of the New Employment or Future Salary Increase, as Applicable	• Must be no later than 90 days after the Note Date • May be before or after the Delivery Date	The borrower's start date must be no earlier than 30 days prior to the note date, or no later than 90 days after the note date. • If the start date is on the note date or no more than 30 days prior to the note date, the following is required prior to closing: ○ The employment offer or contract, and ○ VVOE that confirms active employment status • If the start date is no more than 90 days after the note date, the following is required prior to closing: ○ The employment offer or contract, and ○ VVOE that confirms the offer is still valid & proposed start date.	• Must be no later than 90 days after the Note Date • May be before or after the Delivery Date	• No limit on the number of days after the Note Date • Must be before the Delivery Date
Eligible Loan Purpose	• Purchase Transaction • Rate/Term Refinance • Cash-Out Refinance	• Purchase Transaction	• Purchase Transaction • No Cash-Out Refinance	• Purchase Transaction • No Cash-Out Refinance • Cash-Out Refinance
Eligible Mortgaged Premises	• No restriction; refer to the FNMA Standard Product Summary for all eligible mortgaged premises types.	• 1-Unit Primary Residence	• 1-Unit Primary Residence	• 1- to 4-unit Primary Residence • Second Home • 1- to 4-unit Investment Property.
Required Documentation	• The Loan Officer must obtain an executed copy of the borrower's offer or contract for future	• The borrower must have an offer or contract for future employment, and a VVOE must be obtained within 10	• Copy of the employment offer letter, employment contract or other evidence of the future salary increase	• Copy of the employment offer letter or employment contract that:

	employment and anticipated income. • After closing, the Loan Officer must obtain a pay stub from the borrower that includes sufficient information to support the income used to qualify the borrower based on the offer or contract. ○ The borrower must have sufficient funds-to-close, plus reserves to cover: ○ Principal, interest, taxes, insurance, and association dues (PITIA) for the subject property for six months; or ○ The monthly liabilities included in the debt-to-income ratio, including the PITIA for the subject property, for the number of months between the note date and the employment start date, plus one. For calculation purposes, consider any portion of a month as a full month. ○ Reserves must be documented based on AUS results.	days of closing. The employment offer or contract must: ○ Identify the employer and the borrower, be signed by the employer, and be accepted and signed by the borrower; ○ Identify the terms of employment, including position, type and rate of pay, and start date; and ○ Be non-contingent. • **Note 1:** If conditions of employment exist, it must be confirmed prior to closing that all conditions of employment are satisfied, either by verbal verification or written documentation. This confirmation must be noted in the mortgage file. • **Note 2:** For a union member who works in an occupation that results in a series of short-term job assignments (such as a skilled construction worker, longshoreman, or stagehand), the union may provide the executed employment offer or contract for future employment. The lender must document, in addition to the amount of	from the current employer that: ○ Is fully executed and accepted by the Borrower ○ Is non-contingent or provide documentation, such as a letter or emails from the employer verifying all contingencies have been cleared, and ○ Includes the terms of employment, including employment start date and annual income based on non-fluctuating earnings • For a future salary increase provided by the Borrower's current employer, the above documentation must indicate that the increase is fully approved and is explicitly granted to the Borrower • A 10-day pre-closing verification (PCV) verifying the terms of the employment offer letter, contract, or future salary increase have not changed (refer to Section 5302.2(d) of Freddie Mac Selling Guide) • Documentation of additional funds, as required above	○ Is fully executed and accepted by the borrower, ○ Includes the terms of employment, including but no limited to, employment start date and annual income based on non-fluctuating earnings • Paystub, written verification of employment (VOE), or a third-party employment verification supporting the income used for qualifying the Borrower • Documentation of additional funds, as required above

		reserves required by DU or for the transaction, one of the following: • Financial reserves sufficient to cover principal, interest, taxes, insurance, and association dues (PITIA) for the subject property for six months; or • Financial resources sufficient to cover the monthly liabilities included in the debt-to-income ratio, including the PITIA for the subject property, for the number of months between the note date and the employment start date, plus one. For calculation purposes, consider any portion of a month as a full month. • Financial resources may include: ○ financial reserves, and ○ current income Current income refers to net income that is currently being received by the borrower (or coborrower), may or may not be used for qualifying, and may or may not continue after the borrower starts employment under the offer or contract. For this purpose, the lender may use the amount of		

		income the borrower is expected to receive between the note date and the employment start date. If the current income is not being used or is not eligible to be used for qualifying purposes, it can be documented by the lender using income documentation, such as a paystub, but a verification of employment is not required. **Note:** DU will issue a verification message related to employment offers and contracts if the borrower's current employment start date is blank or after the date the loan casefile was created. • Special Feature Code 707		

861.0 Income Analysis

EMPLOYMENT BY RELATIVES OR TRANSACTION PARTICIPANTS

If the borrower is employed by a relative, a closely held family business, the property seller, real estate agent, or any party to the real estate transaction, the following documentation must be obtained:

- Borrower's signed and completed personal federal income tax returns for the most recent two-year period*, and
- Verification that the Borrower does not have 25% or more ownership, and
- A Written Verification of Employment (WVOE).
    - The written VOE cannot be completed by a family member. It must be completed by a third party, such as an accountant, manager, or HR person that is not related to the borrower.

***Note the following exceptions:**

- All Agencies: If the borrower does not have a two-year history of employment and is relying on evidence supporting enrollment in school, high school is only acceptable when there is a specialized or technical focus documented by their transcripts in the same industry in which the Borrower is employed. All other requirements for supporting stability of income also apply.
- Freddie Mac Only: Complete signed federal individual income tax return or IRS wage and income transcript for the most recent year may be used. Documentation must validate the prior year's earnings from current employment and support the current income level. If the current income level is not supported, UHM may use the validated income amount from the prior year as qualifying income.

Income Calculation:

Current income reported on the VOE or pay stub may be used if it is consistent with W-2 earnings reported on the tax returns. If the tax returns do not include W-2 earnings or income is substantially lower than the current VOE or paystub, further investigation is needed to determine whether income is stable.

Refer to Ask UHM for more information.

ANNUAL OR HOUSEHOLD INCOME

UHM follows Agency guidelines for calculation of annual/household income, including eligible and ineligible deductions (childcare expenses, medical expenses, etc.).

NONTAXABLE INCOME TO ADJUST THE BORROWER'S GROSS INCOME

UHM requires special consideration to regular sources of Income that may be nontaxable.

Examples of Non-taxable income:

- Child Support
- Workers' Compensation Benefits
- Certain Types of Public Assistance (including Section 8 Housing)
- Food Stamps
- Military Allowances (BAH & BAS)
- Social Security Benefits (portion may be taxable)
  - All other requirements for using Social Security income vary depending on the type of loan product. Refer to the Ask UHM question, "What are the requirements for verification of Social Security Income?" for detailed guidance broken out by Agency.

For additional information on taxable and nontaxable income, please see the [IRS Income Quick Reference Guide].

Calculation:
If the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, Lenders may develop an "adjusted gross income" for the Borrower by adding an amount equivalent to the allowable tax rate. Only the amount of non-taxable income can be grossed up.

- 25% for Conventional, VA, & USDA
- 15% for FHA

The standard formula for adding a Borrower's income includes adding the percentage to the base income to retrieve the adjusted gross income using a 25% calculation in this example (ex.: $1,000.00 monthly income x 25% + $250.00 = $1,250.00 adjusted gross income).

Documentation:
Tax Returns OR Tax Transcripts are required when any portion of the income being grossed up may be taxable.

EMPLOYMENT IN MARIJUANA/CANNABIS INDUSTRY
Employment in Marijuana/Cannabis industry: W-2 income may be used on Fannie Mae loans only when a borrower is employed by a company in the marijuana/cannabis industry under the following conditions:

- The borrower must be employed by a company performing a service(s) that is/are legal under applicable US state laws. Applicable states include the location of the employer and the borrower's location/territory for employment.
- The borrower must not have direct or indirect ownership in the company they are employed by.
- 1099 Income cannot be used in qualifying. This includes commissioned sales, even when the borrower is not an owner of the company.

Fannie Mae ONLY. Freddie Mac, and government agencies do not permit use of this income.

862.0 IRS FORM 8821 and Tax Transcripts

UHM requires a fully completed and signed (or e-signed) IRS FORM 8821 for each Borrower, and the form must be wet-signed at closing. The form must be fully completed prior to the borrower(s) signature, per IRS requirements. The completed forms must be accurate, complete and legible.

For any loan that is not serviced by UHM, an IRS FORM 4506-C for each Borrower is required to be signed at closing and provided in the purchase package.

WHEN TRANSCRIPTS ARE REQUIRED:

To align with agency guidelines, UHM requires IRS Transcripts for the following loan types and scenarios:

- Investor Specific Loans (if required by an Investor outside of Agency)
- Self-Employed (Conventional: Applies when income is used for qualifying and considered SE income by agency definitions. Government: All SE Borrowers)
- Borrowers employed by Family Members
- Borrowers with Investment Properties
- Borrowers with Hand-Written Pay Stubs or W-2s
- Union worker, or skilled laborer (i.e.: construction worker, plumber, electrician) with multiple employers over the most recent two years, and/or paid 1099
- Income that has been grossed up for qualifying, even if the borrower did not pay taxes.
- Underwriter Discretion
- All USDA loans require tax transcripts from the previous two years for all adult household members
- VA will require tax returns for borrowers who earn commission, which will trigger IRS transcripts.

When Transcripts Are NOT Required:

Tax Return Transcripts are not required for:

- loans or scenarios outside of those listed above, OR
- Union worker or skilled laborer (i.e.: construction worker, plumber, electrician) who has been with the same employer for the most recent two-year period and W2 wages are used for qualifying, OR
- Non-QM Bank Statement, Investor Cash Flow and Foreign National products. Refer to individual Non-QM product guides and descriptions for more information.
- Borrowers who file a federal income tax return to report income **and** are not required to pay taxes. However, the transcript is required if the income is grossed up for qualifying.

TRANSCRIPT PROCESS/REQUIREMENTS (WHEN REQUIRED)

In the event tax transcripts are unable to be obtained due to an error on the form, a wet-signed IRS FORM 8821 will be required.

The immediate past year Tax Return Transcripts are required for loans that fit within the requirements previously listed that are closing on or after June 15, the current year (example, 2019 as the current year). Tax Return Transcripts are required as follows:

- All transactions must have an executed 8821 (verified tax transcript from the IRS) covering at least the most recent one-year* period prior to Final Approval. If the AUS requires more than one year tax returns to verify income, then the number of years required by the AUS must be validated with tax transcripts.
    - *Note: USDA requires income documentation covering the previous two years for all adult household members.
- The most recent year's 1040 IRS Tax Return Transcript for all Borrowers must be included in the closed loan file when income was used in the underwriting decision.
- Transcripts must be obtained directly from a tax transcript vendor or the IRS by the Correspondent. Transcripts cannot be obtained by the borrower or a third-party originator.
- Any difference between income documented in the tax transcript and income used to qualify the loan must be reasonable and supported by information and documentation in the loan file.
- For retired Borrowers: In cases where the borrower is not required to file tax returns, transcripts are still required. If "No results" feedback is received, provide a copy of the feedback.

Tax Return Balances Owed (Current Year):

Refer to the Tax Return, W-2, and P&L Requirements appendix item for tax return balances owed for the current year.

Tax Return Extensions: If the borrower has filed an extension for the current tax year, all of the following documentation is required and must be included in the loan file:

- Copy of the filed extension
    - IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) filed with the IRS, and/or
    - Form 7004 filed with the IRS for most business returns.
- Current year Tax Transcript reflecting
    - "No Results"
    - "No Record Found,*" or
    - IRS Verification of Non-Filing form

- For salaried borrowers
    - Current year Tax Transcripts,
    - Current paystub, and
    - Current year W-2 form
- For self-employed borrowers
    - Prior year Tax Transcript, and
    - Current Year P&L (Refer to Section 3008.0 for current year P&L requirements).

*Note: Freddie Mac permits alternative documentation in lieu of the Internal Revenue Service (IRS) confirmation that tax transcript(s) are not yet available for the business tax return(s), as follows:

- Confirmation business tax returns were filed after the IRS filing due date for the prior year(s) or documentation from third-party tax return preparer confirming current tax year business return has not yet been filed; and,
- Documented evidence of continued income stability using at least one of the examples listed in FHLMC Selling Guide Section 5304.1(d) under “Business and/or individual tax return(s) – most recent calendar year not yet available.”

Assets

870.0 Assets

CASH ASSETS FOR DOWN PAYMENT AND CLOSING COSTS

In addition to standard liquid assets, the following are considered to be cash assets at 100% of the verified amounts:

- Group savings
- Pooled funds
- Proceeds from the sale of the borrower's personal property
- Individual Development Account

CREDIT CARD FOR THE PAYMENT OF FEES

A credit card may be used to pay fees associated with the Mortgage as follows: Acceptable fees are:

- Appraisal
- Credit Report
  - Please note that the associated items paid by a credit card cannot be counted towards minimum contribution requirements.

GENERAL REQUIREMENTS

The Loan must meet all of the general requirements along with the purchase or limited cash-out specific requirements when using a cash advance on a credit card for closing costs:

- Borrower must have sufficient liquid assets to pay the amount they charged (in addition to all other closing costs)
- Closing Disclosure must reflect a paid outside of closing (POC) credit to the borrower for the amount charged
- The credit report and appraisal fees may be charged.

CASH ASSETS REQUIRING LIQUIDATION

The following may be counted as cash assets at 100% of the verified liquidated amounts:

- Cash value of life insurance
- Publicly Traded Stocks
- Bonds
- Mutual Funds
- Government Securities
- Savings Bonds

For FHA, VA, and USDA:

If the account has not been liquidated than for qualification purchases, only 60% of the vested amount should be used to determine sufficient assets necessary for the transaction. Verification of liquidation will be required.

For Fannie Mae and Freddie Mac:

- When used for down payment or closing costs, if the value of the asset is at least 20% more than the amount of funds needed for the down payment and closing costs, no documentation of the borrower’s actual receipt of funds realized from the sale or liquidation is required. Otherwise, evidence of the borrower’s actual receipt of funds realized from the sale or liquidation must be documented in all cases.
- When used for reserves, 100%of the value of the asset may be considered, and liquidation is not required.

PUBLICLY TRADED STOCKS, BONDS, MUTUAL FUNDS, U.S. GOVERNMENT SECURITIES

A copy of the account statement for the most recent month/quarter is required. When the asset must be liquidated as noted above, verify:

- The borrower's ownership of the asset,
- The value of the asset at the time of sale or liquidation, and
- The borrower's actual receipt of funds realized from the sale or liquidation into the borrower's checking or savings account.

RETIREMENT PLANS

IRA, SEP IRA, 401(k), KEOGH, 403(b) and other IRS qualified retirement plans may be verified with a copy of the most recent monthly/quarterly statement evidencing the Borrower as the owner and the value of the account.

When the asset is needed to complete the transaction UHM must verify:

- the borrower's ownership of the asset,
- the value of the asset at the time of sale or liquidation, and
- the borrower's actual receipt of funds realized from the sale or liquidation into the borrower's checking or savings account.

SAVINGS BONDS

- A copy of the bond certificate(s) must be provided evidencing the Borrower is the owner and the current value of the bonds, OR
- Include a statement from the financial institution attesting that it has seen the bonds and listing the serial numbers of the bonds, dates of maturity, type and amount, and stating that the borrower is the owner. A copy of the appropriate U.S. Treasury Table evidencing the current values of the bonds should also be provided.

When the asset is needed to complete the transaction verify:

- The borrower's ownership of the asset,
- The value of the asset at the time of sale or liquidation, and
- The borrower's actual receipt of funds realized from the sale or liquidation.

SALE OF PERSONAL PROPERTY

The following are required to document the sale of personal assets for funds to close:

- Bill of sale reflecting:
  - Date of sale
  - Appraised Value
  - Asset to be sold
  - Sales price
  - Signatures of buyer and seller
- Copy of the check from the purchaser of the asset or the borrower's bank statement verifying the deposit of proceeds from the sale.

TAX PRO-RATIONS

Tax Pro-Rations may not be utilized as an asset or counted towards a borrower’s minimum contribution requirements. This applies to all products, except VA.

Freddie Mac Only – Additional Guidance

- If the Closing Disclosure reflects portion of real estate taxes owed by property seller, a prorated tax credit of the same amount can offset that portion of the charge for establishing the escrow account.
- Applies only in areas where taxes are paid in arrears.
- The use of the credit is permitted only to reduce the total funds to be verified at closing.
- This credit could not be used towards meeting down payment requirements.
- Tax prorations could not be credited when escrows are waived.

FREDDIE MAC ONLY: CREDIT CARD REWARD POINTS

Credit card reward points are an eligible source of funds used to qualify the Borrower for the Mortgage transaction when the points are redeemed for cash. The Seller must obtain the following when the funds are not yet deposited in the Borrower’s account:

- Evidence of the Borrower’s ownership of the reward points and their cash value, and
- Evidence the reward points are redeemed for cash prior to closing, which may include a direct transfer of the cash to the settlement or closing agent

For reward points redeemed for cash and deposited in the Borrower’s account prior to closing, refer to Freddie Mac’s requirements for evaluation of deposits in the Borrower’s accounts in FHLMC Sellers Guide Section 5501.3(a)(iii).

MINIMUM REQUIRED INVESTMENT (MRI)

Documentation at the time of underwriting must support that the borrower had sufficient assets to meet the MRI and the Borrower paid closing costs. Tax perorations may not be applied at the time of underwriting for qualification purposes. This applies to all products, except VA.

ASSETS, JOINT ASSET LETTERS

A joint asset letter is not required by any Agency in any case.

FOREIGN ASSETS

Foreign assets can be used to qualify when the assets meet all standard agency asset documentation requirements including, but not limited to, seasoning requirements, required number of bank statements, and verification of large deposits.

Documentation Requirements:

- All sources of funds used for down payments, closing costs, and financial reserves must be documented.
- All documents of a foreign origin must be completed in English, or the borrower must provide a translation, attached to each document, and ensure the translation is complete and accurate.
- When the source of funds originates from assets located outside of the U.S. and its territories, the assets require:
    - Documented evidence of the foreign assets exchanged into U .S. dollars and held in a U.S. or state regulated financial institution,
        - Note: Freddie Mac will allow foreign assets for qualifying that have not been liquidated and converted to U.S. dollars, provided these assets have a combined translated value of at least 20% greater than the U.S. dollar amount of assets needed for closing.
    - Verification of the funds in U.S. dollars prior to the loan closing, and
    - Evidence that any funds transferred from a foreign depository were owned by the borrower prior to transfer. Funds from another party would be considered a gift.

All standards for determining adequate credit history, stable income, and sufficient liquid assets must be applied in the same manner to each borrower whether they are a U.S. Citizen, permanent resident, or non-permanent resident.

BUSINESS ASSETS

Business assets may be an acceptable source of funds for the down payment, closing costs, and financial reserves, when a borrower is self-employed and individual federal income tax returns have been evaluated. This includes, if applicable, business federal income tax returns for that specific business (non-Schedule C).

Documentation Requirements:

- The borrower must be listed as an owner of the account and the account must be verified. The amount of assets that can be used for qualifying will be based on the percentage of ownership the borrower has in the company. A business cash flow analysis will be conducted by Underwriting to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business.

- Bank Statements:
  - Fannie Mae, FHA, VA, & USDA: 2 most recent months' complete bank statements (all pages)
  - Freddie Mac Only: 3 most recent months' complete bank statements (all pages)

<u>Note – Fannie Mae Only:</u>

When self-employment income is not being used to qualify for the loan, but the borrower is using assets from their business towards down payment, closing costs, and/or financial reserves, the lender is not required to perform a business cash flow analysis, provided the borrower is listed as an owner of the account and the account is verified in accordance with Standard Asset requirements.

<u>Note - USDA Only:</u>

In cases where an applicant owns a business, it must be verified that assets are not transferred between a personal account and a business account. The accounts should function separately. If the accounts are co-mingled, the assets must be included in the calculation of net family assets for household income calculation purposes.

Large Deposit Evaluation when Using Business Assets:

- Conventional, VA, & USDA: Large deposits in a business account are not required to be evaluated, provided they are typical for the borrower's business.

- FHA: For all assets, whether business or personal, any individual deposit of more than 50% of the total monthly effective income must be documented and explained.

871.0 Large Deposit Validation Requirements

GOVERNMENT LOANS

TOTAL Scorecard Accept/Approve or Refer Recommendation

FHA:

For individual deposits of more than 50% of the total monthly effective income, obtain documentation of the deposits. Additionally, verify that the deposits are commensurate with the Borrower's income and savings history, and that no debts were incurred to obtain part, or all, of the minimum required investment.

If the documents are clear and tell the whole story, an additional explanation is not required.

An explanation may be required in cases where it is not clear whether new debt was incurred to obtain part or all of the MRI.

USDA, Rural Development:

All recurring deposits on account statements that are not attributed to wages or earnings, as well as non-recurring deposits greater than $1,000 that are not attributed to wages or earnings, must be reviewed to confirm the deposits are not from undisclosed income sources.

While USDA does not maintain standard source requirements, USDA will require a Borrower letter of explanation (LOE) for large or unusual deposits that are not consistent with the previous history to determine the source and reoccurrence of funds. The LOE validation is relevant to deposits that may be factored into other sources of income which may impact the family income calculation.

VA: No deposit requirements unless otherwise required by the AUS. UHM only needs to verify that funds on deposit are available to cover all costs. VA Guidelines apply.

VA Example: Borrower has seasoned funds to cover costs as described above, no deposit validation over and above is required.

CONVENTIONAL LOANS

Approve Recommendation

Conventional Purchase Transactions[1]: Follow FNMA/Agency guidelines and obtain an explanation and documentation (from an acceptable source) for recent large deposits in excess of 50% of the monthly qualified family income for all applicants. Verify that any recent debts were not incurred to obtain part, or all, of the required cash investment on the property being purchased.

Conventional Non-Cumulative Examples: $5,000.00 in monthly income, three deposits of $500.00, $500.00 and $1,501.00 would not require an explanation or documentation. Conversely, a single $2,501.00 deposit would require an explanation and documentation for the deposit.

Conventional Refinance Transactions: Documentation or explanation for large deposits is not required; however, UHM is responsible for ensuring that any borrowed funds, including any related liability, are considered.

- **Freddie Mac Only:** For all transactions, when an unverified deposit is used to pay off or pay down an existing debt in order to qualify for the Mortgage, the source of funds must be documented.

FOOTNOTES:

1. If the source of a large deposit is readily identifiable on the account statement(s), such as a direct deposit from an employer (payroll), SSA, IRS, or transfer between verified accounts, further explanation or documentation is not needed.

872.0 Reserve Requirements

Sellers should refer to the Fannie Mae's Selling Guide for detailed information on reserve requirements. Refer to the Fannie Mae Selling Guide Section B3-4.1-01.

873.0 Gifts and Grants

GIFT FROM RELATED PERSONS

A Gift Letter, signed by the donor, is always required.

IT IS BEST TO USE THE UHM GIFT LETTER TO ENSURE ALL REQUIRED FIELDS ARE PROVIDED. PLEASE NOTE THE FIELDS SHOWN BELOW THAT ARE REQUIRED BY UHM ON ALL GIFT LETTERS. GIFT LETTER MUST INCLUDE THE FOLLOWING:

- The Donor’s name, address (city, state, and ZIP), telephone number and relationship to the Borrower, and
- The Donor’s statement that no repayment is to be expected from the Borrower, and
- The Donor’s signature, and
- The dollar amount of the gift.
  - FHA, VA, and USA require the amount given to match the dollar amount reflected in the gift letter.
  - FNMA and FHLMC allow the gift letter to reflect either the maximum amount of the gift funds or gift of equity, or the actual dollar amount.

DONOR REQUIREMENTS

Fannie Mae:

Fannie Mae allows a gift to be provided by:

- A relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or
- A non-relative that shares a familial relationship with the borrower defined as a domestic partner (or relative of the domestic partner), individual engaged to marry the borrower, former relative, or godparent.

The donor may not be, nor have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.

Note: Gift funds from the seller who is also an acceptable donor and not affiliated with any other interested party to the transaction are allowed. The donor of a gift of equity cannot be an interested party to the transaction.

Funds From an Estate or Trust

The trustee of an estate or trust may use funds from these sources to give a gift when they meet the requirements for an acceptable donor, as defined above.

When the gift is sourced by a trust established by an acceptable donor or an estate of an acceptable donor, the gift letter must be signed by the donor and list the name of the trust or the estate account.

Fannie Mae will also accept a wedding gift from unrelated persons as an eligible source of funds. See the "Wedding Gifts" Section.

Freddie Mac:

Freddie Mac allows a gift to be provided by:

- The borrower's spouse, child or dependent
- An individual related to the Borrower by blood, marriage, or adoption
- A guardian of the Borrower
- A person for who the borrower is a guardian
- The borrower's fiancé, fiancée, or domestic partner.
- An unrelated individual with close, family-like ties to the borrower (ex: Godparent or similar is acceptable; Freddie Mac does not allow "close friends")
- The estate of, or a trust established by, a related person

- The Gift Letter Must:
  - Be signed by the trustee or the authorized representative of the estate, as applicable.
  - State the donor's name and that the funds are given by a Related Person, a trust established by a Related Person or the estate of a Related Person, as applicable.
  - Include the donor's mailing address and telephone number. When the donor is a trust or an estate, provide the mailing address and telephone number of the trustee or authorized representative, as applicable.
  - State the actual or the maximum amount of the gift funds or gift of equity.
  - Establish that the gift funds or gift of equity are a gift that does not have to be repaid.

Freddie Mac will also accept gifts from related and/or unrelated persons an eligible source of funds for a Mortgage secured by a Primary Residence from a:

- Wedding gift – See Wedding Gifts Section
- Graduation gift
  - The gift funds must be on deposit in the Borrower's depository account within 90 days of the date of the graduation.
  - The Loan file must include evidence of graduation from an educational institution (e.g., diploma or transcripts) that supports the date of graduation,
  - And a verification of the gift funds in the Borrower's depository account.

Note: When a Mortgage is secured by a second home and the LTV/TLTV/HTLTV ratio is greater than 80%, the gift is permitted only if the Borrower has made a Down Payment of at least 5% from Borrower personal funds.

FHA

For FHA loans, the donor can be:

- A family member defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:
  - Child, parent, or grandparent
    - A child is defined as a son, stepson, daughter, or stepdaughter.
    - A 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 or foster child
  - Brother, stepbrother, sister, or stepsister
  - Uncle, aunt; or
  - A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law of the borrower.

FHA additional acceptable donors (Not permitted for gifts of equity):

- The borrower's employer or labor union.
- A close friend with a clearly defined and documented interest in the borrower. Documentation of the relationship is required, such as a Letter of Explanation (LOE), to accept donors of this kind. The following relationships fall within this category:
    - Cousin
    - Fiancé/Fiancée
    - Future Father-in-Law or future Mother-in-Law
- A charitable organization.
- A governmental Agency or public entity that has a program providing homeownership assistance to low- or moderate-income families or first-time homebuyers.

USDA/VA

For USDA or VA loans, a gift can be provided by a donor that does not have any affiliation with the builder, developer, real estate agent, or any other interested party to the transaction.

WEDDING GIFTS

Wedding gift money is generally acceptable when there is adequate documentation to support the event and timing of a large deposit.

Fannie Mae: The gift should follow Large Deposit guidelines, and documentation supporting the receipt of the gift funds (ex. a copy of a wedding invitation) should be included in the loan file.

Freddie Mac: The gift funds must be on deposit in the Borrower's depository account within 90 days of the date of the marriage license or certificate. The Loan file must also include a copy of the marriage license or certificate and a verification of the gift funds in the Borrower's depository account.

Refer to the section Grants and Funds from Entities for additional acceptable sources of gift funds.

GIFT DOCUMENTATION – PAID PRIOR TO CLOSING

- Acceptable Documentation for Gifts Paid by Wire Transfer Includes:
  - Evidence of the electronic transfer of funds from the Donor's account to the Borrower's account.
- Acceptable Documentation for Gifts Paid Using Certified Funds Includes:
  - The certified document, which must show the donor's name as the remitter and reflect a written dollar amount that matches the amount shown on gift letter (see Gift Letter Requirements above).
  - If the certified funds were sent directly to the Borrower, a verification of deposit into the Borrower's account (such as a deposit slip) is also required.
- Acceptable Documentation for Gifts Paid by Check Includes:
  - A verification of deposit into the borrower's account, i.e., a deposit slip, and
  - A copy of the Donor's canceled gift check, the donor's bank statement, or the donor's withdrawal slip, which must clearly indicate the following:
    - The Donor's name, and
    - The Donor's address, and
    - A written dollar amount that matches the amount shown on the gift letter (see Gift Letter Requirements above).

GIFTS DOCUMENTATION – PAID AT CLOSING

- Acceptable Documentation for Gifts Paid Using Certified Funds Includes:
  - The certified document, which must show the donor's name as the remitter and reflect a written dollar amount that matches the amount show on the gift letter (refer to Gift Letter Requirements above).
  - If the certified funds have been made payable to the closing agent and the gift is shown on the closing disclosure, no additional documentation is required.
- Acceptable Documentation for Gifts Wired Directly to the Title Company Includes:
  - Verification that the funds received by the title company came from the gift Donor's account. The wire must reflect the Donor's name, account number and amount of the transfer. This must be a condition of the loan and verified by UHM.

GIFTS FROM BUSINESS ACCOUNTS

If the source of the gift is from a business account, the Donor must verify he/she is the account owner.

GIFT OF EQUITY – CONVENTIONAL AND GOVERNMENT

- A gift of equity in the subject property is an acceptable source of down payment, as long as the amount of equity has been verified.
- A gift of equity is permitted for principal residence and second home purchase transactions. The acceptable donor and minimum borrower contribution requirements for gifts also apply to gifts of equity.
- A gift of equity may not be used to cover the borrower's reserve requirements.
- A gift of equity may be used to cover down payment, closing costs and prepaids.
- Freddie Mac Only: Gifts of equity may be used to pay off debt at closing (not permitted for FNMA, FHA, VA, or USDA).

Documentation Requirements:

- A gift letter which meets UHM guidelines is required.
- The Closing Disclosure must show the gift amount as a line item that matches the gift letter.

GRANTS AND FUNDS FROM AN ENTITY

A grant is any donation to the borrower from an entity. In some cases, the entity may be calling it a gift because it is not expected to be repaid. In other cases, the entity may have an agreement signed by the borrower that spells out terms and conditions that must be met in order to maintain that the gift does not need to be repaid.

Types of allowable entities include:

- Government grant and loan programs available under homeownership initiatives. This includes:
    - Housing Financing Agencies at the State government level or
    - Municipalities
- Disaster relief grants or loans
- Churches
- Nonprofit organizations (excluding credit unions)
- Federal Home Loan Bank (under one of its affordable housing programs)
- Any public agency

REQUIRED ASPECTS OF GIFTS AND GRANTS FROM AN ENTITY THAT MUST BE EVIDENT VIA DOCUMENTATION IN THE LOAN FILE:

- The donor of the gift or grant does not require or expect repayment
- The gift or grant is given as part of an established program (need proof such as program materials)
- The entity is not an interested party
- The funds were not obtained from an interested party either directly or through a third party
- The subject property is owner occupied, as no second homes or investment properties are allowed.

- Funds were received by the Borrower or by the Seller on the borrower's behalf (need proof)
- Documentation from the entity identifies the donor's mailing address.
- (Fannie Mae) Borrower must meet the Minimum Required Investment, unless the funds are from a Disaster relief grant or loan
- Government and conventional programs do not permit the use of gifts or grants from any entity to be used to pay off debts.

GIFTS AS RESERVES

FHA GIFT FUNDS AS RESERVES

Gift funds, on FHA loans, may be utilized with 1-2 unit properties that have been approved by DU or LP. Gift funds as reserves are prohibited on manually underwritten loans and 3-4 unit properties. A gift of equity cannot be used for reserves.

CONVENTIONAL GIFT FUNDS AS RESERVES

Gifts may cover reserves with the exception that Home Possible requires reserves from Borrower's own funds. A gift of equity cannot be used for reserves.

CASH BACK AT CLOSING

Please refer to Section 876.0 UHM Cash Back Guidance of the TPO Lending Guide.

Please refer to the Getting the Gift Right Guide for further details on the topics within this section or about gifts and grants in general.

873.1 Minimum Down Payment

MINIMUM DOWN PAYMENT

- LTV <= 80%: 1-to-4 unit Principal Residence - No minimum borrower contribution. 100% gift funds permitted.
- LTV <= 80%: Second Home - No minimum borrower contribution. 100% gift funds permitted.
- (Freddie) LTV > 80%: 1-4 unit Principal Residence - No minimum borrower contribution. 100% gift funds permitted.
- (Fannie) LTV > 80%: 1-unit Principal Residence - No minimum borrower contribution. 100% gift funds permitted.
- (Fannie) LTV > 80%: 2-4 unit Principal Residence - Borrower must make a 5% minimum contribution from his/her own funds*. After the minimum contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves.

- LTV > 80%: Second Homes - Borrower must make a 5% minimum contribution from his/her own funds*. After the minimum contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves.
  - *If the borrower receives a gift from a relative or domestic partner who has lived with the borrower for the last 12 months, or from a fiancé or fiancée, the gift is considered the borrower's own funds and may be used to satisfy the minimum borrower contribution requirement as long as both individuals will use the home being purchased as their principal residence.

Gift funds are not permitted on Investment Property transactions.

MINIMUM BORROWER CONTRIBUTION REQUIREMENTS[1]

The following table describes the minimum borrower contribution requirements for transactions that contain gifts.

<table>
<tr><th>LTV, CLTV, or HCLTV Ratio</th><th colspan="2">Minimum Borrower Contribution Requirement from Borrower's Own Funds</th></tr>
<tr><td rowspan="2">80% or less</td><td>1-4 unit Principal Residence</td><td rowspan="2">A minimum borrower contribution from borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.</td></tr>
<tr><td>Second Home</td></tr>
<tr><td rowspan="4">Greater than 80%</td><td>(Freddie Only)
1-4 Unit Principal Residence</td><td>A minimum borrower contribution from borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.</td></tr>
<tr><td>(Fannie Only)
1 Unit Principal Residence</td><td>A minimum borrower contribution from borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.</td></tr>
<tr><td>(Fannie Only)
2-4 Unit Principal Residence</td><td rowspan="2">The borrower must make a 5% minimum borrower contribution from his or her own funds.[1] After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves.

See B5-6-03, HomeReady Mortgage Underwriting Methods and Requirements, for HomeReady mortgage minimum borrower contribution and down payment requirements.</td></tr>
<tr><td>Second Home</td></tr>
</table>

Footnotes:

1. If the borrower receives a gift from a relative or domestic partner who has lived with the borrower for the last 12 months, or from a fiancé or fiancée, the gift is considered the borrower's own funds and may be used to satisfy the minimum borrower contribution requirement as long as both individuals will use the home being purchased as their principal residence.

Fannie Mae Single Family
2016 Selling Guide
Part B, Origination Through Closing
Subpart B3, Underwriting Borrowers
Chapter B3-4, Asset Assessment
Section B3-4.3, Verification of Non-Depository Assets
B3-4.3-04, Personal Gifts (09/29/2015)

E-mail Link

Minimum Borrower Contribution Requirements

The following table describes the minimum borrower contribution requirements for transactions that contain gifts.

LTV, CLTV, or HCLTV Ratio	Minimum Borrower Contribution Requirement from Borrower's Own Funds	
80% or less	One- to four-unit principal residence Second home	A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.
Greater than 80%	One-unit principal residence	A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.
	Two- to four-unit principal residence Second home	The borrower must make a 5% minimum borrower contribution from his or her own funds. [1] After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves. See B5-6-03, HomeReady Mortgage Underwriting Methods and Requirements (11/03/2015), for HomeReady mortgage minimum borrower contribution and down payment requirements.

[1] If the borrower receives a gift from a relative or domestic partner who has lived with the borrower for the last 12 months, or from a fiancé or fiancée, the gift is considered the borrower's own funds and may be used to satisfy the minimum borrower contribution requirement as long as both individuals will use the home being purchased as their principal residence.

873.2 Reserves

REQUIRED RESERVES

Document the loan file according to Agency and AUS requirements. Also refer to information regarding Gifts as Reserves in the section of this guide labeled Gifts and Grants.

874.0 Other Assets for Down Payment

1031 TAX DEFERRED EXCHANGES

Section 1031 of the Internal Revenue Code allows investors to defer payment of state and federal capital gain taxes by exchanging investment property rather than selling investment property. This code section provides a strategy for the deferral of capital gains taxes, which in turn provides a property owner with substantially more proceeds to reinvest in a replacement property.

A tax deferred exchange, therefore, is the process of rolling over funds from one investment property into another, without having access to those funds. In a taxable sale, the property owner is taxed on any gain realized by the sale of the property. In an exchange; however, the tax is deferred. This section of the IRS code does not apply to primary residences.

RESTRICTIONS

UHM will allow 1031 exchanges to be used towards down payment for **investment property purchases only** with the following restrictions:

- Reverse exchanges are not allowed because the borrower is not in title to the property at the time of closing.
- Product grade must allow second homes and investment properties.
- No Seller provided subordinate financing.
- The Loan closing must be handled by a qualified intermediary. A qualified intermediary is an entity (usually a subsidiary of a title company) who enters into a written agreement with the taxpayer. The qualified intermediary cannot be an agent, attorney, accountant, investment banker or broker. This Exchange Agreement requires the qualified intermediary to acquire and transfer the relinquished property and to acquire and transfer the replacement property. The relinquished property is the property "sold" and the replacement property is the property "acquired".
- Copies of all closing documents and Purchase Agreement on the relinquished property must be obtained. Required documentation includes:
  - 1031 Exchange Agreement
  - Settlement Statement
  - Title Transfer
- Both Purchase Agreements (relinquished and replacement properties) must contain appropriate language to identify the 1031 exchange. An example of satisfactory language is:
  - Phase I (Sale): "Buyer is aware that Seller is to perform a 1031 Tax Deferred Exchange. Seller requests Buyer's cooperation in such an exchange and agrees to hold Buyer harmless from any and all claims, liabilities, costs or delays in time resulting from such an exchange. Buyer agrees to an assignment of this contract by the Seller."
  - Phase II (Buy): "Seller is aware that Buyer is to perform a 1031 Tax Deferred Exchange. Buyer requests Seller's cooperation in such an exchange and agrees to hold Seller harmless from any and all claims, liabilities, costs or delays in time resulting from such an exchange. Seller agrees to an assignment of this contract by the Buyer."

SELLER ACCOMMODATION

If a borrower is purchasing a seller's 1031 investment property to occupy as a primary residence, the borrower is accommodating the Seller. The transaction is not considered a 1031 Tax Deferred Exchange and is eligible for UHM financing.

DOWN PAYMENT

Equity from exchange can be used for all or part of the down payment.

874.1 Down Payment Assistance Programs, Government Loans

Down Payment Assistant in the form of a grant or HUD approved Community Second Mortgage are acceptable forms of assistance. Down Payment Assistance may only be used in connection with a UHM approved bond program.

874.2 Down Payment Assistance Programs, Conventional

Down Payment Assistance in the form of a grant or Agency approved community second mortgage are acceptable forms of assistance. Down Payment Assistance may only be used in connection with a UHM approved bond program.

875.0 Seller Contribution Matrix

CONTRIBUTION LIMITS – FANNIE MAE AND FREDDIE MAC

The maximum allowable contributions from interested parties based on the lesser of the purchase price or appraised value are:

<table>
<tr><th colspan="2">Owner Occupied & Second Home</th><th colspan="2">Investment Property</th></tr>
<tr><th>LTV/CLTV</th><th>Max Contribution</th><th>LTV/CLTV</th><th>Max Contribution</th></tr>
<tr><td>> 90%</td><td>3%</td><td rowspan="3">All CLTVs</td><td rowspan="3">2%</td></tr>
<tr><td>≤ 90% and >75%</td><td>6%</td></tr>
<tr><td>≤ 75%</td><td>9%</td></tr>
</table>

CLOSING DISCLOSURE REVIEW

To ensure that all fees, disbursements, and charges reflected on the settlement statement were fully disclosed in the purchase agreement and available to the Appraiser for consideration in determination of the property's market value, review of both the borrower's and seller's side of the CD is required.
Disbursements on the seller side of the CD to the borrower or an entity controlled by the borrower, or to a company owned by the seller require additional consideration.

HOA DUES

Seller contributions for HOA dues must be paid directly to the Association.

876.0 UHM Cash Back Guidance

- Minimum contribution requirements must be met for all loan files and validated prior to closing.
- POC deposits paid by credit card cannot be returned to the customer at closing or credited towards the borrower's cash investment. UHM Partners must complete a due diligence review to ensure POC items are paid by seasoned funds to be considered as an acceptable item returned to the Customer at closing.
- In the event deposits exceed minimum requirements and part or all of the borrower's earnest money (hand money) can be returned to the customer at closing, UHM requires a front/back copy of the cancelled check or a statement validating the earnest money withdrawal of funds. Excess gift funds wired at closing may also be refunded to the borrower, provided minimum contributions have been met and the reason for the excess is a permitted source.

Conventional Purchase: After minimum contribution requirements are validated, the borrower may receive a refund of their earnest money deposit, gift funds wire transfer at closing, POC deposit, or tax pro-ration (credit card deposits are not acceptable).

Conventional Limited/Rate and Term Refinance: Cash back is limited to the lesser of 2% or $2000.00. Freddie Mac's policy of 'the greater of 1% or $2,000.00' may be used when required. Principal reduction cannot exceed cash back amount allowed.

Conventional Cash out Refinance: Cash back is allowed.

Conventional DU High LTV Refi: Only $250.00 cash back is permitted; any remaining excess funds must be applied as a principal reduction. Principal reduction cannot exceed cash back amount allowed.

Freddie Open Access: Only $250.00 cash back is permitted, principal reductions in excess are not permitted. Principal reduction cannot exceed cash back amount allowed.

FHA Purchase: After minimum contribution requirements are validated, the borrower may receive a refund of their earnest money deposit, gift funds wire transfer at closing, and POC's (credit report/appraisal fee – paid by debit card or personal check only). Principal reduction cannot exceed cash back amount allowed.

FHA Limited Rate and Term Refi/Streamline Refinance: Cash Back is limited to no more than $500.00. Principal reduction cannot exceed cash back amount allowed.

FHA Cash Out Refinance: Cash back is allowed.

VA Purchase: After minimum contribution requirements are validated (if there is a down payment); the borrower may receive a refund of their earnest money deposit, gift funds wire transfer at closing, POC deposit, or tax pro-ration (credit card deposits are not acceptable). Any remaining excess funds must be applied as a principal reduction.

VA Cash Out Refinance: Cash back is allowed.

Note: VA does not permit a cash-out refinance on a property that is owned free and clear. There must currently be a secured lien on the property.

VA Streamline Refinance: Details of the Transaction must show no funds to the customer (zero out). In the event of a required adjustment at closing, cash back is limited to no more than $500.00. If the cash back to the Borrower will exceed $500, a Closer may apply one month payment (PITIA) of the new loan, as principal reduction.

Notes:

- A principal reduction of more than one PITIA payment of the new loan is not permitted.
- Assets are not required to be verified for cash to close on IRRRL, unless credit qualifying.

Rural Development loans: After minimum contribution requirements are validated (if there is a down payment), the borrower may receive a refund of their earnest money deposit, gift funds wire transfer at closing and POC deposits (No ax pro-rations are allowed and credit card deposits are not acceptable). Any remaining excess funds must be applied as a principal reduction. Principal reduction cannot exceed the tax proration credit.

GIFTS FUNDS: CASH BACK AT CLOSING

Fannie Mae

Borrowers may receive excess funds from gifts of cash back at closing; however, excess funds from gifts of equity cannot be received as cash back at closing.

Freddie Mac

Borrowers may receive excess funds from gifts of cash and gifts of equity as cash back at closing.

FHA

Borrowers may receive excess funds after settlement if a gift of cash or a gift of equity exceeds the borrower’s required funds to close. Manually underwritten loans must exclude any excess gifts the borrower receives at closing from all calculations for required reserves.

VA

Borrowers may receive excess funds from gifts of cash or gifts of equity as cash back at closing, with a maximum amount of $500.

USDA

Borrowers may receive excess funds after settlement if a gift of cash exceeds the borrower’s required funds to close. Manually underwritten loans must exclude any excess gifts the borrower receives at closing from all calculations for required reserves.

Excess funds from gifts of equity cannot be received as cash back at closing.

877.0 Prepaids

Prepaid settlement costs, normally paid by the borrower, are:

- Interest charges covering any period after the settlement date
- Real estate taxes covering any period after the settlement date
- Hazard insurance premiums
- The escrow accruals required for the renewal of the MI premium

The amount that the property seller pays towards prepaids must be included in the seller contribution limitations. The amount that the borrower's employer pays towards the prepaids is not included in the seller contribution limitations.

The property seller (or the borrower's employer) may pay the following prepaids:

- Interest charges covering any period after the settlement date
- Real Estate taxes covering any period after the settlement date
- Hazard insurance premiums
- The escrow accruals required for the renewal of the MI premium
- HOA dues paid directly to the Homeowners Association for future dues

The amount that the property seller pays towards these prepaid items must be included in the seller contribution limitations. The amounts of prepaid items, funded by the borrower's employer, are excluded from the seller contribution limitations.

LOSING DISCLOSURE REVIEW

To ensure that all fees, disbursements and charges reflected on the settlement statement were fully disclosed in the purchase agreement and available to the Appraiser for consideration in determination of the property's market value, review of both the borrower's and seller's side of the Closing Disclosure is required. Disbursements on the seller side of the Closing Disclosure to the borrower or an entity controlled by the borrower, or to a company owned by the seller require additional consideration.

UHM considers real estate commissions to include the commissions appearing on page two of the Closing Disclosure (700 series section), as well as any non-lien related disbursements such as marketing expenses, finder's fees, referral fees, consulting fees or assignment of sale fees. Any combination of these disbursements exceeding 8% of the sales price must be treated as a sales concession and deducted dollar-for-dollar from the sales price for calculation of the LTV.

Section 900 TAXES / ESCROWS

901.0 Taxes

See Taxes.

902.0 Qualifying Properties with Tax Abatement, Exemption, or Reduced Taxes

Tax abatements are offered as an incentive to encourage buyers to purchase a home. The most common is a reduction or elimination of property taxes for veterans. Some abatements are limited to 10 years. Homestead exemptions are offered by States for various purposes to lower taxes on primary residences. See the Homestead Credit section below.

When there is a real estate tax abatement or the taxes change due to occupancy, borrower age, disability, military status, etc., the reduced real estate tax amount may be used if the following requirements are met:

Loan Officers:

1. Provide requirements for the tax reduction or elimination, such as the printout from the county stating what is needed to qualify for the reduction; and,
2. Provide documentation that supports the borrower will qualify for the reduction (i.e., award letter showing the borrower's disability status); and,
3. Provide documentation indicating that the term of the abatement meets Agency requirements for continuance; and
4. There is documentation from the title company or appropriate governmental body noting the reduction will be immediately effective with the next tax bill. If taxes are paid in arrears and the next tax bill due will be at the higher amount, the borrower will need to be qualified and escrow for the higher tax bill.

Underwriters:

1. Verify the borrower meets the requirements to qualify for the tax reduction (i.e., income limits or owns other property)
2. Verify that the borrower does not have other property or exceeds income limits that would disqualify them for the reduction.
3. Review timeline for reduction and closing. Determine whether the reduction will be in effect prior to the next bill's due date based on information from the title company or appropriate governmental body. A copy of the application form is not required.

Closers:

In any instance where a Borrower is qualified with reduced taxes, the Acknowledgement of Escrow Account with Tax Abatement or Exemptions disclosure must be included in the closing package for the borrower(s) signature at closing. The disclosure is available in Encompass and approved by Compliance.

New Construction:

For New Construction where the initial taxes are assessed based on the land solely, a comprehensive analysis of the estimated taxes based on the value of the land and completed improvements must be utilized for the Borrower's qualification.

If the transaction is new construction and there is a Tax Abatement:

- If the Tax Abatement on the subject property will last for no less than 10 years from the note date, the reduced tax rate may be used in the qualification.
- If the Tax Abatement on the subject property will last for 10 years with annual real estate tax increases in years 1 through 10, the Borrower must qualify using the annual taxes required at the end of the 5th year after the first mortgage payment date.

Note: Homestead Exemptions cannot be used on C2P loans.

HOMESTEAD TAX RATE EXAMPLES

Property taxes (excluding new construction) as shown on the title commitment may be used in qualifying and for escrow impound collection in all states, with the following exceptions:

State	Description of Homestead	Action
MI	Lower tax rate for owner occupied properties. Tax rate almost doubles for investment properties.	Homestead tax rate may be used when subject property will be owner occupied. If the subject loan will be an investment property, the correct tax rate must be verified and used in qualifying. **Example:** Borrower moves into a current investment property which will be their primary residence. If they file for the homestead prior to October 1st, the December tax bill will reflect the lower tax amount. This would qualify to reduce the qualifying and escrow amount monthly amount for taxes.
IN	Lower tax rate for owner-occupied properties.	As long as the homestead is applied for prior to December 31st, the next year tax bill will reflect the lower taxes. **Example:** If the home closes in May, the first payment is June 1st, and the tax bill in November will be at the higher amount. This would not qualify to use the lower tax amount. However, if the home closes in November, the first payment date is in January, and the homestead credit would be applied for prior to December 31st. Therefore, this would qualify to use the lower amount, because the next tax bill in May would reflect the lower tax amount.

OH	Lower tax rate for senior citizens.	Borrower qualifies for discount based on age. **Example:** If the tax bill is paid in arrears, the January tax bill reflects the prior year qualification. Borrower may apply for the homestead if they close in May; however, due to the tax bill being calculated based on the prior year qualification, the next bill due in July would reflect the higher amount. Therefore, the borrower would not be eligible for the reduction at closing for qualifying or escrow.
CA	Available for lower income, head of household, seniors, individuals with disabilities and others.	Requires case by case review to ensure the correct tax amount is used for the specific circumstances of the UHM loan.

903.0 Tax Record Information Sheet

Union Home Mortgage Corp. is responsible for providing complete and accurate tax information. The information on the Tax Record Information Sheet is critical to begin the administration of the Tax escrow account for servicing. Any incorrect information could result in a tax penalty. The most critical items on the Tax Record Information Sheet are as follows:

- Name of the taxing authority,
- Tax ID/parcel number, and
- Next economic loss date or Discount date, if applicable.
- Date of last tax payment

Tax payments due within 60 days of the first payment date, must be paid at closing in the following cases:

- There is an economic loss due date within the 60 days;
- There is a discount available, and the discount due date is before or the same month as the 1st payment date.

The escrow account set up will be calculated, as required by federal law, based on the closing date. This means UHM will use the escrow account funds to pay the tax bill.

Loans that are to be sold to an investor must follow investor guidelines.

Escrow Guidance

904.0 Tax and Insurance Escrows

Escrows are required for Loans with an LTV greater than 80% (subject to state law). If the Loan does not escrow for taxes and/or insurance, then there is no charge for the waiver.

UHM advocates the establishment of an escrow account for payment of taxes and insurance. UHM requires establishing an escrow account for LTV's greater than 80.0%, unless otherwise required by state law.

When a condo association has purchased a blanket insurance policy that includes coverage for property and flood hazards, Fannie Mae does not require an escrow deposit for property or flood insurance premiums for an individual unit in that condo, co-op, or PUD project.

NEW CONSTRUCTION TAX CALCULATION

To determine the monthly amount for tax escrow, impound, and qualifying, for new construction properties, use one of the following:

- Tax estimator, using the appraised value or sale price, whichever is higher; or
- Information from applicable taxing authority website that verifies the amount or calculation, using the appraised value or sale price, whichever is higher; or
- Amount verified in writing by closing agent/attorney based on fully assessed value; or
- Amount shown on the title commitment when it reflects taxes on fully assessed value; or
- Last resort if none of the above can be obtained: 1%, if that is reasonable for the area.

Acknowledgement of Escrow Account for New Construction or Renovation Properties

For New Construction properties, including New Construction End Loans and UHM's C2P Product, the Borrower must sign this disclosure at closing to acknowledge the potential for increase in taxes. This form is available in Encompass.

904.1 Escrow/Impound Accounts for Taxes and Insurance

Union Home Mortgage Corp. uses aggregate accounting in the calculation of the escrow/impound account. Escrow/impound accounts for the payment of taxes, ground rents, special assessments, private mortgage insurance, hazard insurance, flood insurance, Guaranteed Rural Housing (GRH) Annual Fee (GRH Loans only), etc., must be established by UHM at closing when required. Adequate funds must be calculated and collected at closing to ensure that a sufficient amount will be available to pay the next installment of taxes and insurance.

Unless in violation of applicable state law, the maximum cushion that UHM may maintain in the escrow/impound account is two months, except the cushion for PMI which is 0 (zero) months. A two-month cushion should be collected for all states. The account balance must reach the minimum balance at least once every 12 months. UHM uses month-end accounting.

The Closing Package must contain an Initial Escrow Disclosure Statement calculated in accordance with the principles of aggregate accounting.

GUARANTEED RURAL HOUSING (GRH) ANNUAL FEE

In order to ensure UHM can remit the annual fee amount in full to Rural Development when due, the UHM Funding Department will require the following for all Guaranteed Rural Housing (GRH) Loans subject to an annual fee:

- 1/12 of the total annual fee amount to be collected as part of each monthly payment and placed in an escrow account.
- Collection of two months' worth of annual fee monthly payments at closing.

904.2 Escrow Waiver Policies

CONVENTIONAL CONFORMING

General requirements – Apply to all LTVs

- The borrower must be qualified using the estimated monthly payment of all taxes and insurances regardless of any escrow waiver.
- The Escrow Waiver Disclosure must be executed at closing.
- Collection of Homeowners association dues may not be waived and must be collected as applicable.
- Flood insurance always requires establishing an escrow account, under federal law, unless it is an individual unit condo, or PUD covered by a blanket insurance policy as noted above.
- The transaction is not a Cash Out Refinance where the borrower has financed real estate taxes in the loan amount that are more than 60 days delinquent, unless requiring an escrow account is not permitted by applicable law or regulation. For example, if a particular state law does not allow a lender to require an escrow account under certain circumstances, the loan would be eligible for sale without an escrow account.
- Special assessments levied against the property not paid in full at closing, must include establishing an escrow account to ensure that any estimated annual payment toward the assessment will be accumulated by the time it comes due.

Conventional Escrow Waiver Policy – Over 80.0% LTV

- Maximum LTV of 90%, and
- Minimum 720 credit score, and
- No reserve requirement outside of AUS findings, and
- Current taxes and insurance may not be delinquent at time of application, and
- The borrower pays a fee of 50bp (.50%/.0050), or this fee is covered in loan pricing, and
- Senior Management review is required for approval of the escrow waiver. Approval is specific to a review of credit and additional assets, and
- All general requirements noted in this section are met
- Secondary must report all closings above 80% LTV with an escrow waiver to GAP monthly

Conventional First Time Home Buyers and over 80.0% LTV:

- All items noted in previous section PLUS,
- Minimum reserve requirement of 3 months from borrower's own funds, and
- Gift funds not permissible

The following exclusions apply to LTV's over 80%:

- Second homes
- Investment properties
- 2-4 unit properties
- Manufactured homes
- Bond loan programs
- Properties located in New Mexico (state law prohibits escrow waivers over 80.0% LTV)

Conventional Escrow Waiver Policy – 80.0% LTV or lower

An escrow waiver of property taxes and/or hazard insurance is permitted, unless required by state law, under the following additional criteria for 80%

- LTV is 80.0% or lower
- All general requirements are met

OTHER INVESTORS/JUMBO

Follow investor-specific guidelines.

USDA and FHA

USDA and FHA loans must have collection for taxes and insurance regardless of LTV. These agencies do not allow an Escrow Waiver under any circumstance.

VA

VA permits an escrow waiver. UHM permits taxes and/or insurance to be waived with a down payment of at least 10% down and an LTV of 90% or lower, based on the loan amount without the funding fee. General requirements shown in this section apply, as applicable. A PreApp Express Desk review prior to application, or review by an Underwriting Team Lead, is required for approval of an escrow waiver.

Escrow waivers must be obtained prior to closing for both purchases and refinances; escrow waivers cannot be obtained post-closing.

905.0 Repair Escrow Holdbacks

905.1 AGENCY REQUIREMENTS OVERVIEW - CONVENTIONAL AND GOVERNMENT

The holdback of funds in an escrow account for repairs brings extreme risks to UHM for many reasons, including:

- There is measurable work post-closing to manage the completion of the repairs and disbursement of funds. When UHM closes a loan with an escrow holdback, the loan is not saleable to the Agency until the escrow is disbursed and the property is 100% complete. The company warrants to the Investor or Agency that all work has been completed as described.
- If the repairs are unsatisfactory, or exceed cost estimates, UHM may become responsible for the additional costs to remedy the situation.
- Borrowers are often unaware of the importance of resolving the outstanding repairs and/or do not cooperate with UHM or follow the terms of the Escrow Agreement.

Because of the costs and risks, approving an escrow holdback for incomplete repairs must be a last resort.

On a “case-by-case” basis, Union Home Mortgage Corp. may allow funds for exterior repairs to be escrowed due to the weather, or as an exception based on contractual requirements.

Agency requirements are in addition to the items shown in this Guide. Generally, UHM follows Agency requirements; however, where there is a conflict or the Agency is silent on a topic, the more conservative of UHM policy or Agency policy must be applied.

Borrowers are required to sign a Hold Harmless Agreement, as well as the Escrow Repair Agreement for Postponed Improvements related to the repairs being covered by the escrow holdback at closing. The Underwriter will issue a condition stating the verbiage to be included in the documents.

Loans not serviced by UHM: Follow specific investor requirements for correspondent, HFA, and other products not serviced by UHM. Follow the more conservative of the investor or UHM policies.

BROKER/NDC CLIENT RESPONSIBILITIES

- The Broker/NDC Client must make every attempt to convince the Borrower and the Seller to complete the repairs before closing. UHM rarely provides escrow holdbacks, and only then on an exception basis with a strict approval process.
- The transaction must be approved prior to origination by an Underwriting Team Lead. Exceptions to any policy must be approved by the Regional Underwriting Manager. Utilize the Escrow Holdback Request Form to request approval of a Repair Escrow.
- The Broker/NDC Client must understand the nature and scope of the required repairs that are permitted for completion after closing.
- The Broker/NDC Client must ensure bids meet all minimum requirements and are provided in a timely manner.
- The Broker/NDC Client must not make recommendations for any contractors, or comment on how to make the repairs, or participate in obtaining the work estimates.
- The Broker/NDC Client must thoroughly understand, and strictly adhere to, the procedures outlined in this policy.
- The Broker/NDC Client must convey to the Borrower and Seller all associated costs and terms of the escrow holdback agreement that may be applicable to either party.
- When the estimates are approved, the Broker/NDC Client must communicate with the Processor whose money (Buyer or Seller) will be held after the title transfers, so that the escrow holdback documents (to be signed with the closing package) can be prepared and signed prior to closing.
    - If the Buyer's money will be held, the funds needed for the escrow will be added to their funds needed to close on the loan for final loan approval.
- The Processor will not print final papers until the escrow of repairs is approved by Team Lead or Underwriter, as applicable. The escrow papers will be in the final closing package for execution by the Buyers and Sellers. It is important for the estimates to arrive at least one to two weeks before papers are to be printed. <u>Broker/NDC Client Must Manage This Process.</u>

REPAIR & APPRAISAL REQUIREMENTS

Repair Types Permitted/Required:

- Repairs to the exterior of the property which cannot be completed due to weather or contractual time restraints.
- Repairs that are a contractual requirement of completing the transaction, or repairs required by the appraiser.
- Fannie Mae New Construction End Loans Only: When the postponed improvements are due to inclement weather or shortage of building materials, and are less than the lesser of $12,000 or 2% of value, a repair escrow is not required.
- Freddie Mac New Construction End Loans Only: When the total cost of repairs does not exceed 2% and the repairs do not impact the safety, soundness, or marketability of the property, a repair escrow is not required.

Repair Types Not Permitted:

Escrow holdback for interior repairs is **not** permitted. All interior repairs must be completed prior to title transfer, with no allowances for a holdback unless the repairs are financed based on the acceptable guidelines of the loan program (203b with repair escrow, etc.).

Freddie Mac does not permit an escrow holdback on manufactured homes. Refer to their Guide.

Unacceptable Escrows:

It is not acceptable to delay improvements post-closing and escrow funds (or waive repairs) for items that affect the safety & soundness or marketability of a property. Government loans must be in compliance with minimum property standards and minimum property requirements. Refer to each Agency's guides for complete information.

Required Estimates and Estimate Details:

There must be two itemized estimates for the work required. The estimate must include:

- The name of the contractor and,
- Contractor mailing address, phone number and email and,
- Estimated completion date.

The Underwriter reserves the right to request additional estimates, if the estimates do not appear accurate (lowball), or if the estimates do not itemize all the work to be completed.

The Contractor estimates must accurately itemize all the work to be completed. The estimate must match all the work required from the repair sheet. If the estimate does not reflect the work on the repair sheet, two more estimates covering the remaining work overlooked must be submitted.

Septic Systems: Escrow Holdbacks for Septic Systems bring a greater risk and potential liability to the company and must be approved by the Regional Underwriting Manager. In addition to noting what work is needed, the estimates provided for Septic Systems must clearly explain what is currently wrong with the system to determine if a holdback is allowable. In essence, UHM must be able to verify that the system is viable and working, to determine if the Borrower can move into the property prior to the completion of repairs. A County Inspection may be utilized in conjunction with the estimate provided the information is thoroughly detailed. On the estimate, the Contractor is required to note the timeframe in which the work can be completed, to assist in determining acceptability.

Government Loans Only: For repairs equal to or less than $500.00 (i.e., painting for FHA), provide one Contractor estimate, or a written estimate from the Appraiser that states the estimated cost of repairs is equal to or less than $500.00.

Who Can Perform the Work:

It must be apparent that the Contractor is qualified to perform the work required in a timely fashion as determined by references and reputation. In the event a qualified Contractor cannot complete the work within 59 days, a search for an alternate Contractor may be required.

USDA: A signed contract between the borrower and contractor must be in effect for the proposed work.

When the Work Must be Completed:

Depending on the type of work required, repairs should be scheduled as quickly as possible, with an ideal timeframe of completion within 59 days of closing.

Repairs that cannot be completed within 59 days, or are not weather-related FHA/VA repairs, may be accepted as an exception with the approval of the Regional Underwriting Manager.

Weather-related repairs with FHA or VA loans require completion by August 1st, regardless of circumstances. Time is of the essence with every holdback.

VA will not guarantee the loan until the work is completed and escrowed funds are disbursed.

After 59 days, UHM may exercise its rights under the Repair Escrow Agreement to hire contractors to complete the work.

Financeable Repair Escrow:

In rare and specific cases, the product may permit repairs to be financed when the loan is not a renovation product.

Financing of repairs permitted, within the restrictions of the agency maximum loan amount calculation and related policies:

- USDA SFH Guarantee purchase
- FHA purchase when house is a HUD Repo
- FHA EEM, purchase or refi

Financing Repairs not permitted:

- Fannie/Freddie standard conventional
- FHA 203b, not an EEM or HUD Repo
- VA

Other exclusions may apply, at Underwriter discretion.

Appraisal Requirements:

Fannie Mae and Freddie Mac require an appraiser to provide the "as completed" value as the opinion of market value.

Freddie Mac Only: The appraiser must also provide a list of the incomplete items, and the Appraiser or a disinterested (but relevant) party has provided a cost to complete the incomplete items.

In the event a final inspection has not been completed within 6 months of the note date, UHM will send a Repair Escrow Agreement Disbursement Notice to the borrower. The seller will also receive a copy of this Notice if they paid the escrow funds. The Notice advises that all remaining funds will be applied to the principal balance if verification of completion is not received within 30 days of the Notice. Exceptions to this policy will apply in the event that:

- The repairs are considered health, safety, or soundness concerns and must be completed, or
- There are outstanding city inspection violations, or
- There are pending legal threats or actions, or
- Other circumstances as may be deemed an exception by Sr. Management.

An Escrow Holdback Processing Fee of $495 will be deducted from the Escrow Holdback funds.

ESCROW HOLDBACK AMOUNTS, FEES, & DISBURSEMENTS

Escrow Holdback Amount for Existing Construction:

The Holdback amount will be based on 1.5 times (150%) of the highest estimate. A minimum of two estimates are required, and the estimates must include the contractors' estimated time for completion (i.e. 30 days, 59 days, etc.).

The Underwriter reserves the right to require a higher percentage of funds deposited, if deemed necessary.

Escrow Holdbacks are not able to be disbursed to contractors in draws. All repairs must be completed prior to any release for payment of the holdback funds. Union Home Mortgage Corp. will not release funds without evidence that all work has been completed to the satisfaction of the Buyers, Sellers, and Union Home Mortgage Corp.

Conventional:

Minimum holdback amount $500.00.

For Fannie Mae loans, the cost of completing improvements must not exceed 10% of the "as completed" appraised value of the property.

For Freddie Mac loans, the cost of completing improvements must not exceed 15% of the "as completed" value of the property.

Government:

Minimum holdback amount of $500.

FHA Loans only: The loan must be converted to 203(k) if the cost of repairs equals or exceeds $5,000, with the exception of properties damaged by a natural disaster. Refer to the FHA 4000.1 Handbook for complete information in cases of natural disaster.

Escrow Holdback Fees:

An escrow holdback processing fee, ranging from $200.00-$600.00 depending on the state, is to be collected from held funds prior to the distribution of the remaining holdback funds. Additional funds may need to be held if the project involves pool construction. See the Pool Construction Requirements heading, below.

In the event an escrow holdback request is approved, the following tiered charge for an Escrow Holdback fee will be applied:

Escrow Holdback Amount	Escrow Holdback Fee
< $5,000	$200
$5,001 - $15,000	$400
> $15,000	$600

This fee is listed separately on the Loan Estimate (801g of the 2015 Itemization) and Closing Disclosure, and is treated as a finance charge that will impact APR and QM related rules.

Escrow Holdback Fee Disclosure Timing:

1. Prior to Live Application: In the event the escrow holdback is approved by the Underwriting Team Leads prior to formal application, the Broker/NDC Client is required to add the applicable Escrow Holdback fee on line 801g of the 2015 itemization prior to the initial disclosure.
2. Transactions in Process: Upon approval of the escrow holdback request by the Underwriting Team Leads, the Underwriter assigned on the file must address conditions of the approval in the Underwriting Findings.
3. The Underwriting Team Lead will add the Escrow Holdback fee when they approve the escrow holdback.
4. If an Initial Closing Disclosure (ICD) has not been sent to the Borrower, the Processor is to complete the Change of Circumstance (COC) and send the revised Loan Estimate to the Borrower(s), if applicable.
5. If the ICD has already been sent to the borrower, then the ICD Closer will complete the COC and send the revised ICD to the Borrower(s), if applicable.

Pool Construction Requirements:

UHM will allow escrow holdbacks for pool construction, with a max LTV of 90%, for properties in the following States:

Arizona	Florida	Georgia
Louisiana	New Mexico	Texas

UHM will allow for the 3-4 draw process, with a pool construction escrow, as stated in the Borrower's purchase contract. A maximum of four (4) draws, per contract, will be allowed. The additional inspections are due on the 2nd and final draw requests.

An additional $300 inspection fee is required to be shown on the Closing Disclosure and collected at Closing. This amount is meant to cover the two additionally required inspections, one midway through the pool construction and one at completion.

UNDERWRITER RESPONSIBILITIES

Underwriters must identify that a repair escrow is approved, and must detail in the condition:

- The date the repairs must be completed, and
- The amount of the repair escrow holdback, and
- Whether the purchaser or seller will pay for the escrow holdback amount due, and
- Whether the purchaser or the seller is responsible for the repairs, as stated on the purchase/sale agreement (if this is not specified on the agreement, the responsibility will default to the purchaser), and
- A complete description of repairs as should be shown on the legal documents signed at closing, and
- Whether the cost of the repairs are being financed into the loan amount. This requires a different escrow holdback agreement to be signed at closing.

CLOSING

When there is repair escrow holdback fund, the Escrow Agreement for Postponed Repairs or Improvements must be executed between UHM and the Borrower and Seller. This document specifies the terms of the escrow holdback.

Closing must include a funding condition to the title agent that specifies the seller must sign the agreement. This will help ensure this step is not missed at the loan closing.

Encompass must be properly completed to ensure the Agreement populates the responsible party correctly.

When repairs are financed (refer to underwriting approval to confirm), the Financed Improvements Agreement must be executed between UHM and the Borrower and Seller. This document specifies the terms of the escrow holdback when the funds have been added to the loan amount. This is not a common occurrence.

The Borrower(s) must also sign the UHM Hold Harmless Agreement Repair Escrow.

The Closing Disclosure must reflect the amount of the escrow holdback. The Seller may pay for the escrow holdback. The amount of the escrow holdback is not considered a seller contribution or concession, when the repairs are required per the appraisal or to meet other health and safety requirements per the purchase agreement.

While the amount of the escrow holdback is not considered a seller contribution or concession, payment of the Escrow Holdback fee, if paid by the Seller, is considered a concession on Conventional, FHA, VA, and USDA loans, and must be included in the maximum allowable percentage calculation.

UHM policy does not permit unnecessary repairs in an escrow holdback; however, if an exception to this policy is made, seller payment of unnecessary repairs is considered a concession and must be included in the maximum allowable percentage calculation.

POST CLOSING & ESCROW MANAGEMENT

The Construction Loan Team manages escrow holdbacks for existing construction repairs.

The team is responsible for sending the Escrow Holdback Welcome letter within one week after closing. A member of the team will send reminder emails or call the Borrower based on the type of project and level of Borrower engagement.

Change in Escrow Agreement, Contractor, or Scope of Work:

If the Buyer or Seller change Contractors after the initial escrow agreement is signed, or if the scope of the work is altered in any way, Senior Management must review the new Contractor's bid, and a revised escrow agreement will be prepared to be signed by all parties. Any changes must be approved prior to proceeding with the work.

There are no exceptions that all improvements must be completed within 180 days of the Note date (Freddie and USDA in particular specify this).

Inspection Requirements for Existing Properties:

The UHM Warranty of Completion form should be used for existing construction. This form meets both Fannie Mae and Freddie Mac requirements.

Any repairs that require a Qualified Professional should include the report from the professional. Any deficiencies identified must be reviewed by the Underwriter.

<u>Fannie Mae:</u>

The inspection can be completed by the Appraiser, or a borrower attestation letter can be used in lieu of an appraisal final inspection on existing construction.

The letter must include at a minimum:

- Borrower name,
- Property address,
- Certification language that the alteration or repair was satisfactorily completed,
- Borrower signature(s) and signature date,
- Visually verifiable exhibits of the completed work, and
- One of the following:
  - The signature of the qualified professional,
  - A professionally prepared report, or
  - Paid invoices for the alterations or repairs.

Refer to Agency Guides for Fannie Mae HomeStyle Energy Improvements, Value Acceptance + PDC.

Freddie Mac:

Will accept Form 400 Warranty of Completion of Construction or Repairs/Alterations or other substantially similar form signed by the borrower along with:

- On site inspection completed by the Borrower,
- Photos clearly identifying completion, and
- Signed report from professional or paid invoices.

Refer to Agency Guides for Freddie Mac ACE +PDR.

FHA, VA, USDA:

The Appraiser must complete the final inspection, which must:

- State that the improvements were completed in accordance with the requirements and conditions in the original appraisal report,
- Include photographs of the completed improvements, and
- Be signed by the individual performing the final inspection.

Inspection Requirements for New Construction End Loans:

- All Agency requirements as shown for an existing construction property apply.
- For Fannie Mae and Freddie Mac loans, however, UHM requires the builder to execute the HUD 92544 in lieu of the UHM Warranty of Completion. Most builders are familiar with this form.

905.2 REQUIREMENTS FOR NEW OR PROPOSED CONSTRUCTION

Mortgages may be delivered before postponed items are complete if Union Home Mortgage Corp. represents and warrants that the postponed improvements will be complete within 59 days of the date of the mortgage note, unless otherwise approved by the Regional Underwriting Manager.

Acceptable postponed items include items that:

- Are part of the sales contract (third-party contracts are not permissible), and
- Are postponed for a valid reason, such as inclement weather or a shortage of building materials, and
- Do not affect the ability to obtain an occupancy permit.

Amount of Escrow Holdback for Postponed Improvements:

With new construction, UHM will permit a holdback of the exact amount of the contractual construction estimate (from building specifications) for the work, or the exact amount of the Appraiser estimate for the work to be held back.

Certificate of Completion:

A certification of completion must be obtained to verify the work was completed and must:

- Be completed by the Appraiser, and
- State that the improvements were completed in accordance with the requirements and conditions in the original appraisal report, and
- Be accompanied by photographs of the completed improvements.

Once a certificate of completion is obtained, UHM must release the final draw from the escrow account, which should include any funds in excess of the amount needed to pay for the completion of the postponed items.

Mortgage and Title Insurance:

Fannie Mae and Freddie Mac require that the mortgage insurance and title insurance will not be impaired or adversely affected during and after the completion period. The title report must not:

- Show any outstanding mechanic's liens, or
- Take any exceptions to the postponed improvements, or
- Take any exceptions to the escrow agreement.
- Fannie Mae only: A **final** title report must also be obtained, showing the requirements above are met. In the case that the final title report is issued prior to the completion of the improvements, obtain an endorsement to the title policy which ensures the priority of Fannie Mae's lien.

906.0 Special Assessments

Escrow amounts for pending assessments should not exceed the maximum 2-month cushion permitted by escrow regulations. If applicable, state law mandates a lesser escrow amount than the maximum cushion of two months, state law will govern the permissible escrow amounts for pending assessments. Union Home Mortgage Corp. will use the estimate provided by the tax authority to calculate the amount to be escrowed for pending assessments. The funds should be collected at closing by the closing agent (title company, seller or attorney).

907.0 Elective Insurance

UHM does not accept escrows for any elective insurance. Elective insurance is any coverage not required by state law or Agency guidelines. This includes escrows for flood insurance policies on properties which are not designated to be in SFHA zone A or V.

908.0 Escrow Waivers – Conventional Loans Only

Escrow waivers are not permitted on LTV's above 80.0% due to PMI requirements to maintain an escrow account.

Escrow waivers are permitted upon request for LTV's of 80.0% or lower. If borrower does not escrow homeowner's insurance and pays their premium monthly, the premium must be paid up to the first payment date of new mortgage.

1001.0 FHA Streamline, VA Interest Rate Reduction Refinance Loans (IRRRLs), and USDA Streamline Assist Mortgage History Requirement

- Regardless of who is servicing the loan, FHA Streamline Refinances and VA IRRRLs must meet the requirements of HUD/FHA and VA respectively, along with GNMA seasoning requirements.
- Evidence the existing loan is current is required.

FHA STREAMLINE REFINANCE LOANS

- The minimum credit score of 580 does not apply to FHA Streamline Refinance loans.
- Non-credit qualifying streamline refinance transactions do not require a tri-merged credit report. However, the VOM on the existing loan must be paid in full. A tri-merged credit report is required on credit qualifying streamline refinances.
- UHM's maximum CLTV is 100%.
- Owner Occupied Properties
  - Property may be a second home or investment property as long as they meet standard FHA requirements and the requirements in this section for non-credit qualifying FHA Streamline refinance transactions without an appraisal.

FHA STREAMLINE PROGRAM WITH THE HIGH BALANCE FHA LOAN PROGRAM

The High Balance Loan Program is eligible with the FHA Streamline Programs. When the base loan amount exceeds the applicable dollar amount below, the transaction is considered a High Balance FHA Streamline transaction and must meet additional UHM criteria. Refer to the HUD maximum loan limits published on their website.

For the High Balance FHA Streamline Program **both** the UHM FHA Streamline and FHA Streamline Program requirements must be met **in addition** to the following requirements:

- The higher loan limits are only allowed with Section 203(b).
- The loan must be a 30-year fixed rate, 3/1, or 5/1 ARM.
- ARMs may have a margin of 2.25%.
- The maximum CLTV is capped at the maximum LTV (max LTV = Max CLTV).

VA INTEREST RATE REDUCTION REFINANCE LOANS (IRRRLS)

- Pay History
  - A 12-month mortgage payment history is required. If the mortgage is less than 12 months old, the mortgage must meet all Agency seasoning requirements and a payment history from the note date through closing is required.
- Owner Occupied Properties
- A Certificate of Eligibility (COE) is required only on non-UHM to UHM IRRRL's in which the borrower is exempt from the funding fee (see below).
- Secondary/Vacation and Investment Property (1-4 Family) - Are eligible for VA IRRRL transactions*

*The loan file must contain documentation that the veteran previously occupied the subject property as their primary residence at one point in time.

Funding Fee Exemption Status on COE

The correct Funding Fee exemption status should be established prior to loan closing. Lenders are responsible for exercising due diligence in determining whether an exemption applies at the time of loan closing.

- If the veteran believes they should be exempt from the VA funding fee and the COE is showing "Non-exempt," an updated COE must be requested.
- Lenders cannot tell a veteran that they will get a refund, as refund determinations are specific to each Veteran and cannot be guaranteed.
- Lenders cannot suggest to the veteran that they close with an incorrect COE and/or get a refund at a later date. The update COE must be requested even if this prevents the closing from being moved up and/or delays the actual closing date.

If the COE does not show "exempt" at the time of closing, Union Home Mortgage cannot suggest or imply in any way that the veteran may be able to obtain a refund.

VA IRRRL REFINANCES, NET TANGIBLE BENEFIT (NTB)

The minimum credit score of 580 does not apply to VA IRRRLs. VA IRRRL transactions also do not require a tri-merged credit report; however, the VOM on the existing loan must be paid in full.

As a reminder, the VA does not consider pre-paid expenses as a portion of closing costs which are required to be considered in the net tangible benefit recoupment calculation.

Refer to VA Circular 26-18-13 issued 5/25/18 for additional NTB requirements. The requirements in this circular are in addition to the recoupment and other requirements stated in the VA Handbook.

USDA Streamline Assist

The minimum FICO score of 600 does not apply to USDA Streamline Refinances. Streamline refinance transactions also do not require a tri-merged credit report; however, the VOM on the existing loan must be paid in full.

Tax Return Transcripts

Neither Form 8821 nor Tax Return Transcripts are required on a non-credit qualifying FHA streamline refinance or non-credit qualifying VA IRRRL transaction.

Credit History

Only traditional credit histories are acceptable; all borrowers must have traditional credit established with valid credit scores.

FHA Streamline Refinance and VA Interest Rate Reduction Refinance Loans (IRRRLs) must meet the requirements of HUD/FHA and VA respectively.

1002.0 Temporary Buy Downs

UHM offers Temporary Buydowns on many products. Refer to the temporary buydown product summary.

1003.0 Interest Credit Guidance

Borrowers will not be charged interest on a mortgage loan until cash is disbursed for the transaction and the loan is funded.

In certain rare circumstances a loan may be signed prior to cash disbursements being made (dry closing). In these cases, the per-diem interest that is accumulating against the Borrower until the actual funding of the loan may be credited to the Borrower when cash is actually disbursed providing that cash is disbursed on or before the 5th of the following month.

- **Conventional Purchase**: May sign the month prior or the beginning of the month and disburse the next month by the 5th. (99% of the time you would not do an interest-credit on roundtables unless it was a dry close).
- **Conventional Refinance:** May sign the month prior or the beginning of the month and disburse the next month by the 5th.
- **FHA Refinance paying off a Conventional Loan**: May sign the month prior or the beginning of the month and disburse the next month by the 5th.
- **Streamline Refinance**: NOT PERMITTED.
- **FHA Refinance paying off a current FHA Loan**: Must sign in the month prior and disburse the next month by the 5th.

- **FHA Purchase**: Must sign the month and disburse the next month by the 5th. (99% of the time you would not do an interest credit with a round-table closing unless you have a dry closing).
- **VA Purchase**: May sign the month prior or the beginning of the month and disburse the next month by the 5th. (99% of the time you would not do an interest-credit with a round-table closing unless you have a dry closing).
- **VA Refinances**: May sign the month prior or the beginning of the month and file by the 5th (cash-out, streamline, or rate & term).

FIRST PAYMENT DATE

The first payment date on any loan transaction is based on the Note Date, not the disbursement date. Example: Signs in November, disburses in December, first payment would be in January.

1004.0 USDA Discount Points, Borrower Costs and Seller's Concessions

USDA acknowledged that discount points can only be included in the loan or the seller concession if the application is within the "low to moderate income" category and the discount points are being used to reduce the interest rate from an eligible rate. The consideration from USDA relates to concessions and the potential artificial inflation of the sales price based on those concessions leading to financed costs.

USDA is clear that bona-fide discount points are permitted to be paid through seller's concessions with "low to moderate income" borrowers. For all other scenarios, discount points are permissible but must be borrower paid and cannot be included in seller's concessions. These borrower-paid discount points also include any extension fees required and applied to discount points.

1005.0 Prepaid Interest/First Payment/Interest Credits

See Prepaid Interest/First Payment/Interest Credits.

Section 1100 TITLE WORK & MORTGAGE

1101.0 Title Insurance Basic Requirements

With the exception of HUD PD Properties (HUD's Property Disposition, aka HUD Repos) which do not require a title policy, UHM requires all Loans submitted to closing to have a Mortgagee title insurance policy (or Iowa Title Guaranty Certificate for Iowa property) that meets the following requirements:

- The most current version of an American Land Title Association (ALTA) Loan policy, or other form of title insurance acceptable to Fannie Mae, Freddie Mac or Ginnie Mae issued by a title insurer approved by the Agencies and qualified to do business in the jurisdiction where the property is located, insuring the appropriate priority of the lien of the Mortgage in the original principal amount of such Loan.
- The minimum acceptable title insurance coverage must be at least equal to the Loan amount at closing.
- The protection and benefits from the title insurance policy must insure UHM, its successors and assigns as their interests may appear.
- Mortgages securing a condominium or planned unit development (PUD) must have title insurance coverage that is comparable to that provided by ALTA endorsement #4 or PUD endorsement #5.
- If the subject property is a condo or other property type that is identified by a unit number, the unit number must be included in the property address on all required application and closing documents including all legal and security documents (i.e. note, mortgage, title commitment, etc.). Partners should make sure that the property address, including the unit number when appropriate, on all application and closing documents match the property address, including the unit number when appropriate, reflected on the title commitment.
    - USPS should be used to validate the address. The title commitment should match the address and include the unit number exactly as the USPS had validated it. If the title commitment does not show the unit number when one exists, request that the title company updates the commitment to have the unit number reflected.
- Any lien for subordinate financing must be listed on the title insurance policy and must specifically state that the lien is subordinated to the lien of the first Mortgage.

- Title to the property must be vested in the names of the mortgagors (Borrowers) as they appear in the security instrument.
- The effective date of the policy must be on or after the recording date of the security instrument.
- If the security instrument has been re-recorded to correct the legal description or to correct the Mortgage amount, the effective date of the policy must be amended to be the date of the re-recording, or after.
- The names of the Borrower(s), Mortgagee or beneficiary, Loan amount, closing date, and recording information indicated on Schedule A must agree with the security instrument.
- An ALTA Leasehold Policy for all leasehold estates.
- Closing Protection Letter is required for all UHM Prior Approval Loans
- Applicable endorsements as required for the product or property type. Refer to Title Insurance Coverage Requirements.
- UHM does not accept an Attorney Opinion of Title Letter in place of a Title Insurance Policy.

CHAIN OF TITLE

Alternative documentation may be used to verify the chain of title in Attorney closing states when the attorney will not provide the information, causing a delay.

In lieu of verification from the attorney, the following documentation methods are acceptable:

- Appraisal
- Fraud Guard
- Other documentation permitted, but not limited to:
    - Sales property history
    - Copy of recorded deed from seller
    - Copy of property tax bill history, if provided
    - Other online resources

A combination of documents may be needed to have proper and complete validation of the ownership history.

- The documents should be reviewed to ensure that 24 months of title ownership is covered.

1101.1 <u>Title Insurance Coverage Requirements</u>

Union Home Mortgage Corp. must obtain the most current form of ALTA Mortgage Title Policy, or the equivalent if an ALTA policy is not available in a specific geographic location. The Short Form Policy, Residential Loan Certificate, or ATI Title Opinion Plus covering the Loan is also acceptable. An Attorney's Final Opinion of Title is required if the property is located in the state of Iowa. A Final Title Insurance Policy is not required for HUD repos. The Title Insurer must be qualified to do business in the jurisdiction in which the property is located, and the policy must insure UHM, together with its successors and assigns, that the Loan is in first lien position in the original principal amount of the Note. The Title Policy must insure Union Home Mortgage Corp. as its name appears in the security instrument and must also include the language, "its successors and assigns as their interest may appear."

ENDORSEMENTS AND AFFIRMATIVE COVERAGE

UHM generally requires the following countersigned endorsements, if appropriate, for the product or property type:

ALTA Form 4	Condominium Endorsement
ALTA Form 5	PUD Endorsement
ALTA Form 6	Variable Rate Endorsement
ALTA Form 8.1	Environmental Lien Protection
ALTA Form 9	Comprehensive Endorsement

In addition, and unless prohibited by applicable state title industry regulations, all Title Policies must include the ALTA 100 form (or its equivalent) with respect to affirmative coverage over violation of building and use restrictions, covenants and conditions, encroachments, etc., or other specific affirmative language insuring that there has been no violation of any such matters, which violation would result in a forfeiture or reversion of title.

UHM may require additional endorsements as it deems appropriate to provide UHM with full title insurance protection.

SURVEY REQUIREMENTS

UHM requires that the title company delete any survey exception from the final Title Policy. If the title company requires a new survey in order to delete an exception, then UHM requires a new survey is obtained.

TITLE POLICY DOCUMENTS

UHM requires the original Title Policy. If the property is located in an area where a final Title Policy is not normally available at closing, or there is a delay associated with recording, UHM may obtain a binding commitment, provided that such binding commitment:

- is binding upon the title insurance company issuing the Title Policy;
- has been "marked-up" by an authorized agent of the title insurance company issuing the Title Policy; and
- shows, among other things, which items will be deleted from the Title Policy, which endorsements will be required to accompany the Title Policy, etc. If applicable, UHM must include a copy of each instrument necessary to complete the identification of exceptions shown.

TITLE INSURANCE REQUIREMENTS

- UHM is named as proposed insured, with the inclusion of "Its successors and assigns, as their interest may appear," if the policy definition of "Insured" does not cover successors/assignees.
    - **Conventional/USDA Mortgagee Clause for Title Commitment:**

      Union Home Mortgage Corp, ISAOA/ATIMA
8241 Dow Circle West
Strongsville, OH 44136
Loan #
    - **FHA Mortgagee Clause for Title Commitment:**

      Union Home Mortgage Corp, and/or the Secretary of Housing and Urban Development, ISAOA/ATIMA
8241 Dow Circle West
Strongsville, OH 44136
Loan #
    - **VA Mortgagee Clause for Title Commitment:**

      Union Home Mortgage Corp, Its Successors and/or Administrator of Veteran Affairs and/or Assigns, as their respective interests may appear
8241 Dow Circle West
Strongsville, OH 44136
Loan #
    - **Texas Properties**

      Texas follows the same addresses as listed above, but the Union Home Mortgage Corp. name must also include the following statement:
Union Home Mortgage Corp.,
ISAOA/ATIMA, and each successor and assign in ownership of the indebtedness secured by the insured mortgage, except a successor who is an obligor under the provisions of Section 12 I of the Conditions and Stipulations.

- Vesting Requirements:
  - Purchase Loans: Immediately prior to subject Borrower's acquisition of the property, title vested in the Seller as named in purchase contract and the HUD Settlement Statement.
  - Refinance Loans: Title vested in subject Borrower(s).
  - Title (held by subject Borrower) is not held in trust (except for an Illinois Land Trust or Living "Inter Vivos" Trust), by Corp’s or business entities.
  - All parties to be vested in title have executed the security instrument, subject to state law.
- Title to the property has not been conveyed within the most recent 12 months. If title has been conveyed within most recent 12 months, UHM may require further review by its underwriter and/or additional documentation to ensure acceptability of transaction (e.g., not a flip sale).
- Title held is fee simple or, if a leasehold, UHM has specifically approved the policy prior to closing.
- Legal description agrees with all legal documents (security instrument, Assignment or Mortgage, etc.).
- Title Exceptions:
  - Tax payments are current.
  - Survey exceptions have been deleted, or appropriate affirmative coverage obtained.
  - All existing liens and judgments have been or will be paid/released.
  - Surface entry rights are waived or contain appropriate affirmative coverage endorsement.
  - All references to taxes as exceptions to the coverage of the Title Policy state "Not yet due and payable" or "Paid." Generally speaking, UHM will accept only those title exceptions acceptable to secondary market investors.
- Contains all UHM required additional title endorsements either as a condition to funding or as follow-up documentation (e.g., ARM, PUD, Condominium Endorsement, Environmental Lien Endorsement, etc.).
- An authorized agent has properly countersigned the title binder/commitment.
- Amount of title insurance equals the Note's face amount.
- Preliminary report/title commitment to include 24 months of title and dated within 6 months of closing and MUST include the Preliminary CD statement. The Processor must confirm the reconciliation of the escrows by closing prior to underwriting.

SPECIFIC TO RATE/TERM REFINANCES OF OWNER-OCCUPIED HOMESTEAD PROPERTY IN TEXAS

Special title insurance coverage must be obtained when impounds for prepaid expenses are included in the new loan amount. The following must be included as a Schedule B Exception:

> "Possible defect in lien of the insured mortgage because of the insured's inclusion of reserves or impounds for taxes and insurance in the original principal of the indebtedness secured by the insured mortgage."

Note: UHM recommends, but does not require, that the title policy include the P-39 Express Insurance Coverage endorsement.

ALTA SHORT FORMS OF TITLE

UHM will also accept the following ALTA Short Forms of Title:

- the Short Form Residential Loan Policy, or
- the Residential Loan Certificate to a Master Policy

Both of the ALTA Short Forms of Title are subject to the following:

- Acceptable for residential one-to-two family dwellings.
- If the Residential Loan Certificate is used, the Loan File contains copies of the master policy with any and all addenda or endorsements.
- If the short form Residential Loan policy is used, the Loan contains a copy of a warranty deed.
- The forms are from Fannie Mae approved title insurers.
- Contains evidence of current vesting in the property.
- Any short forms of title policies have the applicable ALTA endorsements.

1101.2 Title Insurance Vesting Requirements

If a non-applicant or borrower wants to be on title/deed but they are not listed on the sales/purchase contract, the sales/purchase contract will need to be amended to include the names of the additionally intended title/deed holding parties. The preparer of the title/deed should be notified, in advance, of the intended title/deed holders. Anyone, on the sales/purchase contract or not, can be named on the title/deed.

If a non-applicant or borrower is named on the sales/purchase contract, those individuals must be included on the title/deed because, through that document, they have contractual rights and claims. If any individuals on the sales/purchase contract are not interested in being on the title/deed, the contract will need to be amended to remove the individual(s).

1102.0 Title Holder General Requirements, Living (Inter Vivos) Trusts

INTRODUCTION

Subject to investor guidelines, programs, parameters and restrictions, Union Home Mortgage Corp. (UHM) may permit a residential mortgage loan to be made to an individual(s) who currently holds legal title in the name of his/her/their trust (refinance) or desires to purchase property and, at the time of acquisition, vest legal title in the name of his/her/their trust/trustee.

As a transfer out of trust may have ancillary consequences, no employee of UHM shall suggest, infer, demand, or require that a borrower transfer property out of trust as a condition of loan approval. If a borrower voluntarily and not under duress and without collusion offers this alternative, he/she should be instructed to seek the advice of his/her independent professionals.

GENERAL REQUIREMENTS

The Inter Vivos Revocable Trust, or a/k/a Family Trust, or Living Trust, must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.

The borrower must be the Settlor or Trustor (the individual that created the trust and transfers assets such as the subject property, to hold and manage on behalf of the trust), the Trustee (the person selected by the Settlor acting on behalf of the trust to administer the terms of the trust) and the primary beneficiary (the person identified by the Settlors for whose benefit the trust is administered).

RESTRICTIONS

UHM does not permit the use of:

- Irrevocable Trust
- Qualified Personal Residential Trust
- Institutional Trust
- Corporate Trust
- Trust established under outside of or under the laws of any jurisdiction other then one of the 50 states or the District of Columbia,
- Survivor Trust where the Trust is no longer Revocable
- Testamentary Trust
- Blind Trust

Land Trusts (Including Illinois)

UHM will consider approval of a Land Trust on an exception basis.

Community Land Trust

A Community Land Trust is a model of affordable housing and community development, otherwise known as "CLT." A CLT may also be considered for an Exception Approval.

POWER OF ATTORNEY

A power-of-attorney may not be used under any circumstances to sign any documents, from initial application though and including closing, on behalf of a Trustor, Settlor, Beneficiary, Trust and/or Trustee.

UNDERWRITING CONSIDERATIONS

The mortgage must be underwritten as if the individual establishing the trust (or at least one of the individuals, if there are two or more) were the borrower (or a co-borrower, if there are additional individuals whose income or assets will be used to qualify for the mortgage).

All property and occupancy types may be eligible subject to program and investor restrictions. For properties that are the borrower's principal residence, at least one individual establishing the trust must occupy the security property and sign the loan documents.

The trust must be valid in: a) the state in which the subject property is located; b) the state where the trust was created; and c) the state of controlling law and interpretation, if specified in the trust.

The borrower(s) must provide a copy of the entire trust agreement, if the law of the property state allows a lender to require a copy of the entire trust agreement

OR

A Certification of Trust in the following states*:

Alabama	Arizona	California	Delaware
District of Columbia	Florida	Idaho	Illinois
Indiana	Iowa	Kansas	Maine
Michigan	Mississippi	Minnesota	Nebraska
Nevada	New Hampshire	New Mexico	North Carolina
North Dakota	Oregon	South Carolina	South Dakota
Tennessee	Texas	Utah	Virginia
Vermont	West Virginia	Wyoming	

*The table above includes states in which UHM is not licensed.

In all cases, UHM will request the complete trust agreement. However, in those states where a lender is prohibited from requiring a full copy of the trust, a Certificate of Trust may be acceptable. Excerpts of the trust may be required in accordance with the laws of the property state and to validate the trust meets guidelines.

UHM does not, at this time, require an Attorney Opinion Letter for all trust reviews, but specifically reserves the right to require the borrower(s) to submit should the trust/trust certificate be outdated, aged, ambiguous, amended, restated, or complex.

A thorough review of the complete trust agreement or Trust Certificate and the title commitment must be completed by the Underwriter. All of the trust documents must be retained in the loan file.

The Underwriter must complete the Trust Checklist along with their signature and date acknowledging the Underwriter has reviewed and approved the trust documents. Any questions by the UHM Underwriter should be directed to his/her respective U/W Team Lead. Thereafter, if questions, concerns, and/or issues remain outstanding and unresolved, a ticket should be sent to UHM's Power Help Desk.

TITLE AND INSURANCE REQUIREMENTS

UHM must retain in the individual mortgage file a copy of any trust documents that the title insurance company required in making its determination on the title insurance coverage.

Title held in the trust does not in any way diminish investor or agency rights as a creditor, including the right to have full title to the property vested in investor or agency should foreclosure proceedings have to be initiated to cure a default under the terms of the mortgage.

- The title insurance policy ensures full title protection to investor or agency.
- The title insurance policy states that title to the security property is vested in the Trustee(s) of the inter vivos revocable trust.
- The title insurance policy does not list any exceptions with respect to the Trustee(s) holding title to the security property or to the trust.

Title to the security property is vested solely in the Trustee(s) of the inter vivos revocable trust, jointly in the Trustee(s) of the inter vivos revocable trust and in the name(s) of the individual borrower(s), or in the Trustee(s) of more than one inter vivos revocable trust.

CLOSING REQUIREMENTS

The following executed collateral documents are required when closing a loan in a trust:

- the original note,
- trust addendum to the note,
- mortgage/deed of trust,
- trust rider to the mortgage/deed of trust.

SIGNATURE REQUIREMENTS

Due to the multi-capacity of parties involved in an inter vivos trust (for example Settlor, Trustee and Beneficiary), the loan documents must be executed by all required parties and in a specific manner.

ORIGINAL NOTE

- The borrower must sign as an individual and trustee of the trust.
- Each individual, not a Trustee whose income or assets were used to qualify for the loan (i.e., co-borrower).
- Each Settlor whose income or assets were used to qualify for the loan.

TRUST ADDENDUM TO THE NOTE

- Each Trustee as Trustee of the trust.
- Each Settlor whose income or assets were used to qualify for the loan.

MORTGAGE/DEED OF TRUST

- Each Trustee as Trustee of the trust.
- Each individual that has a vested interest in the property but is not a Trustee of the trust. (The borrower does not have to sign as an individual unless title will be vested in both the name of the trust and the individual which is rare and uncommon).

TRUST RIDER

- Each Trustee as trustee of the trust.
- Each individual that has an interest in property.

A trust is the legal entity. Vesting will be in the name of the trustee/trust. If there is more than one borrower and the borrower is not a Settlor or Trustee of the trust the additional borrower must sign all documents individually only.

If the borrower is the Trustee, Settlor, Beneficiary and the borrower’s spouse will not be a party to the loan transaction a (non-borrowing spouse), marital vesting may not be applicable in states where dower, homestead or community property are required by state law. State law will determine if the non-borrowing spouse is required to release dower, homestead or community property rights.

1103.0 <u>Waived Title Exceptions</u>

UHM requires affirmative coverage over all defects unless the defect is subject to one of the following General Title Waivers:

- Customary easements and rights of way for underground conduits that are in place and do not extend under any buildings on the subject property.
- Customary surface easements and rights of way along property lines for public utilities and for drainage and irrigation ditches provided the exercise of the rights do not interfere with the use and enjoyment of any present improvements on the subject property or proposed improvements where the appraisal or Mortgage is based.
- Customary easements and rights of way for public roads, water lines and sewers, and for private wells, driveways and party walls situated partly on the subject property and partly on adjoining property.
- Any encroachment on an easement or right of way for public utilities by a garage or any other improvement, except those improvements that are attached to or are a portion of, the main dwelling structure, provided such encroachment does not interfere with the use of the easement or the exercise of rights or repair and maintenance in connection therewith.
- Encroachments on the subject property by improvements on adjoining property where such encroachments:
    - extend one foot or less over the property line of the subject property;
    - do not touch any buildings; and
    - do not interfere with the use of any improvements on the subject property.
- Encroachments on adjoining property by eaves or other projections attached to improvements on the subject property where these encroachments do not exceed 1 foot.
- Misplacements of hedges or removable fences on either side of the property line of the subject property, provided that neither the misplacement, nor a future correction thereof, will interfere with the use of any improvements of the subject property or the use of the balance of the subject property and the property not occupied by improvements.
- Please Note: Misplaced concrete walls or driveways are not covered by the General Title Waiver.
- Encroachments onto adjoining property by driveways belonging to the subject property where such encroachments do not exceed 1 foot, provided that there exists a clearance of at least 8 feet between the buildings on the subject property and the property line affected by the encroachment.

- Variations between the length of the subject property lines as shown by the record, survey or drawing, provided that such variations do not interfere with the use of any of the improvements on the subject property and that they do not involve a deficiency of more than 2 percent with respect to the length of the front lot line or more than 5 percent with respect to any other line.
- Agreements or restrictive covenants of record relating to costs, use set-back, minimum size, building materials, architectural, aesthetic or similar matters (other than single family use restrictions on 2-4 family properties), provided that the title insurance policy expressly assures that:
    - there is no reversion or forfeiture of title in the event of violation thereof; and
    - such agreements or restrictive covenants do not create or provide for a lien of any kind that would be prior to the lien of the subject Mortgage.
- Restrictive covenants based on race, color or creed, even where the violation of these restrictions provides for a penalty or reversion or forfeiture of title or a lien for liquidated damage.
- Outstanding oil, water or mineral rights (or damage caused by the exercise of such rights) which are customarily waived by prudent lending institutions and leading attorneys in the community.
- The priority of the lien as to any sum repaid and subsequently re-advanced under the terms of the Mortgage thereby.
- For Mortgages securing 1-4 family or non-owner-occupied properties, rights of parties to occupy the property as tenants only under leases predating the Mortgage if the remaining term of the lease is less than 12 months at the time of origination.

1104.0 Survey Requirements

UHM requires that any survey exception be deleted from the final title policy. If the title company requires a new survey in order to delete the exception, then UHM will be required to obtain a new survey.

If a survey is not obtainable, an ALTA 9 is an acceptable alternative.

1105.0 Recorded Security Instrument Review Checklist

See Recorded Security Instrument Requirements.

Section 1200 CLOSING PACKAGE – PRIOR TO CLOSING

1201.0 Standard Closing File Documentation

Loans submitted to Post-Closing should contain all applicable documents, listed in the Loan Submission and Document Checklist. Copied documents for all Government Loans are acceptable.

The following documents are required for all Loans:

1. **Original Note** (with applicable addenda and riders) endorsed as follows;

   a. WITHOUT RECOURSE PAY TO THE ORDER OF

      Union Home Mortgage Corp.

      (Signature of Officer)

      (Officer's Name and Title)

   b. The Original Note should be delivered to:

      Union Home Mortgage Corp.
      8241 Dow Circle W.
      Strongsville, Ohio 44136

   c. An additional copy of the endorsed note should be included with Loan submissions.

   d. A name stamp or facsimile signature is an acceptable alternative to a "live" signature when endorsing the Note for delivery to UHM.

   e. the property address, including the unit number when appropriate, on the Note, must match the property address, including the unit number when appropriate, reflected on the commitment. If the Title Insurance document does not show the unit number when one exists, request that the title company update the commitment to have the unit number reflected.

> **Note:** The note rate on all Loans must end in a multiple of .125.

2. **Mortgage or Deed of Trust** (with applicable addenda and riders).

   a. Either the original recorded document or a certified copy. The certification must read, "Certified to be a true and exact copy of the original, which has been submitted for recording."

   b. When closing with MERS, the Deed of Trust and Mortgage must include the appropriate MERS verbiage, the MIN, and the MERS telephone number prior to recording.

   c. For VA Loans: the Mortgage or Deed of Trust (or a rider) must contain the following paragraph, to ensure a two-month escrow cushion can be collected or specify what the escrow cushion should be:

      "Lender may, at any time, collect and hold Funds in an amount (a) sufficient to permit Lender to apply the Funds at the time specified under RESPA, and (b) not to exceed the maximum amount a lender can require under RESPA. Lender shall estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow items or otherwise in accordance with Applicable Law."

   d. For Government and Conventional Loans: All security instruments must reflect a late charge of no less than four (4) percent for Government Loans or five (5) percent for Conventional Loans, to be assessed no later than 15 days from the due date, unless either is not in accordance with applicable law.

   e. For Guaranteed Rural Housing (GRH) Loans: Late charges on GRH Loans may not exceed four (4) percent, to be assessed no later than 15 days from the due date, unless either is not in accordance with applicable law.

   f. The property address, including the unit number when appropriate, on the mortgage or deed of trust, must match the property address, including the unit number when appropriate, reflected on the commitment. If the Title Insurance document does not show the unit number when one exists, request that the title company update the commitment to have the unit number reflected.

3. **Assignment of Mortgage or Deed of Trust**: Union Home Mortgage Corp., a Corp. organized under the laws of Ohio

    a. Either the original recorded document or a certified copy. The certification must read, "Certified to be a true and exact copy of the original, which has been submitted for recording."

    b. If either the body of the Assignment or the notarization statement indicates the use of a corporate seal, we must verify the seal has been affixed to the document. If an assignment is made to MERS instead of Union Home Mortgage Corp. under the MERS program, the MIN, the MERS telephone number and the appropriate MERS verbiage must be added to the assignment. Failure to do so will require re-recording.

    c. UHM must ensure that all references to the Mortgage or Deed of Trust match the document precisely. Specifically, the date of the Mortgage or Deed of Trust, the Borrower's name(s), the legal description, the address and, if present in the USPS address validation document, the unit number, and the Seller's name must be correct throughout. The Assignment must be signed by an officer of the assigning entity and that signature must be attested by a notary public.

4. Title Commitment or Binder.

    a. The Subject Property address reflected on the Title Insurance document must be validated with USPS and match the address and include the unit number, when one exists, exactly as USPS had validated it. If the Title Insurance document does not show the unit number when one exists, request that the title company update the commitment to have the unit number reflected.

5. Final signed Closing Disclosure with Certification(s).

6. Separate written itemization of fees from the final Closing Disclosure.

    a. The Itemization of the Amount Financed as outlined in Regulation Z, Section 226.18 (c); or

    b. System generated itemization of fees.

7. Power of Attorney, if applicable.

   a. Another individual may act on behalf of the Borrower(s) at closing, if:

      - Proper Power of Attorney forms are executed;

      - The Power of Attorney is recorded in the jurisdiction where the security instrument was recorded. A Power of Attorney is acceptable on a refinance only if it specifically makes reference to the terms of the refinance transaction; and

      - The Title Policy does not contain any exceptions based on the use of such power.

8. **Name Affidavit or Certification**, must be included if applicable.

   a. The name of the Borrower, as it appears typed on the face of the security instrument and under the signature line, must appear in a consistent manner as it occurs in the documents of the Closing Package.

   b. The signature of the Borrower must match exactly the name typed below it. The Closing Department should pay particular attention to the exact spelling of the Borrower's name. It is acceptable for the Borrower to over sign the document (e.g., sign with a middle initial when none is typed under the signature line).

   c. An Affidavit of Identity is required if there are substantial discrepancies in the Borrower's name or signature, or if the Borrower undersigns the security instrument. The Affidavit must include the variations between the typed name and undersigned signature or the typed name as they differ on the closing documents. Affidavits may be signed by the Borrower, closer, branch personnel or someone that witnessed the Borrower's signature. The name and affiliation of the signer must be shown on the Affidavit or the Affidavit must be notarized. Affidavits of Identity should not be used to correct discrepancies in the Borrower's name which result from errors. Errors must be corrected, and the document re-recorded if necessary.

   d. A certified true copy of the Affidavit is acceptable if the original is not available. The certification must read, "Certified to be a true and exact copy of the original."

9. A hazard insurance application, binder, or policy (including as applicable unit interior coverage commonly known as H06), accompanied by proof of payment for one year.

   a. The full name of the Borrower and property address must be exactly as reflected on the Mortgage.

10. **Flood Hazard Determination** (aka Third Party Flood Certificate)

    a. Both standard/base and life-of-Loan certificates.

11. Copy of the letter to the insurance agent requesting change to the mortgagee loss payable clause.

    a. For All Agency Loans closing on or after June 1, 2022 (FNMA, FHLMC, FHA, VA, & USDA), the loss payee clause should read:
       Union Home Mortgage Corp.
       ISAOA/ATIMA
       P.O. Box 7115
       Troy, MI, 48007

12. **W-9 Form** (Social Security Number Verification).

    a. UHM requires a W-9 form to be included with all Loans for purchase. A W-9 form is not required for every Borrower on the Loan, but must be supplied for at least one of the Borrowers.

13. IRS Form 8821.

    a. A fully complete and signed IRS Form 8821 for each Borrower on the Loan.

14. Tax Return Transcripts

15. Right of Rescission and Mortgage Deed of Trust (DOT), as applicable.

    Loans sold by UHM where the property is located in a community property, homestead, or dower/curtsey state must contain the following:

    A properly completed Notice of Right to Cancel and Mortgage/Deed of Trust (DOT) signed and dated by all vested individuals and any non-vested, non-borrowing spouse.

    OR

    A properly completed Notice of Right to Cancel and Mortgage/DOT signed and dated by all vested individuals and a completed copy of a recorded quit claim deed, spousal waiver, or warranty deed, showing the non-vested spouse no longer has an interest in the property.

    a. UHM requires a Right of Rescission notice on primary residence refinances.

b. UHM must ensure all individuals with an ownership interest in the property used as security sign the Notice of Right to Cancel. Individuals who have an ownership interest include (but are limited to):

    - Borrowers vested on the property being used as security
    - Non-borrowing individuals who are vested on the property being used as security
    - Non-vested spouses of vested individuals where the property is located in a community property state, homestead state, or dower/curtsey state (borrower or non-borrower)

c. Property vested as “sole and separate property” (in community property, homestead, or dower/curtsey states) where there is a non-vested spouse requires:

    - a completed copy of a recorded quit claim deed, spousal waiver, or warranty deed, showing the non-vested spouse no longer has an interest in the property since the vesting of “sole and separate property” alone does not remove the right of rescission for a non-vested spouse.

d. The notice must be dated correctly and signed by each person with an interest in the home, even if that person does not sign the Note.

e. Right of Rescission notices are not required for a permanent take out of a construction Loan, for the refinance of a second or vacation home or investment property.

16. Final typed and signed application (HUD 92900-1, VA 26-1820).

17. Borrower Interest Rate Set Date or similar form.

18. Initial Loan Estimate (LE)

    a. The initial Loan Estimate Disclosure to the Borrower(s) as required by applicable federal, state or local law, Freddie Mac and Fannie Mae or other secondary market investors.

19. Final Closing Disclosure (CD)

    a. The final Closing Disclosure to the Borrower as required by applicable federal, state or local law, Freddie Mac and Fannie Mae or other secondary market investors.

    b. An accurate Interest Rate and Payment Summary table is required.

    c. All other TILA required disclosures such as assumption type, demand features, variable rate features and security interest must be completed accurately based on the product selected.

    d. The property address, including the unit number when appropriate, on the Note, must match the property address, including the unit number when appropriate, reflected on the commitment. If the Title Insurance document does not show the unit number when one exists, request that the title company update the commitment to have the unit number reflected.

20. Evidence of refund of settlement charges that exceed tolerance, if applicable.

21. Appraisal Report and addenda, if applicable.

22. Credit Reports

23. Previous mortgage or rent history, if applicable.

24. **Verification of Deposit (VOD)**, if applicable. Required bank statements

25. **Verification of Employment (VOE)**, if applicable. Required paystubs

26. **Tax Returns**, if applicable.

27. **P & L Statements**, if applicable.

28. **Gift or Earnest Money Letters**, if applicable. Donor ability and required bank statements

29. **Loan Application** - Fannie Mae Form 1003/Freddie Mac Form 65 (with applicable addenda).

    a. The Seller must provide the initial loan application in all Closed Loan Packages submitted for purchase.

    b. Mortgage Representative (interviewer) signatures on the loan application signed by someone other than the Mortgage Representative (interviewer), or by someone on behalf of the Mortgage Representative, will not be considered by UHM as signed by the Mortgage Representative.

30. Purchase Agreement of Sale, if applicable.

31. **ECOA**, if applicable.

32. Initial Escrow Statement / Payment Breakdown Letter to Borrowers.
33. Wiring Instructions and/or Bailment Agreement.
34. Final Inspection with photographs, if applicable.
35. Warranty of Completion, if applicable.
36. ARM documentation, if applicable.
37. **PMI Disclosures**, if applicable
38. Any additional documentation required by the particular Loan program.
39. Leasehold agreement, if applicable.
40. Copy of Lender's and Originator's License and NMLS#, if applicable
41. **Customer Identification Verification** (See Customer Identification Verification)
42. **Occupancy and Financial Affidavit**. (See Occupancy and Financial Affidavit)
43. Verbal Verification of Employment.
44. Underwriting approval and conditions
45. Termite, Well, Septic Inspections, if applicable.
46. **Home Inspection**, if applicable.
47. Condominium Documentation/Insurance, if applicable.
48. Environmental Property inspection, if applicable.
    a. If the Mortgaged Property is exposed to the environmental hazard of sulfur-containing drywall (also known as Chinese drywall), the property inspection would have to state that the property was fully gutted down to the bare studs and all items that were installed are new. Only items that could possibly be reused are tile and some stone. Everything else would have to be new.
49. **A termite/pest inspection** is required on any FHA loan if evidence exists from the appraisal report or as disclosed on the sales contract that one was performed or should have been performed. Without evidence of an infestation, a contingency waiver may be signed at closing.
50. State Specific Disclosures

1201.1 Additional Documentation Required for VA Loans

FOR VA STREAMLINE REFINANCES ONLY:

For VA IRRRLs closed are limited to a maximum of two (2) discount points. Additional documentation that may be required includes the following:

- **Copy of the Funding Fee Transmittal** (VA 26-8986) on VA Loans, and copy of check, if applicable.
- GNMA Notice to Borrower(s) regarding solicitation of refinance, if applicable.
  - GNMA pooling certifications require that the Borrower(s) must be notified that the Seller will not solicit them for a refinance unless market rates decline. If the Seller does solicit the Borrower(s) for a refinance, a new rate must be offered which is less than the Borrower's existing rate by at least the amount of the decline in the market since closing.
  - This requirement applies only to Loans 100 basis points or more above the prevailing VA rate at the time of closing.
- Copy of Certificate of Eligibility, both front and back sides (VA 26-83201), or Request for Determination of Eligibility and Available Loan Guaranty Entitlement (VA 26-1880).
- Certification of Loan Disbursement (VA 26-1876), if applicable.
- Rate Reduction Refinance Worksheet (VA 26-8923), if applicable.
- VA Indebtedness Letter (VA 26-8937).
- Analysis Worksheet (VA 26-6393).
- Full conventional appraisal if discount points were charged.
- **Compliance Inspection Report** (HUD 92051), if applicable.
- **Warranty of completion** (VA 26-1859), if applicable.
- Federal collection policy notice.
- **ARM Disclosures**, if applicable.
- Any additional documentation required by the particular Loan program.

1201.2 Additional Documentation Required for FHA Loans

- GNMA Notice to Borrower(s) regarding solicitation of refinance, if applicable.
    - GNMA pooling certifications require that the Borrower(s) must be notified that the Lender will not solicit them for a refinance unless market rates decline.
    - This requirement applies only to Loans 100 basis points or more above the prevailing FHA rate at the time of closing.
- FHA Loan Underwriting and Trans Summary (HUD 92900-LT), if applicable.
- Request for appraisal (HUD 92800-1).
- Conditional Commitment with conditions (HUD 92800.5B).
- HUD form 2561 (if 2 or more units), if applicable.
- **Compliance inspection**, if applicable.
- **Warranty of Completion** (HUD 92544, VA 26-1859), if applicable.
- FHA Disclosure Statement.
- Homeowner Fact Sheet (refinances only).
- All applicable ARM documentation.
- Notice to Borrower regarding Voluntary Prepayment of Escrows.
- A six month payment history with no 30 day delinquencies.
- Refinance Authorization Results screen-print, if applicable.
    - Documents in addition to the standardized Refinance Authorization form may be used to determine the original endorsement date. Any document used must be clearly from FHA, contain verbiage 'Refinance Authorization', reflect original endorsement date, and be for the correct Loan.
- Any additional documentation required by the Loan program.

1201.3 Additional Documentation Required for Conforming Conventional Loans

- Original private mortgage insurance certificate, if applicable.
- Loan sale notice to mortgage insurance company, if applicable.

  Agency Loans:
  Union Home Mortgage Corp.
  8241 Dow Circle W.
  Strongsville, Ohio 44136
  ISAOA/ITIMA
  Loan No: ___________

- Fannie Mae Form 1008.
- Appraisal Certification, if applicable.
- A re-certification of value supporting the original appraised value is required for loans purchased more than 60 days after closing (Note date to purchase date).
- Any additional documentation required by the particular Loan program.
- Successful submission through Fannie Mae's Early Check
- UCDP Submission Summary Report from Fannie Mae with a successful submission and no outstanding warnings or hard stops.
- All Delegated and Prior Approval Conforming loans require AUS Findings
- For Closing: Submission Summary Reports (Fannie Mae and Freddie Mac) from Mercury for all CONV appraisals

1202.0 Submission of the Closing Package

Best Effort deliveries - UHM must receive complete files in Post-Closing for closed Loans within the applicable lock and delivery period.

Section 2000 POST-CLOSING

Closed Loan Package Review

2001.0 Closing Disclosure (CD) Requirements and Policy

Union Home Mortgage Corp. is responsible for ensuring that the CD for all Loans comply with all existing and subsequently enacted requirements and guidelines.

UHM’s Funding Department’s review of the CD prior to purchase includes:

- Any disbursement equal to or greater than $5,000 reflected on the Seller's side of the CD that does not correlate with a lien as shown on the preliminary title report.
- Cumulative fees, including real estate commission plus any non-lien related disbursements for marketing expenses, finder's fees, referral fees, auction fees, consulting fees, or assignment of sale fees totaling more than 8% of the purchase price will not be allowed for any Loan type.

2002.0 FHA/VA/Rural Development Insuring/ Guaranty/ Guarantee Document Requirements

- Mortgage Insurance Certificate (MIC) will be required prior to delivery.
- Loan Guaranty Certificate (LGC) will not be required prior to delivery when obtaining the Commitment and providing evidence the Funding Fee has been paid in full.

MIC - ORIGINAL MORTGAGE INSURANCE CERTIFICATE (FHA LOANS ONLY)

UHM obtains the E-MIC version of the Mortgage Insurance Certificate for all FHA loans. The insuring document will be removed from the Outstanding Insuring Report once UHM has confirmation, from FHA Connection, that the loan has been insured.

LGC - LOAN GUARANTY CERTIFICATE (VA LOANS ONLY)

- Spelling of Borrower's name matches the Note
- Percentage of guaranty is 25%
- Loan amount matches the note
- Signed and dated by an authorized signatory of the Agency
- Mortgagee is Union Home Mortgage Corp. or assignor

LNG - LOAN NOTE GUARANTEE (RURAL DEVELOPMENT GUARANTEED RURAL HOUSING LOANS ONLY)

- Correct Borrower's name
- Correct property state
- Loan amount matches the note
- Signed and dated by an authorized signatory of the Agency

2003.0 <u>Assignment of Mortgage Requirements</u>

Where applicable, Loans must be registered in MERS.

ASSIGNMENT REQUIREMENTS

- Non-MOM (MERS as Original Mortgagee) Documents Require an Assignment of Mortgage.
- Loans closed on non-MOM (MERS as Original Mortgagee) documents, assignments to MERS must be recorded for all Loans in all states. Assignments made to MERS, must include the MIN, MERS toll free phone number and the appropriate MERS verbiage. Failure will result in re-recording with these costs being charged back to the Seller.
- There is an Assignment for each endorsement appearing on the Note.
- Loan information, (e.g., Borrowers, Loan amount, Date of Loan, Seller), agrees with Note and security instrument.
- Notary acknowledgment is correct and complete.
- Legal description and/or property address, if required, including the unit number, if applicable according to the USPS validation document, agrees with security instrument and title work.
- Date of execution is included.
- Contains a signature of an authorized officer of the Lender.
- Includes appropriate notarization, seal and, if required by applicable state, a witness signature.
- White-out was not used to make corrections.

2004.0 Prepaid Interest/First Payment/Interest Credits

All payments on Loans delivered by UHM must be due on the first day of the month following the first full month after the disbursement date.

Interest must be collected in arrears. Interest must have been collected from the date of the Seller's disbursement, including the day of disbursement, through the last day of the month.

UHM will accept Loans closed with interest credit due to the Borrower.

- The maximum number of days interest credit due the Borrower for **FHA Loans** is, for purchases, 5 days
- The maximum number of days interest credit due the Borrower for **VA Loans** is, for a purchase, 5 days.
- The maximum number of days interest credit due the Borrower for **Conforming Conventional Loans** is 5 days, for a purchase.
    - The borrower(s) must sign the closing documents the month prior in the event an Interest Credit is to be utilized.

Note: UHM will not allow a short first payment from the Borrower.

2005.0 Taxes

TAX DUE DATES

UHM will use the tax due date as provided by each taxing authority. Any Discount Date or Economic Loss date shown will be used since this will be the most beneficial to the Borrower.

Discount Date - Certain taxing authorities offer discount dates, which is most beneficial to the borrower, which in compliance with RESPA. When discount dates are offered, UHM is required to include the discount date on the Tax Record Information Sheet.

Economic Loss Date - In the absence of a discount date, UHM pays taxes based on economic loss dates. Economic loss dates are identified as the last day to pay the tax without incurring a penalty.

TAX RECORD INFORMATION SHEET

The title agent will prepare the tax record information sheet for UHM to determine the exact amount need for setting up the escrow account (escrow impound) and identify tax bills that must be paid at closing.

This form includes:

- Discount Date or Economic Loss Date (next installment to be paid by UHM)
- Full name and address of payee(s).
- Parcel ID number(s).

TAX BILLS DUE AT CLOSING OR SOON AFTER CLOSING:

UHM is responsible for all tax payments with economic loss dates or discount dates prior to Loan delivery and/or within 60 days of first payment due date.

POST CLOSING/SERVICING

When UHM chooses to pay taxes within 60 days of the loan first payment date, UHM must supply a copy of a pay history or supporting documentation in the loan file at the time of delivery along with an updated Tax Record Information Sheet reflecting the discount or next economic loss date UHM is to pay.

Recording Security Instruments

2006.0 Recorded Security Instrument Requirements

Union Home Mortgage Corp. must record the original security instrument, together with all appropriate Riders, including if applicable, Assignment of Rents. UHM will not accept any documents that contain white-outs or erasures. UHM will accept strike-overs only if the Borrower has initialed any such strike-over. The original or county certified copy of the security instrument is required.

SECURITY INSTRUMENT REQUIREMENTS

- Security Instrument is complete, legible, and is in accordance with common and customary practices (e.g., closing agent).
- When closing with MERS, the Deed of Trust and Mortgage must include the appropriate MERS verbiage and the MIN prior to recording.
- Document date agrees with date of all other legal documents.
- Name(s) of Borrower(s) agree(s) with name(s) shown on all other legal documents.
- The security instrument does or will vest in title all parties who are named in and who have executed the security instrument. Also, all parties vested in title are named in and have executed the security instrument. Additionally, parties who have an equitable interest (e.g., spouses in community property states) have signed the security instrument.
- UHM must ensure all individuals with an ownership interest in the property used as security sign the Mortgage/DOT and Notice of Right to Cancel. Individuals who have an ownership interest include (but are limited to):
    - Borrowers vested on the property being used as security
    - Non-borrowing individuals who are vested on the property being used as security
    - Non-vested spouses of vested individuals where the property is located in a community property state, homestead state, or dower/curtsey state (borrower or non-borrower)
- Property vested as “sole and separate property” (in community property, homestead, or dower/curtsey states) where there is a non-vested spouse requires:
    - a completed copy of a recorded quit claim deed, spousal waiver, or warranty deed, showing the non-vested spouse no longer has an interest in the property since the vesting of “sole and separate property” alone does not remove the right of rescission for a non-vested spouse.

- Name and address of originating/closing lender is correct and complete and agrees with Note.
    - Loan terms are correct and agree with Note, including:
        - Loan amount and
        - Loan term (first and last payments).
- Legal description agrees with title work.
- Address of subject property and, if applicable, the unit number is correct and complete, agrees with appraisal and, where applicable, the title report.
- All Borrowers' signatures agree with signatures on the Purchase Contract, if applicable, and/or original signed Fannie Mae 1003/Freddie Mac 65/Uniform Residential Loan Application.
- Notary acknowledgment is complete and correct, and, if applicable:
    - Notary seal/stamp appears on the document.
    - Commission expiration date is included.
- Document form is correct for product type and state where property is located and is the most recent revision required by UHM.
- UHM has, prior, approved any alternatives to the UHM required form.
- Appropriate Agency Riders are required including, without limitation, the following:
    - Planned Unit Development ("PUD")
    - Condominium
    - One-to-four Family
    - ARM

PUDS - PUD Rider required

- Date agrees with security instrument.
- Name of Seller agrees with security instrument.
- Property address and, if applicable, the unit number agrees with security instrument.
- Information describing declaration is complete.
- Project name agrees with legal description, title work and appraisal.
- Fully executed by Borrower(s).

CONDOS - Condominium Rider required

- Date agrees with security instrument.
- Name of Seller agrees with security instrument.
- Property address and, if applicable, the unit number agrees with security instrument.
- Information describing declaration is complete.

- Project name agrees with legal description, title work and appraisal.
- Fully executed by Borrower(s).

ALL MULTI-FAMILY AND/OR INVESTMENT PROPERTIES - One- to Four-Family Rider required

- Date agrees with security instrument.
- Name of Seller agrees with security instrument.
- Property address and, if applicable, the unit number agrees with security instrument.
- Fully executed by Borrower(s).

ARM LOANS - ARM Rider required

- All data is correct and agrees with Note.
- Date agrees with security instrument.
- Fully executed by Borrower(s).
- All Borrowers who signed the security instrument executed all Riders (unless otherwise indicated); signatures agree with signatures on Purchase Contract, if applicable, and/or original, signed Fannie Mae 1003/Uniform Residential Loan Application and are consistent with security instrument.
- Any correction to security instrument or Rider(s) has been initialed by all Borrowers who executed the security instrument.
- Consolidation, Extension, and Modification Agreement ("CEMA") if required.
- Living "Inter Vivos" Trust Documents.

Preparation for Submission to Investor

2007.0 Required Submission Documents

See Required Submission Documents.

2008.0 Outstanding Final Documents Report

The Document Performance Detail (DPD) Report is an all-inclusive list of Union Home Mortgage Corp.'s loans for which any one or more of the following remain unresolved:

- Outstanding Final Document(s)
- Deficient Final Document(s)
- Unpaid/Underpaid Mortgage Insurance Premium (MIP)
- Uninsured Loan(s)

The Outstanding Final Documents Report is reviewed daily to expedite delivery delays.

2009.0 Final Documentation Requirements

The closing documents must be the most current FHA, VA, or Rural Development forms. UHM Operations, Compliance and Systems Administration are responsible for using the current documents and ensuring that all documents, including, without limitation, any document supplied by UHM, conform with all applicable state and federal laws.

Where applicable, Loans must be registered in MERS with a MERS transfer of beneficial rights (TOB) and transfer of servicing rights (TOS) must be initiated by Union Home Mortgage Corp., within ten (10) business days of delivery by UHM.

The documents listed below include all the follow-up documents required for review. The Outstanding Final Documents Report available after Loan funding will indicate the specific time period.

- Original or County Certified Copy of Recorded security instrument.
- Final title policy with appropriate endorsements, including but not limited to:

ALTA 4	Condominium Endorsement
ALTA 5	PUD Endorsement
ALTA 6	ARM Endorsement
ALTA 8.1	Environmental Protection Endorsement
ALTA 9	Comprehensive Endorsement
CLTA 100	"Off Record" Endorsement (Extension of Coverage)
CLTA 100.24	Surface Rights Waiver (Minerals)
CLTA 103.1	Unlocated Easement
CLTA 103.5	Damage Caused by Water Extraction
CLTA 116	Survey/Address Endorsement
CLTA 110.5	Modification Endorsement - For any Loans with security instruments that UHM must correct and re-record. This endorsement insures the lien-holder the corrected security instrument is not considered to be a new security instrument filing, but instead relates back to and amends the original security instrument. In cases where the correction of the original security instrument involves an increase in the principal balance, this endorsement would not be appropriate. UHM requires increased coverage be obtained due to the title insurer's coverage limitation to the face amount of the original policy.

- OTHER ENDORSEMENTS - UHM may specify other endorsements as it deems appropriate.
- Recorded Intervening Assignments, if applicable.
- Additional documentation UHM may specify on the Outstanding Final Documents Report.

ELECTRONIC DISCLOSURES (BORROWER AND SELLER)

While Borrower documents are permitted to be e-disclosed at application, all Borrower closing documents must be wet-signed. A seller’s e-signed contract or closing package is acceptable with exception to the deed.

CLOSING DOCUMENTS ON NDC AND SPECIALTY PRODUCTS

Closing documents that are prepared by UHM will have an additional $350 cost for NDC Partners.

Reconciliation of Suspense Items

2010.0 <u>Post-Closing Documentation Deficiencies/Suspense Escalation</u>

POLICY: The Company will vigorously pursue bringing suspended loans, and closed loans that cannot be sold to satisfactory conclusion.

PROCEDURE: Company Supervisors and Senior Management will be made aware of suspended loans at their appropriate stages. UHM Partners must understand the critical dates and cost associated with loans not purchased or that have been suspended. This procedure explains the process involved if suspended or closed unsalable loans cannot be rectified and made salable.

A closed loan that cannot be purchased without modification or other costs at the company's expense must be reported immediately to the Vice President National Operations. The President and Chief Executive Officer must be immediately notified as well if a closed loan needs modification or restructuring at the Company's expense. Procrastinating, or trying to solve the problem without getting Senior Management involved is considered a serious mistake in judgment.

CRITICAL DATES AND COSTS

1. Within 24 hours from receipt of suspense, Post Closers are to e-mail the partners they need assistance from. The email must include all conditions that are preventing the loan file from being purchased. In addition, the Post Closing Manager must immediately notify Senior Management on a closed loan that is non-salable for ANY reason. Notification should include the reason for non-salability and possible solutions.
2. The Partner responsible for clearing conditions must respond to the Post Closer within 24 hours acknowledging receipt of e-mail and the steps they are taking to clear the conditions.
3. On day 5, the Post Closer will email the Partner responsible for clearing conditions and also copy appropriate supervisors. At this point supervisors will get involved to find out what items are holding up the loan from being purchased and what they can do to assist.
4. On day 40 the loan will be discussed with the Vice President, National Operations Manager during the daily Rudy Leadership meeting. At that time the Operations Manager will be directly involved in all suspense notifications regarding the loan.
5. Day 45 is also the next key date for the warehouse credit line. On day 45, the Company is responsible for using our own funds to purchase 10% of the total note amount off the credit line.

6. On day 60 the Post Closer will email Partners involved including Senior Management notifying them that the loan has reached its next critical stage associated with warehouse credit line cost.
    - The Company must pay down the loan to 70% of the total note amount
7. Day 90 is the drop-dead date. Once we reach day 90 the Company is using its own funds to purchase the entire loan off the warehouse credit line and will be servicing the loan until it is in purchasable condition.

2011.0 Post-Closing Mediation

When Union Home Mortgage Corp. encounters Funding Delays from our Investors, our goal is to work quickly and efficiently to reconcile the error to reduce interest charges on our Warehouse Line of Credit.

UHM consistently strives for 100% accurate application and closing packages. But occasionally errors occur in loan origination, final documents, or closing including missing signatures, inaccurate disclosures, escrow holdbacks, etc.

Errors cause funding delays and must be resolved as quickly as possible. Not only does the Company incur interest charges, but additionally the Funding Delay may alter agreed upon pricing as we may be unable to deliver the loan to the Investor within an acceptable timeframe per the original lock/registration.

We are all responsible to work with the Post-Closing Department towards reconciliation. When a funding delay exists, the Post Closing Department will analyze the error and take the following steps:

1. A “Suspense Notice” is forwarded electronically to the appropriate party. This notice defines the error and explains the required action.
2. If a document revision is required, the revised document(s) will be sent via overnight with return instructions to the Customer(s) at the property address.
3. The TPO Partner is responsible for contacting the Customer(s) immediately upon reception of the notice, to inform them of the error and to provide instructions.
4. As the TPO Partner maintains the relationship with their Customer(s), the Post Closing Department will not contact the Customer(s) directly without the approval of Senior Management.
5. If the TPO Partner is unavailable due to vacation, travel, etc., the notification will be forwarded to the General Sales Manager, who will contact the originating TPO Partner or the Customer(s) directly as soon as possible.

2012.0 Post-Closing Reconciliation

For all Loan types, specific post-purchase reconciliation questions may be directed to UHM's Post Close Manager.

2013.0 PC Quick Reference Links

Escrow/Impound Accounts for Taxes and Insurance

See.

VA Guaranty

See VA Guaranty.

Ground Rents (Leasehold)

See Ground Rents (Leasehold).

Special Assessments

See Special Assessments.

Hazard Insurance

See Hazard Insurance.

Third Party Flood Certificates

See Third Party Flood Certificates.

Flood Insurance

See Flood Insurance.

Mine Subsidence

See Mine Subsidence.

Elective Insurance

See Elective Insurance.

Disaster Policy

See Disaster Policy.

Environmental and Other Hazards

See Environmental and Other Hazards.

Escrow Holdbacks

See Escrow Holdbacks.

FHA Mortgage Insurance

See FHA Mortgage Insurance.

Private Mortgage Insurance

See Private Mortgage Insurance.

IRS FORM 8821 and Tax Transcripts

See IRS FORM 8821 and Tax Transcripts.

Waived Title Exceptions

See Waived Title Exceptions.

Survey Requirements

See Survey Requirements.

Tax Record Information Sheet

See Tax Record Information Sheet.

Title Insurance Coverage Requirements

See Title Insurance Coverage Requirements.

Title Holder General Requirements, Living (Inter Vivos) Trusts

See Title Holder General Requirements, Living (Inter Vivos) Trusts.

Section 2100 MERS and TRANSFER OF SERVICER

UHM delivers Loan Packages as an imaged file through a secure FTP Server which will be set up upon approval.

2101.0 Mortgage Electronic Registration Systems (MERS®)

Where applicable, Loans must be registered in MERS prior to forwarding the closing package to the Investor. A MERS transfer of beneficial rights (TOB) and transfer of servicing rights (TOS) must be initiated by Union Home Mortgage Corp. (ORG ID 1000745).

REGISTERING A LOAN WITH MERS

Loans delivered must be registered by UHM with MERS at time of delivery. MERS as Original Mortgage (MOM) loans must be registered within seven calendar days of the Note date for non-escrow states or the UHM Funding Date for escrow states.

The registration process will be performed by the MERS member via either:

- MERS Online, a secure internet connection with MERS
- Batch transactions, use of a computer to computer interface with MERS

2102.0 Change of Servicer

Whenever there is a change of mortgagor, a change of servicer, or a sale of a HUD-insured mortgage, HUD should be advised within 15 calendar days of the action in order that its records can be amended to show the change so that future premium notices and correspondence may be properly directed. It is Union Home Mortgage Corp.'s responsibility to notify HUD of the new holder and servicer of record. Effective December 1, 2005, only the existing holder of record is allowed to provide HUD with the Mortgage Record Change to update a new holder of record.

It is UHM's responsibility to prepare and deliver a notification of a Loan sale and change of servicer (Good-Bye Letter) to the Borrower(s) at least fifteen (15) days prior to the first payment due. Notifications must be prepared on the UHM's letterhead. UHM must provide the Borrower(s) with a short-year escrow account statement within 60 days of the servicing transfer. This applies when UHM has collected escrow funds, even those without disbursements prior to the sale of the Loan to the Investor.

Loans funded immediately prior to the monthly cut-off date require the generation and delivery of the RESPA Notice of Loan Sale and Change of Servicer (Good-Bye Letter), often as quickly as the same day we fund. This creates a very aggressive time frame to generate the Goodbye letter. The Transfer Date is always the 1st and no other day of the month may be used.

NOTIFICATION TO BORROWERS:

For all loan types, the notification to the Borrower must indicate that all future payments, tax information, MIP information, and Borrower correspondence for Loans funded by UHM must be sent as follows unless the Investor will be capable of collecting the first payment. In the event the Investor will collect the first payment, review the first payment information listed appropriately in the Loan Origination System.

PAYMENTS

Union Home Mortgage Corp.
8241 Dow Circle W.
Strongsville, OH 44136

OVERNIGHT DELIVERY & WRITTEN CORRESPONDENCE

Union Home Mortgage Corp.
8241 Dow Circle W.
Strongsville, OH 44136

2103.0 Mortgage Record Change

It is Union Home Mortgage Corp.'s responsibility to notify HUD of the new holder and servicer of record. Effective December 1, 2005, only the existing holder of record is allowed to provide HUD with the Mortgage Record Change to update a new holder of record.

Section 3000 APPENDIX

3001.0 Student Loan Payment Matrix

The most current version of the Student Loan Matrix can be found in the Policies & Procedures tab, within the Documents & Forms section, of UHMGo!.

For Student Loans that are in Collection or Charge-off status, please refer to the Derogatory Credit Section of the Lending Guide.

Program	Fannie Mae	Freddie Mac	FHA	VA[1]	USDA
Can Deferred Student Loan Payment be Omitted?	No	No	No	Yes, but must be deferred a MINIMUM OF 12 MONTHS FROM NOTE DATE. VA Loans do not have to be verified as fixed or amortized.	No
If a monthly student loan payment is provided on the credit report, must this amount be used for qualifying purposes?	If a monthly student loan payment is provided on the credit report, that amount may be used for qualifying purposes. If the credit report does not reflect the correct monthly payment, the monthly payment that is on the student loan documentation (the most recent student loan payment) may be used to qualify the borrower.	Either the payment amount reported on the credit report, or the actual documented payment (if the payment amount is above zero) may be used.	Either the payment amount reported on the credit report or the actual documented payment (when the payment amount if above zero) may be used.	If the reported payment(s) for each student loan(s) on the credit report is/are greater than the threshold payment calculation below, this payment amount must be used.	Either the payment amount reported on the credit report or the actual document payment (when the payment amount is above zero) may be used.
If repayment is to begin but payment is not available yet what payment calculation can be used? **What payment do we use for graduated payment plan?** **When Loan is in forbearance what payment calculation should be used?**	If no payment on credit report, use 1% of the balance (even if this amount is lower than the actual fully amortizing payment) or fully amortizing payment using the documented loan repayment terms (cannot be zero).	If no payment on credit report, use the higher of 1/2 of 1% of the balance or actual verified payment (cannot be zero)	If no payment on credit report, use 1/2 of 1% of the balance or actual verified payment (cannot be zero)	Greater of: a) 5% of the balance shown on the credit report (divided by 12 monthly payments) OR b) The actual payment (cannot be zero) [1]If b) is used, refer to the VA Note below.	Greater of .50% of the balance or actual documented payment (cannot be zero)

When loan is in income-based repayment plan (IBRP) what payment calculation should be used?	For student loans associated with an income-driven repayment (IDR) plan, the student loan payment, as listed on the credit report, is the actual payment the borrower is making, and that payment should be used in qualifying. Any future increases in the IDR payment will be tied to similar increases in the student's income, mitigating concerns that IDR payments may create payment shock. If no payment on credit report, use 1% of the balance or actual verified payment. As long as the Lender can provide documentation showing the IDR payment is $0, they can qualify the Borrower with $0 for the monthly qualifying payment.	[3]For student loans associated with an income-driven repayment (IDR) plan, the student loan payment, as listed on the credit report, is the actual payment the borrower is making, and that payment should be used in qualifying. If no payment on credit report, use the higher of 0.5% of the balance or actual verified payment (cannot be zero). If documentation in the Mortgage file indicates the borrower must recertify their income and/or the borrower's payment will increase prior to or on the first mortgage payment due date, the following must be included in the DTI: • The greater of the current payment or 0.5% of the outstanding loan balance, or • The documented future payment amount if greater than the current payment, or • The future payment amount that is less than or equal to the current payment, provided that the mortgage file contains documentation that the borrower has recertified their income and the future payment amount has been approved.	If no payment on credit report, use 1/2 of 1% of the balance or actual verified payment (cannot be zero). If the loan is in forbearance, and shows no payment on the credit report, the greater of 1/2 of 1% or the verified payment must be used (cannot be zero).	Greater of: a) 5% of the balance shown on the credit report (divided by 12 monthly payments) OR b) The actual payment [1]If b) is used, refer to the VA Note below.	Greater of .50% of the balance or actual documented payment (cannot be zero)

Is a payment included if the loan balance has been forgiven, canceled, discharged, or otherwise paid in full?	[2] No	[2] No	[2] No	[2] No	[4] Yes

1. **VA:** If the payment(s) reported on the credit report is less than the threshold payment of 5%, in order to count the lower payment, the loan file must contain a statement from the student loan servicer that reflects the actual loan terms and payment information for each student loan(s). The statement(s) must be dated within 60 days of the loan closing and may be an electronic copy. It is the lender's discretion as to whether the credit report should be supplemented with this information.
2. **Fannie Mae, Freddie Mac, FHA, & VA:** The borrower must be eligible or approved, as applicable, for the student loan forgiveness, cancelation, discharge, or employment-contingent repayment program, and UHM must not be aware of any circumstances that will make the borrower ineligible in the future. Evidence of eligibility or approval must come from the student loan program or the employer as applicable.
3. **Freddie Mac:** If the income being used for qualifying matches the income used for the IBRP, then that payment can be used as long as the income used by that creditor is documented.
4. **USDA Only:** Loan must have already been forgiven, canceled, discharged, or otherwise paid in full to not have a payment. Student loans in a "forgiveness" plan/program remain the legal responsibility of the applicant until they are released of liability from the creditor. The applicable payment must be included in the monthly debts.
5. **Note for all Products**: With all categories **EXCEPT** IBRP and FNMA, if a payment is not listed on the credit report, evidence of payment(s) documented and utilized with a credit supplement may be acceptable. FNMA requires documentation from the loan servicer.

3002.0 Verbal Verification of Employment Reference Table

The following table applies to all product types.

<table>
<tr><th>Type of Income</th><th>Verbal VOE Requirements</th></tr>
<tr><td>Hourly, Salary, and Commission Income (Non-Military)</td><td>
Independently obtain a phone number and, if possible, an address for the borrower's employer. This can be accomplished by using a telephone book, the Internet, directory assistance, or by contacting the applicable licensing bureau.

• A processor or closer must contact the employer verbally and confirm the borrower's current employment status within 10 business days prior to the note date.

Note: VA does not require a reverification prior to closing. All income documents must meet VA document expiration guides.

• The conversation must be documented. It should include the following:
  • name and title of the person who confirmed the employment for the lender,
  • name and title of the person who completed the verification for the employer,
  • date of the call, and
  • the source of the phone number.

Employer Not Responding:

• If the employer will not verbally verify employment, or is not responding, the processor must obtain a written verification (other than an additional paystub) confirming the borrower’s current employment status within the same time frame as the verbal VOE requirements.

• The written documentation must include the name and title of the person who completed the verification for the employer.

Employer Use of third party:

• If the employer uses a third-party employment verification vendor, the lender must obtain written verification from the vendor of the borrower’s current employment status within the same time frame as the verbal VOE requirements.

<u>Note</u>: Because third-party vendor databases are typically updated monthly, the verification must evidence that the information in the vendor's database was no more than 35 days old as of the note date.

AUS Validation:

When employment is validated by DU, DU includes in its assessment the age of the information in the vendor’s database. The DU message will include a date by which the loan must close. This may differ from the age of data and 10 business day requirements above. Compliance with the DU message satisfies the requirement for completing the verification of employment. See B3-2-02, DU Validation Service for additional information.
</td></tr>
</table>

Military Personnel	If the borrower is in the military, a verbal or written VOE is not required as long as one of the following documents are in the file: • a military Leave and Earnings Statement dated within 30 calendar days prior to the note date (or 31 days for longer months), or • a verification of employment through the Defense Manpower Data Center (https://www.dmdc.osd.mil/appj/mla/).

Primary Self-Employed Income	UHM must verify the existence of the borrower's business within 30 calendar days of the note date. Any document obtained from a third party such as a State Letter of Good Standing must be no more than 120 calendar days prior to the note date.
	These include but are not limited to:
	• regulatory agency, or the applicable licensing bureau, if possible; or
	• verifying a phone listing and address for the borrower's business using a telephone book, the Internet, or directory assistance. NOTE: if the borrower's business is listed under his or her personal name instead of a business company name, then this option is not permitted since the existence of the business cannot be verified.
	If the above sources are not available, the following alternative sources are acceptable:
	• Preparer of the tax returns for the business (ie: accountant/CPA), provided the preparer has an arm's length relationship with the borrower. Must be on CPA letterhead and include:
	  ◦ CPA name
	  ◦ CPA Business name, if applicable
	  ◦ CPA license number
	  ◦ CPA signature
	  ◦ Date
	  ◦ Borrower's business name and address
	• Confirmation of the business's current active status and existence of the business for at least two years. Note: If the CPA has not prepared the borrower's business tax returns for two years or longer, it is permissible for the CPA to provide confirmation of the business's active status for as long as the CPA has prepared the taxes.
	• At least one month's business bank statement that supports the current existence of the business and the level and type of income and expenses reported on the business tax returns.
	The processor or underwriter must complete the UHM Verbal Verification form and document the source of the information obtained and include the name and title of the employee who obtained the information.

Secondary Self-Employed Income	<u>Conventional</u>: Refer to agency rules on whether the SE income must be shown in qualifying. This can vary based on whether the SE income is secondary income and whether there is a business loss. If the income is not required to be used in qualifying, then a verbal verification is not required. <u>Government</u>: All SE Income/Loss must be shown. Therefore, follow UHM VVOE policy just as for primary SE.

1099 Employee/Independent Contractor (excluding Union Workers)	If the borrower is an independent contractor and receives a 1099 instead of a W-2 to verify yearly income, the VVOE requirement is: • If the borrower contracts with only one company, employment can be verified directly with that company using the steps outlined for Salaried Borrowers. • If the borrower contracts with multiple companies, employment needs to be verified as for a self-employed borrower.
Union Worker	If the borrower is a union member who works in an occupation that results in a series of short-term job assignments (such as a skilled construction worker, longshoreman, or stagehand), and the union facilitates the borrower's placement in each assignment, the VVOE may obtained from the union.
Temporary Leave	A VVOE is required to confirm the borrower is on leave. If the employer confirms the borrower is currently on temporary leave, (whether expected or unexpected) consider the borrower "employed." See B3-3.1-09, Other Sources of Income, for details on temporary leave.
Prior Employment	Conventional Only: VVOE is not required when W-2s and other supporting documents support stable employment. Underwriter discretion applies. Government: VVOE policies apply

Who completes the VVOE:

- Processors conduct the initial VVOE when required.
- The Processor/LOA is responsible for obtaining the Final VOE if the clear-to-close is obtained within 5 business days or less from the closing. The Closer is responsible for obtaining the Final VOE if the clear-to-close is obtained six or more business days from closing.
- Loan Originators are not permitted to conduct the VVOE.

Income That Does Not Require Verbal Verification:

- Non –Employed Income such as social security, pensions, annuities,
- Rental Income
- Passive Income on Schedule E

3003.0 Manufactured Housing Checklist

Reminders:

- Get title surrender early in the transaction to limit delays.
- Unless new construction, obtain proof that the title is surrendered, or loan will not close.
- Cash-Out refinances- check agency guidelines for requirements on LTV and how long the borrower has to own the home.
- Temporary Buydowns are permitted on FNMA, FHA, USDA, and VA. They are prohibited by FHLMC.

Agency; Product	Transaction Type	Maximum LTV/CLTV/HCLTV	Minimum FICO	Maximum Term
Freddie Mac; all, including Home Possible	Primary - Purchase; Rate and Term Refi	95%	620	30 yr.
Freddie Mac	Second Home – Purchase; Rate and Term Refi	85%	620	30 yr.
Fannie Mae	Primary - Purchase; Rate and Term Refi	95%	620	30 yr.
Fannie Mae; Homestyle Renovation	Second Home – Purchase; Rate and Term Refi	90%	620	30 yr.
Freddie Mac	Primary - Cash out refinance (multi-width only, no single-wides)	65%	620	**20 yr.**
Fannie Mae	Primary – Cash out refinance (multi-width only, no single wides)	65%	620	30 yr.
Fannie Mae MH Advantage	Primary - Purchase; Rate and Term Refi	97%[2]	620	30 yr.
FHA	Primary - Purchase	96.5%[1]	580	30 yr.
FHA	Primary - Rate and Term Refinance	97.75%[1]	580	30 yr.
FHA	Primary - Cash out Refinance	80%	620	30 yr.
VA	Primary - Purchase	100% (Base loan amount)	580	30 yr.
VA	Primary – Cash Out	100% (Base loan amount)	620	30 yr.
VA	Primary - IRRRL	Per IRRRL Worksheet	NA	30 yr.
USDA	Primary - Purchase and Refinance	100%	620	30 yr.

Footnotes:

1. *Or lower LTV as may be required by FHA under certain circumstances.
2. MH Advantage only in combination with Homestyle Renovation: 97% maximum LTV.

General Requirements:

___ Subject Manufactured Home meets the square footage requirements as identified by the applicable Agency in the **UHM Manufactured Housing Guidance**.

___Single Family Dwelling legally classified as real property

___Owner occupied or second home* (NO INVESTMENT PROPERTIES)

*Note: Second homes are only available for Fannie Mae & Freddie Mac, and must be multi-width.

___May be located in a condominium project, PUD project, or leasehold estate according to each Agency's guidelines.

___ UHM does not permit the use of Community Land Trusts unless an exception has been approved by the Legal department and the loan meets Agency guidelines.

- FNMA allows only one-unit single-width, multi-width, and MH Advantage manufactured homes subject to a community land trust.
- FHLMC does not allow community land trusts with a Manufactured Home.

___Manufactured Home (MH) can only be moved from the dealership to the initial lot, when purchased, if the Manufactured Home is brand new. It is unacceptable for MH to move once it is placed on the initial lot. VA is the only loan type that considers accepting MH that has been moved after its placement on the initial lot. All loan types require the Manufactured Home to be brand new in order for the move from the dealership to the initial lot, when purchased, to be acceptable.

___FHA Refinances Only: The manufactured home must have been permanently erected for at least 12 months.

___Built on a Permanent Chassis according to HUD Codes

___Permanent utilities, pitched roof, and taxed as real estate by the local taxing authority

___Year built on or after June 15, 1976

*Note – USDA Only: Manufactured Homes built prior to January 1, 2006 are not eligible for financing

___All improvements must be completed prior to closing

___Title work must contain ALTA Form 7

___Signed statement from borrower stating MH is part of the real property that secures the mortgage

___Obtained Insured Closing Protection Letter

___Proof title is surrendered. (Must be approved by Collateral Underwriting before loan can close)

___Appraisal Report -FNMA Form 1004C or FHLMC 70B

___Pictures of HUD data plates/Compliance Certificate & paper data certification (see below)

*Fannie Mae and Freddie Mac Existing Construction Only: Appraisal must have picture of either the metal HUD tags or the paper data certification; both are not required.

___Full appraisal is not required on Streamline Refinances.

___Structural modifications to an existing MH must be approved by a licensed engineer or the local, state, of federal authority.

___Structural cert if applicable (see below)

HUD Tags & Paper Data Certifications: (UHM follows agency guidelines)

Fannie Mae & Freddie Mac:

Appraisal must have pictures of both metal HUD tags and the paper data cert.

If any are missing, order an IBTS report with LOA or Processor.

If metal tags are missing, order a Label Verification Letter ($100.00).

If the paper cert was missing, order the Data Plate/Performance Verification Certificate ($125.00).

*Fannie Mae and Freddie Mac Existing Construction Only: Appraisal must have picture of either the metal HUD tags or the paper data certification; both are not required.

VA:

Appraisal must have one of the 3 items (2-hud metal tags and the paper data cert).

As long as the appraisal has a picture of 1 of the 3 identifying items, ordering an IBTS. is not required, rather, ensure the appraiser comments which item is missing.

If all 3 are missing, contact Collateral Underwriting as soon as possible.

FHA:

Per HUD, if Appraisal indicates the HUD Certification Label is missing from the manufactured housing unit, the mortgagee must obtain label verification from the Institute of Building Technology and Safety (IBTS).

If the Paper cert is missing, the appraiser must report this in the appraisal and is not required to secure the data plate information from another source.

If all 3 are missing, please contact Collateral Underwriting as soon as possible.

Structural Certifications: (UHM follows agency guidelines)

Fannie Mae:

Manufactured homes that have an addition or have had a structural modification are eligible under certain conditions. If the state in which the property is located requires inspection by a state agency to approve modifications to the property, the lender is required to confirm that the property has met the requirement. However, if the state does not have this requirement, then the structural modification must be inspected and deemed structurally sound by a structural engineer or a third party who is regulated by the state and is qualified to make the inspection.

Freddie Mac:

Freddie Mac Single-Family Seller/Servicer Guide Chapter H33 As of 12/18/15 Page H33-4

___The Mortgaged Premises must conform to all applicable use restrictions and must be zoned for residential use, and not commercial or business uses.

___The square footage and room dimensions must be acceptable to typical purchasers in the market area.

___The Manufactured Home must be permanently affixed to the permanent foundation, in compliance with the HUD Codes.

___Any improvements, modifications or repairs, that affect the safety, soundness or habitability of the Manufactured Home, must be completed prior to the sale of the Mortgage to Freddie Mac.

If the installation was prior to October 20, 2008:

___The foundation must be designed for the site conditions, home design features, and the loads the home was designed to withstand, in accordance with the manufacturer's instructions or a design by a licensed (registered) professional engineer.

___The foundation must meet all applicable local, State or federal codes.

___Any structural modifications to an existing Manufactured Home must be approved by a licensed professional engineer or the local, State or federal authority.

VA:

VA does not require a structural cert., unless the appraiser requires the inspection.

FHA:

The foundation requirements, for a manufactured home, can be found in the Permanent Foundations Guide for Manufactured Housing (PFGMH).

___The lender must obtain a certification by an engineer or architect, who is licensed/registered in the state where the manufactured home is located, attesting to compliance with the PFGMH.

___The lender may obtain a copy of the foundation certification from a previous FHA-insured mortgage, showing that the foundation met the guidelines published in the PFGMH that were in effect at the time of certification, provided there are no alterations and/or observable damage to the foundation since the original certification.

If the appraiser notes additions or alterations to the manufactured housing unit (including installations of solar panels or wind technologies), UHM must ensure the addition was addressed in the foundation certification. If the additions or alterations were not addressed, the following must be obtained:

- An inspection by the state administrative agency that inspects manufactured housing for compliance; or
- Certification of the structural integrity from a licensed structural engineer, if the state does not employ inspectors.

For New Construction, the space beneath the house must be enclosed by a continuous foundation type construction designed to resist all forces to which it is subject without transmitting forces to the building superstructure. The enclosure must be adequately secured to the perimeter of the house and be constructed of materials that conform, accordingly, to HUD MPS (such as concrete, masonry or treated wood) and the PFGMH for foundations.

For Existing Construction, if the perimeter enclosure is non-load-bearing skirting comprised of lightweight material, the entire surface area of the skirting must be permanently attached to backing made of concrete, masonry, treated wood or a product with similar strength and durability.

For more information see Handbook 4000.1 II.A.1.b.iv.(B)(5)(c)(ii) and II.D.5.c.

Existing Manufactured Home Eligibility by State (USDA):

Colorado	Nevada	Pennsylvania	Virginia
Iowa	New Hampshire	South Dakota	Washington
Louisiana	New York	Tennessee	West Virginia
Michigan	North Dakota	Texas	Wisconsin
Mississippi	Ohio	Utah	Wyoming
Montana	Oregon	Vermont	

3004.0 Fannie Mae and Freddie Mac Guide Differences

☆ = Preferred Option		*Encompass Indicator Not Required	**Encompass Indicator Required
		FNMA	FHLMC
Maximum LTV/CLTV/HCLTV			
Transaction Type	Number of Units	Maximum LTV/CLTV/HCLTV	
Principal Residence: Purchase, Limited Cash-Out Refinance[1]	1 Unit	☆ Fixed: 97% ARM: 95%	Fixed: 97% ARM: 95%
	2 Units	Fixed/ARM: 95%	Fixed/ARM: 85%
	3-4 Units	Fixed/ARM: 95%	☆ Fixed/ARM: 80%
Second Home: Purchase	1 Unit	Fixed/ARM: 90%	Fixed/ARM: 90%
Second Home: Cash-Out Refinance	1 Unit	Fixed/ARM: 75%	Fixed/ARM: 75%
Investment Property: Limited Cash-Out	1-4 Units	Fixed/ARM: 75%	☆ 1 Unit Fixed/ARM: 85% 2-4 Units Fixed/ARM: 75%
Gift Funds			
LTV, CLTV or HCLTV	Property Type	Minimum Borrower Contribution	
>80% LTV	1 Unit Principal Residence	No borrower contribution required	☆ 1-4 Unit Principal Residence: No borrower contribution required
	2-4 Unit Principal or Second Home	The borrower must make a 5% Contribution	
General Guidelines			
		FNMA	FHLMC
Extenuating Circumstances**		☆ Verification of extenuating circumstances is permitted for shorter waiting periods after serious derogatory credit as defined in their Selling Guide.	Extenuating Circumstances are not acceptable for the shorter waiting periods after serious derogatory credit. This is contrary to what is published in Freddie Mac's guide.
Divorce as an Extenuating Circumstance**		☆ May be acceptable.	Not acceptable.
Buying out the Interest of Another Owner in the Case of Divorce		Can be completed as a Cash-Out Refinance or Limited Cash-Out Refinance	Considers this to be a 'Special Purpose Refinance," and can only be treated as a Cash Out Refinance with a max LTV of 80%
Union worker income verification*		Verbal VOE from union; executed employment offer or contract for future employment	If the borrower is between jobs, but the employment and income history is stable, a 10-day Pre-Closing Verification (PCV) through the union is acceptable.
Private Road Maintenance Agreement		Required	☆ Not Required

Student Loans**	FNMA and FHLMC differ on how they treat student loans, including what payment should be used for qualifying purposes and their treatment of repayment plans. Refer to the Student Loan Payment Matrix in section 3001.0 for specific guidelines by Agency.	FNMA and FHLMC differ on how they treat student loans, including what payment should be used for qualifying purposes and their treatment of repayment plans. Refer to the Student Loan Payment Matrix in section 3001.0 for specific guidelines by Agency.
Secondary Financing **	☆ Eligible	Eligible, reduce LTV by 5%
Credit Report with trended data *	Required for DU	☆ Not Required for LP
Nontraditional credit **	90% LTV/CLTV/HCLTV	☆ 95% LTV/CLTV/HCLTV
No Credit Score Borrower**	90% LTV/CLTV/HCLTV Max DTI 40%	☆ 95% LTV/CLTV/HCLTV Max DTI is determined by LPA
Condo Project Eligibility **	Fannie Mae warrantable	☆ Freddie / Fannie warrantable
Continuity of Obligation **	☆ No requirement	At least one borrower was on the refinanced mortgage or held title and resided in the mortgaged property as a primary residence for the most recent 12 months; or was awarded the property as a result of divorce, separation or dissolution
Amount of Cash Back on a Rate and Term/Limited Cash Out Refinance	☆ 2% of the loan amount or $2,000, whichever is less	1% of the loan amount or $2,000, whichever is greater
Refinance Note Seasoning Requirements (These guidelines are in addition to ownership seasoning requirements. Refer to the Agency guides for complete details)	Limited/No Cash-Out: The application date of a new limited cash out refinance must be 31 days or more after the Note date of a prior cash out refinance.	Limited/No Cash-Out: The Note date of a new 'no cash out' refinance mortgage must be 31 days or more after the Note date of any prior refinance (whether it was a cash out or a no cash out refinance)
	Cash-Out: If an existing first mortgage is being paid off through the transaction, it must be at least 12 months old at the time of refinance, as measured by the note date of the existing loan to the note date of the new loan. This requirement does not apply: • To any existing subordinate liens being paid off through the transaction, OR • When buying out a co-owner pursuant to a legal agreement	Cash-Out: If an existing first mortgage is being paid off through the transaction, it must be at least 12 months old at the time of refinance, as measured by the note date of the existing loan to the note date of the new loan. This requirement does not apply: • Buying out the Interest of Another Owner in the Case of Divorce or considered a "Special Purpose" refinance. • The First Lien being paid off is a Home Equity Line of Credit (HELOC).

Power of Attorney*	Please refer to section 3006.0 for full POA requirements. *Note: In contrast to Freddie Mac, Fannie Mae does not allow the use of a POA on cash-out refinances.	☆ Freddie Mac only allows the use of a POA in the event of a hardship such as a medical emergency, natural disaster, military deployment, or other hardship preventing the Borrower from executing the requisite documents in person, by electronic signature, or through other alternative electronic means (e.g., Remote online Notarization, eClosing), or Applicable law requires the Seller to accept use of a POA. *Note: In contrast to Fannie Mae, Freddie Mac does allow the use of a POA on cash-out refinances. Keep in mind the hardship rule still applies.
Verification of Waiting Periods After Foreclosure, Short Sale and Deed in Lieu of Foreclosure**	Fannie Mae requires verification the loan meets the required waiting period	When a loan receives an Accept risk classification, the loan does not need to be reviewed for waiting period requirements
Detached Condos: Desktop Appraisals and Manufactured Home Detached Condos	Allows desktop appraisals on detached condos.	Freddie Mac will always require a full appraisal for detached condos; desktop appraisals are not permitted.
	Does not allow manufactured home detached condo units in an established project.	Permits a review of a manufactured home detached condo unit in an established project.
Rental Income from an ADU (Accessory Dwelling Unit)	Fannie Mae does not allow rental income generated from an ADU to be considered for qualifying the borrower.	Allows rental income generated from an ADU on a subject 1-unit primary residence to be considered when qualifying the borrower for a purchase or a no cash out refinance mortgage, provided that certain requirements are met.
Allowable Gift Donors	Estates and Trusts of Related persons are not considered eligible donors.	A Trust and/or Estate of a Related Person are permitted as eligible donors of gift funds and gifts of equity.
Graduation Gifts	Fannie Mae does not specify permitting graduation gifts.	Gifts from unrelated persons are an eligible source of funds only if given as a wedding or graduation gift.
Income Received on IRS Form 1099	Fannie Mae requires 1099 income to be treated as self-employed income.	Freddie Mac allows income received on an IRS Form 1099 to be treated as schedule-c or as non-self-employed income under some circumstances. The file must include: • IRS Form 1099(s) for services performed for most recent two calendar years • Tax return (pages one and two and applicable schedules) for the most recent year (Updated) • YTD income documentation See the FHLMC selling guide for full requirements.

Borrower Cash Flow in Credit Assessment	Fannie Mae does not consider a Borrower's cash flow in its credit assessment at this time.	Loan Product Advisor (LPA) includes Borrowers' cash flow in its credit assessment. A verification report of the asset account(s) the Borrower uses to deposit income, pay monthly bills and conduct day-to-day transactions, as well as accounts used for savings and retirement, must be obtained. At least 12 months of account data must be transmitted to LPA. Note: For LPA Accept Mortgages, if positive cash flow is identified and no Borrower has a credit score, additional payment references are not required.
Credit Card Reward Points	Fannie Mae does not allow credit card reward points to be used as an eligible source of funds for qualifying.	Credit card reward points are an eligible source of funds used to qualify the Borrower for the Mortgage transaction when the points are redeemed for cash. Refer to FHLMC Sellers Guide Section 5501.3(a)(iii) for detailed requirements.
Documentation Requirements for using Business Assets as for Down Payment, Closing Costs, or Financial Reserves, when a Borrower is Self-Employed	Fannie Mae requires the 2 most recent months' complete bank statements (all pages).	Freddie Mac requires the 3 most recent months' complete bank statements (all pages).
Federal Income Tax Installment Agreement Requirements	Fannie Mae requires evidence that the borrower is current on the payments associated with a tax installment plan. At least one payment must have been made prior to closing.	Freddie Mac does not require evidence of at least one payment being made prior to closing, although the Seller must acquire verification that the Borrower is not past due under the terms of the installment agreement.
Payment of Deferred Balance from Prior Loss Mitigation Solution on Existing First Mortgage Using Proceeds from Limited/No Cash-Out Refinance	Fannie Mae allows the proceeds from a limited or no cash-out refinance to be used to pay off the existing first mortgage (which may include additional amounts required to pay off the loan, such as prepayment penalties, a deferred balance resulting from completion of a prior loss mitigation solution, and late fees).	Freddie Mac does not allow the proceeds from a limited or no cash-out refinance to be used to pay off a deferred balance that was a result of a prior loss mitigation solution.

Property in LCC	Rate/Term Refinance: At least one Borrower on the new loan must be a current owner of the subject property (on title) at the time of the initial loan application.	Rate/Term Refinance: When an existing Mortgage will be satisfied as a result of a refinance transaction, the following must be met: • At least one Borrower on the refinance Mortgage was a Borrower on the Mortgage being refinanced. • Original loan must be in individual's name only. Loan cannot be made to LLC or Partnership.
	Cash-Out Refinance: At least one Borrower must have been on title to the subject property for at least six months prior to the disbursement date of the new loan. If the property was owned prior to closing by a limited liability corporation (LLC) that is majority-owned or controlled by the Borrower(s), the time it was held by the LLC may be counted towards meeting the Borrower's six-month ownership requirement.	Cash-Out Refinance: At least one Borrower must have been on the title to the subject property for at least six months prior to the Note Date, except as specified below: For cases in which title to the property is held by a limited liability company (LLC) or limited partnership (LP), the time the property was titled in the name of the LLC or LP may be included in the six-month requirement provided: 1. At least one Borrower must have been the majority owner or had control of the LLC or LP since the date the property was acquired by the LLC or LP, and 2. Title must be transferred from the LLC or LP into the Borrower's name prior to the Note Date
Trust Income	FNMA and FHLMC allow the use of fixed and varying trust income for qualifying a borrower, although the requirements differ by Agency. Refer to the Conventional Trust Income Comparison Matrix for detailed guidance by Agency.	FNMA and FHLMC allow the use of fixed and varying trust income for qualifying a borrower, although the requirements differ by Agency. Refer to the Conventional Trust Income Comparison Matrix for detailed guidance by Agency.

Deed Restrictions	FNMA allows loans that are subject to one or more of the following types of resale restrictions:
	• Employment-related Requirements,
	• Occupancy Requirements,
	• First-Time Homebuyer Requirements,
	• Restrictions on group homes or homes that are principally used to serve residents with disabilities,
	• Income Limits,
	  ○ Note: Manufactured Homes are not eligible unless located in a
		FHLMC allows loans that are subject to resale restrictions including, but not limited to:
		• Income Limits,
		  ○ Note: Manufactured Homes not eligible at this time.
		• And Age-related Requirements (55+ Communities):
		  ○ Must be a First Lien Mortgage.
		  ○ FHLMC Purchase requirements including, but not limited to, all applicable Condominium Project

	PERS-approved project. • And Age-related Requirements (55+ Communities): ○ Loan must be fixed rate or ARM with an initial fixed period of five (5) years or more, and must comply with the FNMA Selling Guide. Manufactured Homes are not eligible unless located in a PERS-approved project.	and Planned Unit Development (PUD) requirements must be met. Manufactured homes are not restricted; must meet all FHLMC guide requirements for Manufactured Housing to be eligible.
Non-Occupying Borrowers on Cash-Out Refinances	Fannie Mae does not restrict non-occupying Borrowers on cash-out refinances.	Freddie Mac does not allow non-occupying Borrowers when a cash-out refinance is secured by a primary residence. All Borrowers must occupy.
Cash-Out Refinance on Manufactured Home: Maximum Loan Term	Fannie Mae allows a maximum loan term of 30 years at a 65% LTV for cash-out refinances on primary residence Manufactured Homes (multi-width only, no single wides).	Freddie Mac allows a maximum loan term of 20 years at a 65% LTV for cash-out refinances on primary residence Manufactured Homes (multi-width only, no single wides).
This document does not cover all scenarios. Please see Agency guidelines for current information.		

[1] Includes the HomeReady and HomeStyle Renovation Programs.

3005.0 Underwriting Signing Authority

Unless noted elsewhere, the following table outlines the 2nd signature requirements, based on loan amount, for all products. Any additional 2nd reviews contained within the lending guide apply as normal.

Loan Limit	2nd Review Required
Up to Conforming Loan Limits based on # of Units (Includes Conventional High Balance with DTI <45%)	No Additional Review Required for Loan Amount
Conforming Loan Limit >$1 Mil (Includes any Government High Balance and any Conventional High Balance with DTI >45%)	UW Team Lead 2nd Review
Non-Agency Jumbo up to $2 Mil	Jumbo SME 2nd Review
Non-Agency Jumbo over $2 Mil	Sr. Management Approval and Jumbo SME 2nd Review

3005.1 Additional UW Team Leader 2nd Review Requirements

An UW Team Leader 2nd review may be required based on additional parameters of the loan file. The following is a list of characteristics that would require a 2nd review from an UW Team Leader. Note: this list may not be all inclusive, additional situations may require a 2nd review from an UW Team Leader.

- **Appraisals with CU Scores of 5**
- **Loans recommended for denial**
- **GNMA Refinance Seasoning Requirements. Including FHA Streamline Max Loan Amount Calculations, VA Joint Entitlement**

3006.0 Power of Attorney Review Procedures

PROCESS FLOW

1. The assigned Underwriter (U/W) on the loan must review and approve the Power of Attorney (POA), including revisions submitted after an initial determination that the POA is deficient. Any questions and/or concerns should be directed to his/her U/W Team Lead. Thereafter, if questions, concerns and/or issues remain outstanding and unresolved, the assigned U/W should contact legal@uhm.com for guidance and direction.
2. The U/W's should follow the most recent version of UHM's Power of Attorney Policy, which is published on Union Home University under job aids. The Power of Attorney Policy is also in Chapter 21 of UHM's Compliance Policy Manual.
3. The POA must also be reviewed and approved by the Title Co., via written email, including confirmation that the POA is in recordable format. This email from the Title Co. must be saved in the Encompass Conversation Log.
4. Should either the U/W or U/W Team Lead have further questions due to the uniqueness or complexity of the issues, then they should contact legal@uhm.com for guidance and direction.
5. Review by UHM legal is required in the event a POA is using "other hardship" as the reason preventing the borrower from using electronic means to sign the requisite documents AND the loan must be submitted to Freddie Mac.

Refer to the UHM Power of Attorney Policies for complete information. UHM follows each Agency requirements.

3007.0 Tax Return, W-2, and P&L Requirements for Current & Prior Year

NOTE:

Current Filing Year: 2024

Prior Filing Year: 2023

W-2 REQUIREMENTS

2024 W-2's will be required with all applicable file submissions, effective February 1st of the current year (2025).

TAX RETURN REQUIREMENTS

For self-employed borrowers who have not filed the current filing year's (2024) tax return, the following are required:

- Most recent tax filings (Individual and Business), and
- Current filing year's (2024) Tax Transcript showing "No Record Found", and
- If applicable, for applications after April 15 (or other date as set by the IRS): Verification of an extension for the current filing year (2024) is required, as described in Extension Requirements below.

IRS TAXES DUE ON PERSONAL INCOME TAX RETURNS – (Current Year)

The Agencies pay close attention to taxes due shown on personal income tax returns to determine the following:

- Will the Borrower have adequate funds to close from an allowable source? And,
- Will the Borrower incur a monthly obligation with the IRS as a result of a repayment arrangement?

To ensure compliance with all Agency due diligence requirements, UHM requires:

- When tax returns reflect an amount equal to or less than $5,000 in taxes owed, documentation of payment is not required.
- When tax returns reflect an amount owed greater than $5,000 and the loan **will close prior to the tax filing deadline**:
    - Verify sufficient assets to cover the amount due, OR
    - Provide evidence that the taxes have been paid.
- When tax returns reflect an amount owed and the **loan closes on or after the tax filing deadline**:
    - Verify the taxes have been paid (i.e.: wire, cancelled check), OR
    - Provide an approved IRS installment agreement with the terms of repayment, including the monthly payment amount and the amount due.

Additional Due Diligence and Documentation Requirements

- Bank statements must be reviewed for any additional debt or IRS payments.
- Loan officers are obligated to ask, and borrowers are obligated to disclose in section 5b.h. of the URLA, that there is an installment agreement on a federal debt.
- If any document in the loan indicates a payment plan has been established, the agreement must be provided, and the amount included in the DTI.

Additional guidance can be found in Ask Alice/Ask UHM by asking, “Do outstanding IRS tax balances for previous years need to be paid off prior to closing?”

Federal Income Tax Installment Agreements

Each Agency has unique requirements for IRS payment agreements. Refer to the Ask Alice/Ask UHM question, “What are the requirements when the borrower has entered into an IRS payment agreement for delinquent taxes owed?”

PROFIT AND LOSS (P&L) AND BALANCE SHEET REQUIREMENTS FOR SELF-EMPLOYED BORROWERS

Fannie Mae and Freddie Mac:

- A Profit & Loss Statement is only required per Underwriter discretion.
- P&L ***cannot*** be used for calculation of stable monthly income. The information is only used to support the business income is stable.
- A YTD Balance sheet is not always required with the P&L, although it may be required in certain cases.
    - Partnerships, S. Corps, and Corporations require evidence of assets and liabilities in order to calculate and pass the liquidity test. This can be done with one of the following:
        - The most recent business return with Schedule L (Balance Sheet) completed, or
        - Balance Sheet for most recent tax year (2024) provided by the owner, or
        - Three month’s business bank statements.

FHA:

- A YTD P&L and Balance Sheet are required if more than 1 calendar quarter has elapsed since the date of the most recent calendar/fiscal year-end Tax Return filed by the borrower.
- A Balance Sheet is not required for Borrowers who file Schedule C Income (P&L still required).
- If the most recent tax year (2024) has not been filed, a full year P&L (2024) as well as YTD (2025) P&L are required.

VA:

- P&L and Balance sheet are required after one-half of the tax-year has passed to verify current income and stability of the income per VA guidelines.
- If the most recent tax year (2024) has not been filed, a full year P&L (2024) as well as YTD (2025) P&L are required.

USDA/RD:

- A YTD P&L is required for all self-employed Borrowers along with copies of the most recent 2 years' (2023 & 2024) Personal and Business Tax Returns (where applicable).
- The provided P&L is not required to be audited.
- If the most recent tax year (2024) has not been filed, a full year (2024) P&L as well as YTD (2025) P&L are required.
- Earnings reported on the Profit & Loss statement may not be included in the Repayment Income (Qualifying Income) calculation. However, any earnings reported on the P&L should be evaluated when determining the Eligibility Income/Annual Income (for program income limit purposes).

EXTENSION REQUIREMENTS – All Products, All Borrowers

Beginning with loans closed on or after April 15th, or other date as set by the IRS, UHM must provide the prior year's (2022) Tax Return Transcripts to be eligible for purchase. If a Borrower has filed an extension, we require:

1. Evidence in the file that the extension was filed, and a Tax Transcript for the current filing year (2024) showing "No record of return filed" (see below for Freddie Mac only exception), and
2. Evidence of IRS acceptance of the extension request (i.e.: electronic acknowledgement sent from IRS). Verify payment of any amount due that must be paid with the extension request.

Freddie Mac:

Freddie Mac permits alternative documentation in lieu of the Internal Revenue Service (IRS) confirmation that tax transcript(s) are not yet available for the business tax return(s), as follows:

- Confirmation business tax returns were filed after the IRS filing due date for the prior year(s) or documentation from third-party tax return preparer confirming 2024 business return has not yet been filed; and,
- Documented evidence of continued income stability using at least one of the examples listed in Section 5304.1(d) under "Business and/or individual tax return(s) – most recent calendar year not yet available."

Extensions are not accepted on Freddie Mac loans for note dates on or after November 1 of the current year (2025).

Fannie Mae: Extensions are not accepted for note dates on or after October 15 (2025).

FOR RETIRED BORROWERS

In cases where the Borrower is not required to file, transcripts are still required. If "No Results" feedback is received, provide a copy of the feedback.

AMENDMENT REQUIREMENTS

- Evidence the amended return was filed, and
- Information from the preparer to explain why the amendment was filed, and
- The preparer's explanation is consistent and reasonable with the type of changes made on the return.